

Invest Northern Ireland
Annual Report and Accounts 2003-04



INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 2003-04

Laid before the Houses of Parliament by the Department of Enterprise, Trade and Investment in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 37 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004.

14 July 2005

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OVERVIEW

Invest Northern Ireland (Invest NI) is Northern Ireland's economic development agency, established in April 2002 as a Non-Departmental Public Body, sponsored by the Department of Enterprise, Trade and Investment (DETI). Its role is to promote innovation, enterprise and competitiveness in Northern Ireland businesses, encourage new business start-ups and market Northern Ireland as a location for inward investment.

The Agency provides a range of financial support to assist businesses to grow and become more profitable and, in doing so, places a particular emphasis on assisting capability-building activities such as innovation, R&D, marketing, quality, process modernisation and skills development. Invest NI also provides access to advice, expertise and information, assists companies to enter or diversify in export markets and helps to meet business property needs.

Invest NI's mission is:

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

Invest NI's objectives are:

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

INVEST NI BOARD



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

INVEST NI BOARD MEMBERS

Professor Fabian Monds, Chairman

Mrs Rotha Johnston, Deputy Chairman

Mrs Deborah Boyd - reappointed for a further 3 years from 1 April 2004

Mr Frank Bunting

Professor Bernie Hannigan

Dr Patrick Haren

Ms Debra Jenkins

Mr Stephen Kingon

Mr Gilbert Little - reappointed for a further 3 years from 1 April 2004

Dr Alan McClure - reappointed for a further 3 years from 1 April 2004

Mr Bill McGinnis - reappointed for a further 3 years from 1 April 2004

Mrs Rosemary Peters-Gallagher

Mr Derek Shaw - retired by rotation 31 March 2004

Mrs Teresa Townsley - retired by rotation 31 March 2004

Professor Roy Crawford - retired from office 31 December 2004

INVEST NI EXECUTIVE

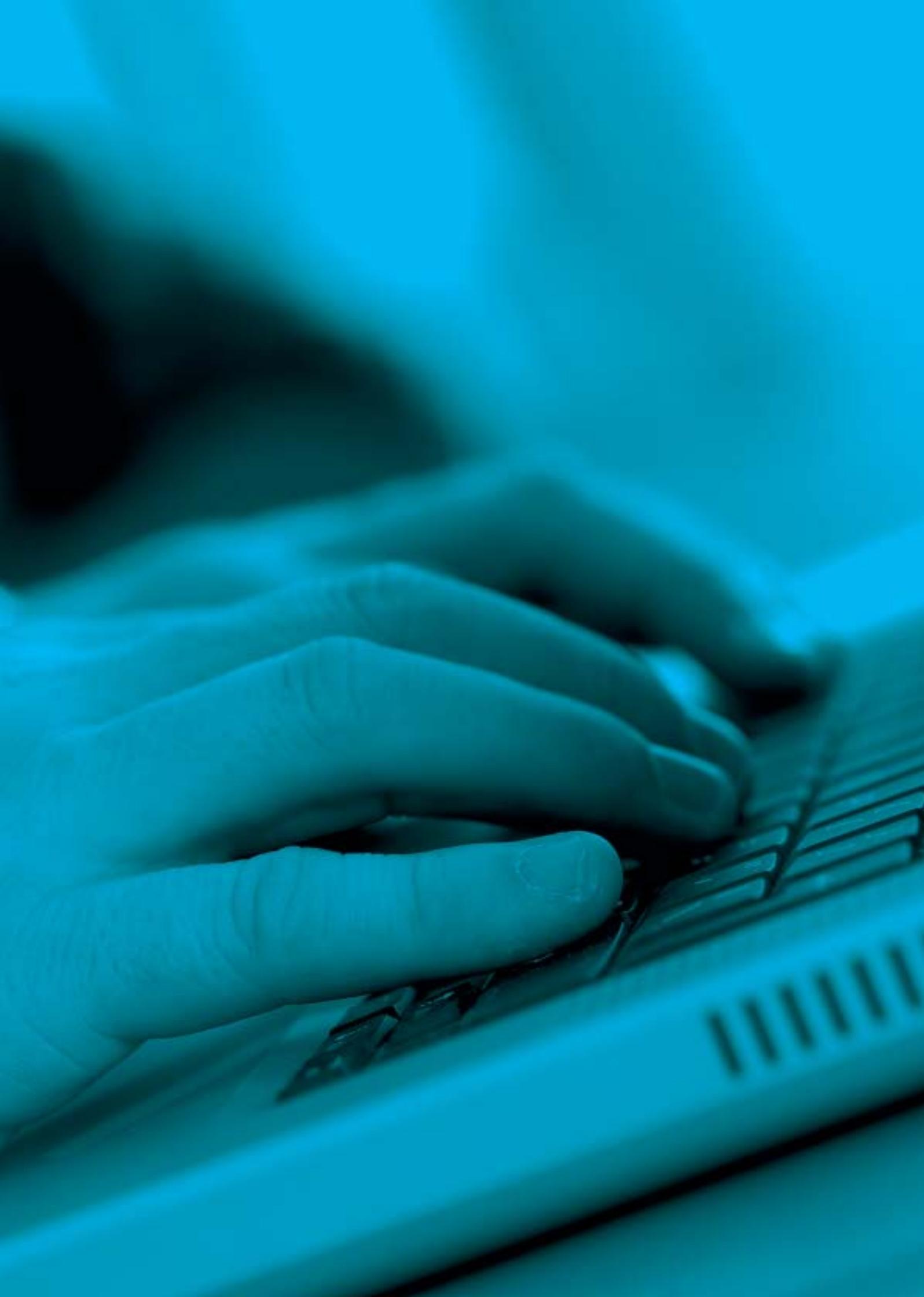
Mr Leslie Morrison Chief Executive

Mr Leslie Ross Managing Director, Clients Group and Business International

Ms Tracy Meharg Managing Director, Innovation and Capability Development

Professor Terri Scott Managing Director, Clients Group and Entrepreneurship

Mr Chris Buckland Managing Director, Corporate Services



CHAIRMAN'S INTRODUCTION

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Invest NI's second year saw us make very significant progress on consolidating and building upon the achievements of our first year. We continued our work to integrate the legacy organisations into an increasingly unified Invest NI team and we launched a number of new and distinctively Invest NI initiatives in support of our Corporate Plan objectives. In parallel with these activities, we made considerable effort to ensure that we maintained and, where appropriate, improved upon the value-added services Invest NI provides to our client companies.

This work was carried out against a global economic backdrop, which was still far from ideal. Some of the key uncertainties of the previous year had receded and a number of leading indicators improved, particularly confidence measures and stock markets. Growth, however, remained uneven, despite showing some evidence of strengthening. Throughout the year, markets and investment decisions across many sectors continued to be influenced by major issues as disparate as the ongoing war in Iraq and the impending accession of a further 10 countries to the EU.

The extent of any recovery displayed significant variation across Northern Ireland's industrial sectors, with some areas showing encouragingly positive signs while others continued to face difficult trading conditions. While such conditions provided major challenges for both client companies and our sector teams, investment activity levels were encouragingly high.

Our drive to increase investment in Innovation and R&D continued at a high level across a broad range of programmes. In particular, we secured a significant degree of participation in Compete, which helps companies develop new products and processes, with support provided for 114 projects representing a total investment of almost £19m.

We also succeeded in growing the number of companies taking part in R&D programmes by 6% during the year, an encouraging performance against our target of 5%.

We launched a streamlined sectoral strategy to ensure consistency of approach throughout the organisation and further rationalised our support programmes into a suite of customer-focused Business Development Solutions, a key tool used by our client-facing teams.

The market for Foreign Direct Investment (FDI) continued to be especially challenging, partly as a result of the continuing migration of traditional manufacturing operations to lower wage economies. Despite this, the considerable work we undertook to secure new international investment saw us achieve a very creditable 11 new projects during the year.

Key to our new customer-focused initiatives was the 'Accelerating Entrepreneurship Strategy' which we launched in June 2003 to meet our commitment under the Programme for Government to address Northern Ireland's traditionally low level of entrepreneurial activity. Our direct support for entrepreneurs is tailored to the specific needs of businesses that sell outside Northern Ireland.

'Go For It', the communications campaign, included television, radio, posters, leaflets and the 'Start A Business' shows. These are aimed at promoting local business starts in a programme which we co-fund and manage in partnership with the 26 Local Councils. It is delivered through the Enterprise NI network of Local Enterprise Agencies.

By the year end, the Start A Business Programme had assisted 2,637 start-ups focused on supplying the local NI market in addition to a further 104 businesses with export potential, leveraging almost £20m private sector investment.

Through the North West Action Plan, launched as a three-year plan to address the specific needs and opportunities of the region, Invest NI committed to provide over £60m of support by 2005-06.

The initiative is especially timely in view of the difficulties experienced by a number of traditional industries in the area. The clothing sector, in particular, suffered further job losses and company closures during the year. We were highly active in working with the companies concerned and other areas of government, including the Department of Employment and Learning, in helping the employees involved identify appropriate alternative training and job opportunities following redundancy.

All of this work was undertaken against a background of extensive change management in Invest NI. The former Business International and the Entrepreneurship and Enterprise Groups merged into a single Clients Group in which we

have segmented customers by sector rather than size. This is enabling Invest NI to provide a more consistent approach to its clients.

We also made excellent progress on finalising the arrangements for the provision of Invest NI's single site headquarters to be located in Bedford Street, Belfast. While the move to this site will take place in autumn 2005, 400 staff in our Chichester Street premises were required to undertake an interim move to Goodwood House to facilitate the Victoria Square redevelopment project.

This move was accomplished with minimal disruption to customer service delivery. Goodwood House has provided a valuable opportunity to trial a completely open-plan layout, which will be a feature of the single-site headquarters.

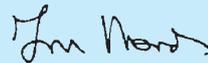
Invest NI's second year proved to be at least as busy and energetic as its first, with significant progress achieved across a range of fronts. This could not have been done without the commitment and dedication of our staff throughout the organisation and I would like to record my

thanks to them, and to Leslie Morrison and his Senior Management Team, for the excellent work which was done throughout the year.

I also want to thank my fellow board members for the considerable time and energy they have given to the work of Invest NI and for all the support they have given to me over the year. In particular, I would like to pay tribute to Derek Shaw and Teresa Townsley, who retired by rotation at the end of the year, for the very valuable contribution they made to the work of the Board during this key period in Invest NI's formative years.

Thanks are also due to our sponsor Department, DETI, for the assistance and guidance it provided and to our partner organisations working in the economic development field, through whom so much of our work is brought to fruition.

As we reach the end of our second year, I believe the changes being made by Invest NI will ensure that the Agency will positively influence economic development in Northern Ireland over the coming years.



FABIAN MONDS
Chairman



CHIEF EXECUTIVE'S OVERVIEW

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As we end our second year, Invest NI is a much more integrated and client-focused organisation which is delivering against its Corporate Plan objectives and communicating better with its stakeholders.

Investment commitments of over £1bn have now been secured since Invest NI's establishment, levered by our assistance of £267m. Total investment commitments from clients in 2003-04 exceeded £472m, towards which we made offers of financial support totalling around £121m.

Innovation

Invest NI has worked hard to stimulate investment in R&D and Innovation. Through a range of substantial R&D programmes - Compete, Start, Smart and Centres of Excellence - we assisted 133 projects during the year, offering over £18m in grant support and investing nearly £1m in shares. This levered some £20m of private-sector investment.

We established a further two Centres of Research Excellence and secured an additional £7m of research funding. Our Proof of Concept Programme, the objective of which is to improve intellectual property commercialisation within our universities, was launched and funded its first early-stage ventures. The initial phase of the Northern Ireland Science Park was established at Titanic Quarter, following completion of the Innovation Centre, and it is already almost 60% occupied.

Growing Existing Businesses

As the Chairman has indicated, economic recovery during the year was uneven. For example, while some parts of the software sector recovered and ICT saw evidence of returning growth, electronics continued to experience difficulties.

The food-processing sector performed competitively during the year. Although segments of the aerospace industry signalled signs of recovery, other engineering sectors continued to face challenging circumstances. Most pressure was felt once again by textiles and clothing, with its continuing outflow of work to lower-wage economies and significant job losses in Northern Ireland. Here, and in several other sectors,

Invest NI has expended considerable effort in helping companies facing temporary difficulties, to get back on their feet.

Given the very competitive markets faced by our client companies, the commitment by almost 270 of them to projects involving a total investment of £200m represents a considerable achievement.

Invest NI significantly exceeded its target for Business Improvement Interventions, and participating companies saw an increase in profits of over £12m as a result. Over 1,000 companies were encouraged to make greater use of ICT and e-Business.

Business Start-Up

Invest NI's main remit is to stimulate the creation and growth of companies that sell outside Northern Ireland, so the Global Start team, formed in 2003-04, is an important specialist resource aimed at this value-added segment.

Our 'Accelerating Entrepreneurship Strategy', the local component of which is promoted through the 'Go For It' campaign, has been a considerable success. 'Go For It' attracted 10,000 respondents from all over Northern Ireland and the Start A Business Programme achieved almost 2,700 start-ups focusing on the local market. This greatly exceeded our target of 1,500. Northern Ireland still has some distance to go but there are signs of improvement in our relatively low entrepreneurship indicators.

Inward Investment

Global FDI activity increased slightly in 2003-04 from a significant dip in the previous two years, but much of the investment flows went to developing countries. In response, we refined our focus on the sectors where Northern Ireland can be competitive internationally. These include software development, ICT, financial services and contact and shared services, in addition to science-based areas such as telecommunications, biotechnology and medical devices, R&D operations and advanced electronics.

During the year, over 3,200 in-market visits were made to influencers and potential investors and 148 visits to Northern Ireland were undertaken by prospective investors. Winning new inward investment is achieved through teamwork and relationship management over extended timeframes. In 2003-04, we secured 11 new FDI projects from a range of high quality investors. These offer the prospect of 1,099 new jobs, and represent investment commitments of £38.3m. This maintains our high market share for UK-bound projects.

North America and Great Britain generate 73% of the new investments, with North America continuing to be our best source for Northern Ireland, providing 55% of the projects secured. Invest NI's continuing commitment to supporting NTSN was further demonstrated since 82% of the projects secured located within areas of greatest disadvantage.

The Future

The advances we were able to make in our second year owed much to the effective merger of the legacy agencies.

Integration and sectorisation have required significant client executive and other personnel turnover. Invest NI, while now smaller in headcount than at our formation, has recruited around 250 people since its establishment. Much of the disruptive change has passed and we are building on our hard-won stability to streamline client delivery and to refocus resources where they can have most long-term impact.

By the end of October 2005, our offices in Belfast and Lisburn will be housed in the new Bedford Street headquarters and I am confident that physical proximity will yield another step change in internal communication and customer delivery.

We are making preparations for changes that we will need to make in response to probable adjustments in EU State Aids rules from 2007. These are likely to lead us further in the direction of capability support and to restrict some forms of financial assistance. Consequently, we will adopt a more differentiated approach to service delivery that is better adapted to the needs of customers.

Invest NI is making a significant contribution to the Northern Ireland economy and, as it increasingly sharpens its focus, the agency's effectiveness will continue to grow.



LESLIE MORRISON
Chief Executive



PERFORMANCE HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Invest NI's three-year Corporate Plan is delivered through a series of annual Operating Plans. The key operational targets of the 2003-04 Operating Plan together with the year-end achievements are listed below.

Invest NI's practice is to publish comprehensive information on its performance against targets. As part of this process, further data sets are being compiled which Invest NI will publish on its web site as a Performance Information Framework (PIF).

Progress against Corporate Plan (2002-05) and Operating Plan (2003-04) targets

Key Objective	2002-05 Corporate Plan Targets	Progress at 31 March 2004	2003-04 Operating Plan Targets	Progress at 31 March 2004
Promote innovation, stimulate higher levels of R&D and design and improve knowledge transfer	Increase private sector investment in R&D by 25% (by March 2004)	28% increase (from 1999 baseline)	Lever £20m private sector R&D investments	£19.4m
			Increase participation in R&D programmes by 5%	6%
	Implement those actions falling to Invest NI in the Regional Innovation Strategy	Invest NI is actively taking forward a comprehensive range of innovation activities	Publish Design Strategy	Design Action Plan continued to be delivered as an ongoing initiative during 2003-04
	Establish 20 new/enhanced Centres of Research Excellence	18 Centres	Establish 2 Centres of Research Excellence	2 Centres established
Achieve higher levels of growth by existing businesses	For larger manufacturing companies achieve: - Export sales growth of 10% per year* - Increase in net employment of over 0.5% over the 3-year period*	14.5% -4.9%	Support 255 business development projects 17 sector strategies 1,500 companies to participate in Trade Missions and trade initiatives	267 businesses supported 12 sector strategies undertaken 1,470 companies participated
	For smaller growth companies achieve: - External sales growth of 8% per year* - Increase in turnover of 7% per year* - Increase in employment of 6% per year*	12.8% 10.6% 5.6%	100 companies to enter external markets for the first time 200 companies to diversify into new markets Establish a further Technology and Development Centre 200 Energy Audits 200 Environmental Audits	112 companies entered external markets for the first time 280 companies diversified into new markets 2 centres established 209 audits achieved 113 audits achieved

Note: The performance figures shown against the targets marked * under 'Achieve higher levels of growth by existing businesses' may be subject to revision, in the Performance Information Framework following completion of continuing work to validate data sets.

Key Objective	2002-05 Corporate Plan Targets	Progress at 31 March 2004	2003-04 Operating Plan Targets	Progress at 31 March 2004
Achieve Higher Levels of Growth by Existing Businesses (continued)			1,000 business improvement interventions leading to £7.5m increase in profits and £7.5m in new business	1,377 interventions: £12.5m increase in profits £4.4m in new business
	330 companies (210 small companies and 120 larger companies) to undertake skills improvement programmes	225 companies (135 small and 90 larger companies)	120 Company Development Programme projects	115 Company Development Programme projects
	Increase numbers of recognised e-Businesses from 10% in 2000/01 to 15% by March 2004	Percentage of e-Businesses increased to 23% at March 2004	400 companies engaged in improving use of ICT/e-Business 100 ICT emerging technologies demonstrated	1,022 companies improving use of ICT/e-Business 126 emerging technologies demonstrated
Promote a more enterprising culture so as to raise the overall level and quality of business starts	Achieve 4,500 new locally-focused businesses	4,684	1,500 locally-focused business starts	2,637 locally-focused business starts under the Business Start Programme
	Assist in the establishment of 420 high growth potential businesses (120 of which will come from the research base)	214 (34 from research base)	100 high growth potential start-ups 40 research-based spin-outs	104 start-ups 19 spin-outs
Attract high quality, knowledge-based investment from outside Northern Ireland	Attract 60 externally-owned knowledge-based investments	27	140 inward visits 11 new externally-owned, knowledge-based investments promising 1,000 new jobs	148 inward visits 11 investments 1,099 jobs promised
	75% of all new inward investments to be located in NTSN areas	70%	75% of new inward investments to be located in NTSN areas	82% located in NTSN areas



PERFORMANCE IN DETAIL

PERFORMANCE IN DETAIL

INVESTMENT INFORMATION 2003-04

During the year ended 31 March 2004 Invest NI offered a total of £12m to assist the formation and development of businesses throughout Northern Ireland. This compares with £146m for 2002-03.

The assistance offered by Invest NI provides an important contribution to the overall investment activity undertaken by clients. During 2003-04 this contribution represented 25.6% of the £472m total planned investment associated with supported projects. Combined with the previous year's planned investment, Invest NI's activity during its first two years is expected to result in over £1bn of investment within the local economy.

This section of the Annual Report provides an analysis of the assistance and consequent investment activity of Invest NI and its client businesses. Due to the introduction of enhanced activity-monitoring systems, all letter-of-offer based activity, which represents £117m of assistance, can be analysed in terms of client type, offer size, industrial sector, and geographic area. The remaining £4m, relating to assistance towards taking part in trade activities, is not provided through letters of offer, and therefore cannot be presented in as much detail.

Externally-Owned Clients

Externally-owned businesses make a significant contribution to the Invest NI client base and the Northern Ireland economy in general. While representing just over 10% of our client base, they account for over 45% of employment within client businesses, and generate over 70% of sales made to export markets.

The charts below and on the facing page illustrate the levels of activity in relation to new inward investment, and by existing externally-owned clients during the past two years. This reflects those projects provided with assistance through our Client Divisions.

During the year there were 11 new inward investment projects. Invest NI offered almost £12m towards an overall planned investment of £38.3m. The majority of these businesses (82%) are within New Targeting Social Needs (NTSN) areas, making an important contribution to the economic development of these locations.

There were 25 major projects involving existing externally-owned clients. In addition, 214 offers of assistance were made to externally-owned clients in the form of capability development support, worth over £12m.

The total value of assistance offered to externally-owned clients during 2003-04 was £45.6m, representing 37% of the value of all assistance offered during the period. The assistance contributed towards a total commitment to invest £195m, 73% of which relates to clients located within NTSN areas.

Locally Owned Clients

Of the 3,279 offers of assistance made during 2003-04, 91% were to locally owned clients. The value of these offers was £60m, contributing towards a total planned investment of £237.5m. The majority of these offers were to small businesses employing fewer than 50 people.

During 2003-04, assistance totalling £4.9m was offered to new locally-owned business start-ups. Of these, 104 are new starts which have the potential for significant growth, primarily

NEW INWARD INVESTMENT			
No of Projects	03-04	11	21
	02-03	10	
Total Investment	03-04	£38.3m	£60.7m
	02-03	£22.4m	
Total Assistance	03-04	£12m	£17.9m
	02-03	£5.9m	
Jobs Promoted	03-04	1,099	1,916
	02-03	817	

EXISTING EXTERNALLY OWNED CLIENTS			
No of Projects	03-04	25	34
	02-03	9	
Total Investment	03-04	£111.1m	£255.4m
	02-03	£144.3m	
Total Assistance	03-04	£21.6m	£43.8m
	02-03	£22.2m	
Jobs Promoted	03-04	1,054	1,270
	02-03	216	
Jobs Safeguarded	03-04	2,670	5,685
	02-03	3,015	

through the development of markets outside Northern Ireland. In addition to these starts, which were directly assisted by Invest NI, 2,637 were provided with assistance through the Start A Business Programme. This is managed by Invest NI, delivered through the Enterprise Northern Ireland network of Local Enterprise Agencies, and funded by Invest NI, District Councils and the EU Building Sustainable Prosperity Programme.

A total of 59 offers, worth almost £12m, were made to third-party organisations, to provide business development services on behalf of Invest NI. Including these, the value of offers made to locally owned businesses was almost 60% more than that offered to externally owned clients.

Assistance and Planned Investment by Offer Value

The value of offers of assistance made by Invest NI varies considerably and as can be seen in the table overleaf, a substantial majority (73%) are under £10,000.

At the other end of the scale, there were 21 offers valued at more than £1m. These accounted for almost £60m of assistance, representing 50% of the total amount offered by Invest NI during 2003-04.

Assistance by Geographic Area

The maps on page 23 present an analysis of assistance and investment activity by District Council Area, Parliamentary Constituency Area and NTSN area. Of the £121m assistance offered during the year £117m can be presented by geographic area. To enable meaningful comparison, assistance and investment information have been standardised by adult population. However, it is important to bear in mind that the information presented is for one year only.

In addition, the assistance offered to businesses within specific areas will provide benefit to other areas, since many people do not live in the same area in which they are employed. Assistance provided to third-party organisations is also included. Again, it is likely that this will provide benefit to those across a number of defined geographic areas.

Tables 1.1 to 1.3 of Annex 1 detail the offer and investment information by District Council, Parliamentary Constituency and NTSN areas. The maps on page 23 indicate the spread of assistance activity across Northern Ireland.

Client Status	No of Offers	Total Assistance	Total Planned Investment
Pre Start	101	414,374	860,779
New Business	153	4,908,279	21,295,892
Existing Business	2,716	54,496,805	215,384,171
TOTAL	2,970	59,819,458	237,540,842

Table: Assistance offered, and investment planned by locally owned clients.

Offer Size-Band	No of Offers	Value of Offers (£)	% of Total Value	Planned Investment (£)	% of Total Planned Investment
<£10,000	2,389	3,672,590	3.1%	8,904,520	1.9%
£10,000 to £49,999	599	13,587,892	11.6%	45,545,278	9.7%
£50,000 to £99,999	147	10,427,892	8.9%	45,388,859	9.7%
£100,000 to £249,999	83	13,119,869	11.2%	66,014,504	14.1%
£250,000 to £499,999	27	9,217,992	7.9%	37,142,982	7.9%
£500,000 to £999,999	13	9,100,608	7.8%	27,927,417	6.0%
>£1m	21	58,027,147	49.5%	237,222,810	50.7%
TOTAL	3,279	117,153,991	100.0%	468,146,370	100.0%

Table: Number of offers, assistance and planned investment by offer size.

Assistance by New Targeting Social Needs Areas (NTSN)

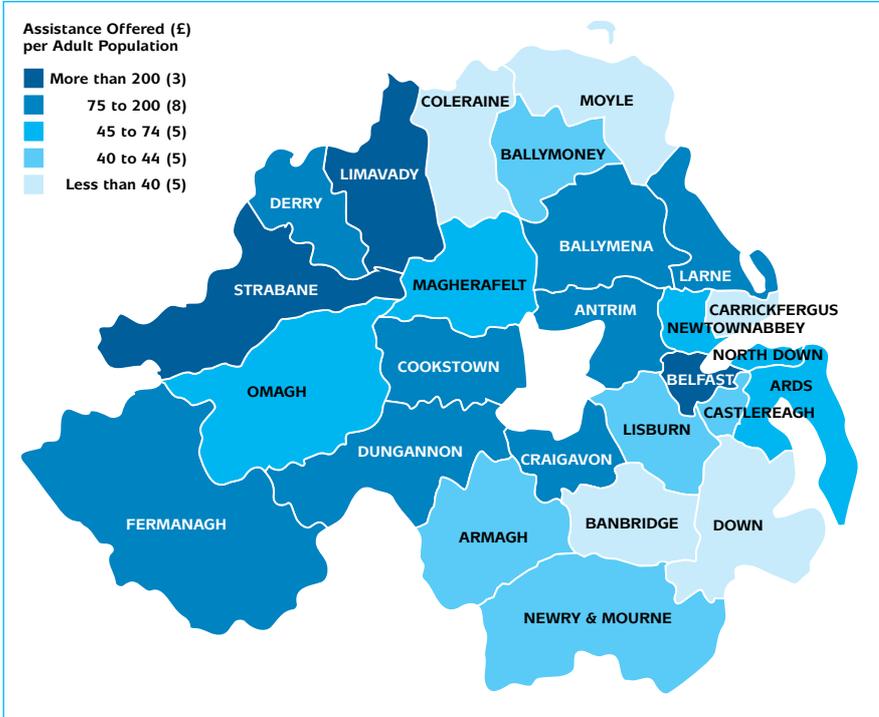
Invest NI monitors the level of assistance provided to clients within NTSN areas. These areas are based upon measures of deprivation developed by a research team lead by Mike Noble from Oxford University and published in July 2001. For monitoring purposes, Invest NI has adopted a Council-level approach, which designates NTSN areas as the 6 most income and employment-deprived Council areas. These are Strabane, Derry, Omagh, Moyle, Cookstown and Newry & Mourne.

Due to its size, Belfast City Council area as a whole is not included. Instead, the 28 most deprived wards in Belfast have been added. The 6 Council areas and 28 Belfast wards cover around 30% of the total Northern Ireland population.

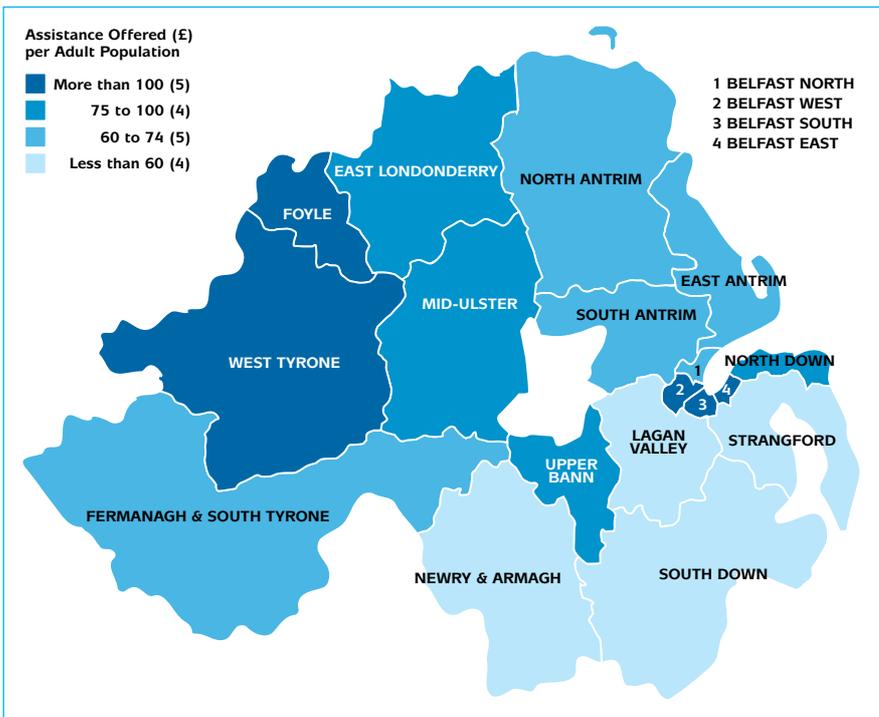
The amount of assistance offered to businesses within NTSN areas was £68m, representing 57% of the total value of offers made during 2003-04, a much higher proportion than the share of population living in these areas.

Assistance by Industrial Sector

Excluding offers made to Third Party Organisations, 56.6% of assistance was to clients within the manufacturing sectors, and 43.4% to clients in services. The table on page 24 summarises the assistance and investment by broad industry group.



Crown Copyright 2005, Permit ID 40518.
 Assistance Offered by District Council Area per Adult Population 2003-04.



Crown Copyright 2005, Permit ID 40518.
 Assistance Offered by Parliamentary Constituency Area per Adult Population 2003-04.

Sector	No of Offers	Assistance	% of Total Assistance	Planned Investment	% of Planned Investment
Chemicals & Pharmaceuticals	36	1,868,464	1.8%	5,265,907	1.2%
Clothing & Textiles	96	5,406,586	5.1%	26,013,262	6.0%
Electrical, Electronic & Optical Equipment	148	8,906,415	8.5%	27,275,269	6.3%
Fabricated Metal Products & Metal Finishing	207	4,750,025	4.5%	17,826,420	4.1%
Food, Drink & Tobacco	189	6,374,008	6.0%	28,819,635	6.7%
Glass, Ceramic & Concrete Products	72	1,541,161	1.5%	4,147,479	1.0%
Non-Electrical Machinery	180	3,356,712	3.2%	14,201,384	3.3%
Paper Products, Printing & Publishing	99	3,988,118	3.8%	13,688,549	3.2%
Rubber & Plastic Products	107	6,106,309	5.8%	32,489,980	7.5%
Transport Equipment	107	14,396,242	13.7%	57,793,858	13.4%
Wood Products	104	1,314,981	1.2%	4,691,094	1.1%
Other Manufacturing	156	1,818,682	1.7%	10,327,200	2.4%
TOTAL MANUFACTURING	1,501	59,827,703	56.8%	242,540,037	56.1%
Business & Financial Services	372	22,028,555	20.9%	83,665,735	19.4%
Computer Services	288	16,899,352	16.0%	74,458,308	17.2%
Construction Services	109	1,167,929	1.1%	4,028,429	0.9%
Other Services	950	5,442,623	5.2%	27,528,851	6.4%
TOTAL SERVICES	1,719	45,538,459	43.2%	189,681,323	43.9%
TOTAL - ALL SECTORS	3,220	105,366,162	100.0%	432,221,360	100.0%

Table: Assistance and planned investment by industrial sector.

ASSISTED BUSINESS STARTS 2003-04

Tables 2.1 to 2.3 in Annex 2 detail the numbers of offers made to new locally-owned businesses by District Council Area, Parliamentary Constituency Area and NTSN area. In total, there were 2,781 new business starts; 104 with an external market focus, the remainder with primarily a local market focus.

Export Starts

During the year, Invest NI provided offers of assistance to 104 new Export Starts. These are businesses which have demonstrated their potential for growth in markets outside Northern Ireland.

Forty-three of the Export Start offers were made to businesses within knowledge-based industries, 55% of which were computer services businesses. The total amount offered through this scheme of support was just over £4m, contributing towards an overall planned investment of almost £20m.

Community Business Start

The Community Business Start Up programme, which is part funded by the EU Programme for Peace and Reconciliation and the Department for Employment and Learning, provides a package of training, advice and funding to community and voluntary groups who want to start a business that will help to meet a social need.

Invest NI delivers the programme via a consortium of Local Enterprise Agencies who provide experienced community business advisors to help each business through the set up process and early years of trading.

During 2003-04, 28 businesses were offered assistance through the programme, resulting in a total planned investment of £842,000.

Start A Business Programme

During 2003-04, 2,637 offers were made through the Northern Ireland Start A Business Programme (SABp) to assist the formation of new businesses. This reflects a 33% increase compared with the previous year.

The largest increases in activity during the year were within Newtownabbey (+77.9%), Down (+67%), and Ards (+61.5%). However, there were some decreases in Lisburn (-17.1%), Newry & Mourne (-9.8%), and Ballymena (-5.1%).

To provide meaningful comparisons, the SABp activity can be expressed as a rate per 10,000 of adult population. For Northern Ireland as a whole, the average rate for 2003-04 was 20.2. Magherafelt (33.5) had the highest rate of SABp activity per 10,000 of adult population. This was followed by Fermanagh (31.8), Down (31) and Dungannon (29.4)



Comedian Patrick Kielty, encouraged Northern Ireland to Go for It at the campaign launch in the Odyssey complex.

SECTORAL REVIEWS

Invest NI's interface with its client companies is largely taken forward through client executives who work in sectorally focused teams and who have specialist knowledge of the industry for which they are responsible. Certain sectors are considered key to the Northern Ireland economy and the following section describes activities within these areas during 2003-04.

ICT and Network Services

The Information & Communication Technologies (ICT) and Network Services sectors include software development, contact centres and shared services centres. After a three-year international depression in the ICT market, companies had to work hard to remain competitive in 2003-04. However, in contrast to the generally pessimistic outlook of recent years, encouraging signs of growth appeared. Cautious optimism returned to Northern Ireland's ICT sector.

On the international front, the quality of the new foreign direct ICT investments and their potential for wealth creation was particularly encouraging. Allen Systems Group's £3.6m, 168 job project in Belfast, is the largest new software investment that Northern Ireland has secured since 1998. New inward investments from household names, such as Microsoft, are testament to our reputation as a globally competitive location for overseas projects and should prove highly beneficial in encouraging other leading ICT companies to locate here.

The growing importance of Financial Services to the ICT and Network Services sectors, highlighted in last year's report, was underlined by first time investments from a number of overseas Financial Services companies.

These included the strategic decision by Home Loan Management, one of the UK's foremost providers of systems and process outsourcing solutions to the mortgage sector, to locate a £9.5m, 400 job investment in Londonderry. In addition, Ocwen Financial Corporation is establishing a £4.8m data centre in Belfast that will feature state-of-the-art technology and provide half of all processing capacity and communications support for their global requirements.

These are welcome additions to the expanding cluster of established Financial Service companies which includes Northbrook Technology, Liberty Mutual and Abbey, each of whom took the decision during the year to reinvest. Northbrook's US parent company, Allstate Corporation, has decided to expand its software operation in Belfast and to invest in new call centre operations in Strabane and Londonderry. These projects are expected to generate 660 new jobs. This will take Northbrook's overall employment in Northern Ireland to 1,460.

Our client base continued to face the significant challenges of globalisation, advances in technology, the threats from low cost economies and EU enlargement.

In addition to supporting individual companies, Invest NI continued to work closely with the ICT sector body, Momentum, to address issues of greatest concern to the industry locally. We also worked with the Department for Employment and Learning and Momentum's Sector Training Council to monitor the skills pipeline and the supply of trained labour.

Recognising that sales leads are often generated by Invest NI's overseas offices, we widened the role of our overseas network to specifically include this function. This will help local companies generate sales leads through promoting Northern Ireland's ICT outsource capability. This initiative generated 10 sales leads and helped secure two major contracts for local businesses.

Given the increasing threat from low-cost economies, Invest NI led a number of market visits to India to explore opportunities. These included a presentation on the advantages of a Northern Ireland location at IT.COM, India's main outsourcing fair held in Bangalore. A case study featuring HCL Apollo was also the highlight of the UK's Trade and Investment Seminar at the National Association of Software Service Companies (NASSCOM) Annual Conference in Mumbai.

On the quality front, a CMMI-based assessment programme to test the efficiency, effectiveness and overall quality of software development was introduced. This initiative was established in conjunction with the Centre for Process Technology at the University of Ulster and Momentum. It was in response to the increasing importance of companies able to demonstrate

that they have quality assessment systems in place. Six local companies participated in the initial pilot programme and we plan to roll this out further in the coming year.

The sector continues to benefit from the range of Invest NI assistance with market intelligence, strategic planning, business development, marketing, trade and R&D. Those companies requiring early funding have benefited from our increased willingness to introduce equity early in projects, along with private-sector participants.

Electronics

The continuing telecoms downturn has resulted in a sustained period of difficult trading within the sector and Invest NI has focused much of its activity on how best to move the sector forward over the coming years.

The sector in Northern Ireland is overarching, its companies covering a broad range of activities including semiconductor component manufacture; health technology products; printed circuit boards; contract electronic manufacture; set top boxes; power monitoring equipment; gensets and scientific cameras. With such a wide span of activity there is no single industry body or sectoral forum which can act as a vehicle for bringing companies together to network, share ideas, discuss problems or seek peer advice.

Our Electronics Sector Team, therefore, undertook a survey of local electronics companies during the year. This identified the companies' need to network with peers to discuss and address issues of importance across the broad range of sub-sectors. We are addressing this gap as a key priority. Our first step in developing a cohesive sector which will work together to address common issues will be a series of seminars throughout 2004 with the aim of bringing the companies together under a Northern Ireland Electronics Forum banner.

In addition to setting up a support and growth base for existing companies, we have been actively supporting a number of new businesses which have been spawned in response to the downturn in other related sectors. Amongst these, Smart

Light Devices, is an excellent example of a company which is focused on research and development and the subsequent commercialisation of technology. Such entities will provide the growth of the sector over the coming years.

Aerospace

The Aerospace industry worldwide has suffered substantially from the events of 11 September 2001, a slowing global economy and the SARS epidemic. However, there are indications that growth will return by 2006. Invest NI has continued to be active in the sector and has encouraged the local trade body, the Northern Ireland Aerospace Consortium, to develop a three year business plan in response to the previously launched strategy for the NI aerospace sector. This strategy places collaboration and innovation at its core and is aimed at encouraging the sector to move up the global supply chain.

With some 5,600 people employed at its four manufacturing facilities, Bombardier Aerospace (Shorts) is the largest manufacturing company in Northern Ireland and a major driver within the local economy, contributing around £135m to the economy through employee salaries and wages alone.

The Belfast plant plays a major role within Bombardier Aerospace and is also very important to the wider engineering industry in Northern Ireland. In March 2004, the company committed to two new programmes related to the development of its executive jet range of aircraft. These projects further embed the company's position within Bombardier Inc. as the preferred supplier of an integrated service and provide a platform for the development of other players in the Northern Ireland aerospace sector.

Invest NI played a key role in encouraging Boeing to open its world renowned Leadership Centre to UK businesses and two local companies piloted attendance for the whole of the UK. Other sector developments included presentations to BAE Systems and attendance at the Paris Air Show. Invest NI was also a representative on the private/public sector initiative to provide a vision for the UK aerospace industry over the next 20 years, the Aerospace Innovative and Growth Team.

Engineering

We also began to implement our strategy for the vehicle engineering sector, focusing on companies targeting product diversification, R&D, and best practice manufacturing, although the year proved particularly challenging for many companies within the Material Handling and Bus-building sectors.

There was continued success for the highly innovative company, Wrightbus, which, in partnership with Invest NI, has succeeded in growing in both domestic and export markets. Unfortunately, such success is in marked contrast to the experience of Walter Alexander at Mallusk, which was forced to close following problems within the parent company group, Mayflower.

In materials handling, the Craigavon-based forklift manufacturer NACCO continued to prepare for the launch of a new replacement range of forklift trucks, building on the announcement last year of an Invest NI-supported investment of £34m, which will secure the employment of some 700 people for the foreseeable future. Hopefully, it will lead to new opportunities for further development of the Craigavon facility.

Biotechnology and Medical Devices

Biotechnology continues to be a strategic priority for the UK government, although global recovery in this sector has been uneven following two fairly static years, with European companies continuing to struggle with lower revenues.

The government has accepted many of the recommendations of the Bioscience Innovation and Growth Team's report, 'Bioscience 2015', whose vision is to create a diverse, self-sustaining Bioscience sector that will secure the UK's position as a global leader in Bioscience, second in size and achievement only to the US.

Northern Ireland will benefit from this important work and Invest NI's strategy is to develop a vibrant cluster of biotech and associated companies. Value-added by companies in the pharmaceutical sector is approximately 3.5 times that of the economy as a whole.

During the year, solid progress was made on a number of sector initiatives. These included taking, to an advanced stage, negotiations in the establishment of BioBusiness NI, a new industry body aimed at promoting the Biotechnology and Health Technology sector in Northern Ireland.

With the assistance of Invest NI, four local companies - Randox Laboratories, MDS Pharma Services, Fusion Antibodies and Almac-CSS - exhibited at BIO 2003 in Washington DC, the world's pre-eminent biotech conference. In addition, Invest NI organised a US mission with a number of leading local medical device researchers to companies and influencers based in California, Chicago and Minnesota.

This highly successful trip raised awareness within USA industry and academia of Northern Ireland's high calibre medical device and biomaterials activity in research, clinical trials and related commercialisation. A number of strong leads were developed and are being actively pursued. Already, plans are well underway to run a similar mission, this time with senior researchers and companies from the drug discovery arena.

We also took the recruitment process for the role of US-based Sector Adviser to an advanced stage during the year and we invited a number of distinguished members to attend the first International Advisory Panel on Biotechnology to take place after the Bio Ireland Conference in June 2004.

Companies in the biotech and related fields represented over half of the initial 25 applications under Invest NI's Proof of Concept Programme, which supports the pre-commercialisation stage for leading edge technologies emerging from Northern Ireland's universities.

An example of this is ArraDx Ltd, formerly ArraGen, in Craigavon. This is a cancer diagnostics company concentrating initially on the development of diagnostic tools for use in the treatment of colorectal cancer patients. It has also established a service business using microarray based data analysis for the Academic, Pharmaceutical and Biotechnology markets.

Further examples include i-Path Diagnostics, which received seed funding to develop its novel computer-based approaches in pathology and Fortress Diagnostics, which received funding towards product development. Expanding its value-added products range has allowed Fortress Diagnostics to secure its existing markets and to develop new export market opportunities.



Randox Laboratories, Crumlin, announced plans to invest £123m in next generation biochip technology.

Textiles and Clothing

Employment within the Textile and Clothing sector in Northern Ireland remains in decline as manufacturing continues to move offshore to lower wage economies in response to cost pressures from the major retailers. Currently, around 7,000 people are employed, following announcements during the year of job losses or the complete cessation of production by a number of long established companies. These include Herdmans Ltd, Desmond & Sons Ltd, Saintfield Yarns Ltd, WFB Baird & Co Ltd and William Clark & Sons Ltd.

Despite these difficulties, there has been significant activity among the smaller companies where developments have been in line with Invest NI's strategy for the sector. This is aimed at enhancing local companies' capabilities in the higher value-added areas of design, marketing, product development, balanced sourcing, the use of IT and the development of strategic alliances.

Many Northern Ireland companies have re-positioned themselves as they continue to invest in innovation. Northern Ireland still has a number of world class companies in the area of high-tech textiles used, for example, in industry and medicine, as well as in high-quality apparel with high design content.

For example, Bridgedale Outdoor Ltd, a manufacturer of technical socks based in Newtownards and one of the three leading technical sock manufacturers in the world, currently sells its branded product to over 30 countries and is recognised by SATRA, the quality assurance organisation for the footwear industry as the "World's Most Technical Sock" manufacturer.

Textile manufacturers throughout the EU are preparing for increased competition following the ending, on 31 December 2004, of quotas limiting the import of goods from low cost countries. The greatest impact of this is likely to be in relation to low value-added products.

The restructuring which companies have been undertaking over the past decade should assist this process and Invest NI continues to work directly with companies and the Industry's representative bodies to encourage and support the increasing export of higher value-added products.

Food Processing Sector

Our substantial Food Processing sector represents over one fifth of total manufacturing sales in Northern Ireland and one fifth of the total manufacturing workforce. The prime focus for sales continued to be the United Kingdom and the Republic of Ireland across all the major retail multiples and independents, and the growing food service market. More consumers are eating out and buying convenience meal products.

The sector, notwithstanding a difficult external environment, has made a significant contribution to the development of the Northern Ireland economy, outperforming many other industrial sectors in recent years.

During the year, the Minister then responsible for the Department of Enterprise, Trade and Investment and the Department of Agriculture and Rural Development, set up a Food Strategy Group to help develop and implement a broadly based strategy for the development of the food sector in Northern Ireland. Invest NI participated in this group and prepared substantial research on the Food Processing sector, market activity and innovation. There was wide consultation with the agri-food industry and stakeholders.

Company growth and investment in the sector was significant during the year and Invest NI supported over 35 expansion projects. Nearly £2.5m of additional European Grant funding was also secured for nine companies in the food processing sector by Invest NI in conjunction with the Department of Agriculture and Rural Development. Further grant support was also secured for 6 companies in the Fish Processing sector through a similar fund.

The continuing co-operation between Invest NI and Bord Bia was evidenced in September through their collaboration in a joint stand at the Speciality and Fine Food Fair in London. This excellent show attracted very high calibre buyers including extensive representation from all the major food halls in London. Honest Wheat Free Products secured listings with two major GB distributors and Fermanagh Black Bacon secured customers in ROI, GB, Switzerland and Belgium with anticipated annual sales of £50,000 to one export customer alone.

The Great Taste Awards, the 'Oscars' of the fine food industry, were held prior to the opening of the Speciality and Fine Food Fair in London. Invest NI sponsored the 'Best Speciality from Northern Ireland Award', which was won by the Offbeat Bottling Co. The Offbeat Bottling Co was judged Reserve Supreme Champion in the Fortnum & Mason Supreme Champion Award, generating significant interest in the company as well as orders from Fortnum & Mason itself.

The Northern Ireland Food and Drink Association has 130 members and during the year merged with the Taste of Ulster organisation with an additional 100 members. Invest NI entered into negotiations on how to ensure continued funding could be offered.

Creative Industries

There is a real opportunity for Northern Ireland to develop expertise and enjoy considerable new business growth in the emerging Creative Industries, particularly in film and television and high-growth digital content industries.

Participation in new sectors including Entertainment, Animation, e-Learning, Corporate Communications, Consumer Information, and Wireless Services will build upon Northern Ireland's existing base, providing additional opportunities for wealth creation and employment. Invest NI has developed a strategy for the future development of the sector based on building the right business environment; business skills development; exploitation of new markets; and the internationalisation of Northern Ireland's creative sector.

Over the past year, we have worked closely with the Northern Ireland Film and Television Commission and built further on the relationship with Momentum, the IT sector body, to influence development of the sector. Progress has also been made on building the right business environment through the encouragement of broadband usage among client companies.

In April 2003 Invest NI hosted a networking event for digital media companies in Belfast. The Invest NI/Dreamlab 'Proof of Concept' funding is now fully operational and has provided assistance to some 40 micro business projects. Skills development has been enhanced through the new 'Pivot - Creative Collaborations' graduate training programme. Ten graduates have undertaken project management placements in local digital media companies.

A further 10 young graduate entrepreneurs from Northern Ireland are receiving business skills training under the Creative Media Enterprise cross-border training programme. Work continues with a number of groups proposing creative cluster projects and support for these will be within the context of Invest NI's developing incubation strategy.

Axis Three is one of the first Northern Ireland based companies to develop 3D photo-realistic scanning technology. The company, with support from Invest NI and Department of Trade and Industry, gained good exposure at the Cebit 2004 show in Hanover, Germany and, as a result, is partnering with Siemens, which has developed compatible visualisation technology. This technology will enable the company to develop the mobile content and medical markets. The company is also in negotiation with an ROI/Australia based company, Active Sky, to partner in the mobile content market.

Construction Sector

The Invest NI Construction sector includes companies in which the main activity is the manufacture of value-added building products and components and/or the provision of service to the wider Construction industry.

The Invest NI Construction products client bank contributes £1b to the total construction output, and employs 9,000 people. The sector is linked to the wider Construction industry whose performance is heavily influenced by prevailing economic conditions.

Key markets are GB and ROI. The UK has experienced steady growth with Construction output estimated to have increased by 3.8% in 2003 and is forecast to increase by 1.5% in 2004. Government investment plans will be central to growth over the next 3 years. ROI experienced weak economic activity in the first half of 2003, although in 2004, activity shows signs of increasing with growth in GDP recorded at 4%.

Key issues within the sector include the increasing focus on sustainable construction, skills shortages, Off Site Construction (OSC) techniques, procurement route and increased environmental legislation.

Invest NI commissioned a number of sectoral reviews including the Concrete and Structural Steel sectors, in addition to developing our approach to the overall sector to capitalise on the potential opportunities. This included a scoping study in OSC and market research into the supply chain for value added forest products.

Invest NI involvement within the sector has focused on the development of new markets, support for innovation and enhancement of e-Commerce capabilities. Recent examples of this include support to The McAvoy Group focused on utilising innovative digital manufacturing technology to model optimum factory layout and production processes and McMullen Architectural Systems to enable them to compete for larger projects on an international stage and to facilitate export of new products to new markets.

Tourism

Invest NI has a major role to play in helping to develop tourism in Northern Ireland. This is a sector which has worked hard to meet significant challenges and continues to offer potential for valuable further development.

Within the context of the NITB's 'Strategic Framework for Action', our support packages have been designed after carrying out a wide-ranging consultation exercise. Through a series of Road Shows we launched the Tourism Business Support 2004-2007 brochure providing details of our support for the sector, to some 300 industry representatives.

We are seeking to focus support for the sector on improving product quality and competitiveness. In response our business support programmes were promoted to businesses having a clearly defined strategy for growth or product repositioning. Interest in receiving capability support was high, particularly in our Company Development Programme, in support for the installation of Broadband and for the development of e-Commerce.

Development of capacity remained high throughout the year with 5 offers of financial assistance made to tourism accommodation projects, including support offered towards a major development of a new 3-star hotel in Co. Antrim.

Invest
Northern
Ireland



**PERFORMANCE AGAINST
CORPORATE PLAN OBJECTIVES**

PERFORMANCE AGAINST CORPORATE PLAN OBJECTIVES

Invest NI's economic development activities are focused on four areas of development need: Innovation; Helping Existing Businesses to Grow; Business Start-Up; and Foreign Direct Investment (FDI). This section sets out our achievements in these four areas during the year.

INNOVATION

R&D Programmes

Investment in R&D and innovation is essential to competitive success and to help stimulate and support this key activity, Invest NI administers a comprehensive range of R&D programmes. Across our major programmes (Compete, START, SMART, Centres of Excellence) we offered assistance to 133 projects during the year, representing over £18.2m in grant support and nearly £1m in shares, leveraging approximately £20m in private sector investment. The number of companies performing R&D increased by 6%.

Compete Programme

The Compete Programme helps companies become more competitive by developing innovative new products and manufacturing processes. A high level of participation in the year made a significant contribution to Invest NI's promotion of innovation. We supported 113 projects, offering assistance totalling £6.8m against total project costs of £18.8m.

START Programme

The START Programme's main objective is to increase participation in industrial and commercially relevant research. During 2003-04 there were 24 live START projects extending across a broad range of sectors, with the total value of research projects currently being assisted under the programme amounting to over £33m.

Three new START projects - 2 of which were from participants new to the programme - were accepted during the year in the areas of digital media, advanced manufacturing and health & life technologies. These projects represented investment of some £5m, towards which Invest NI provided over £2m in financial assistance. During the year the START programme was heavily promoted to local industry and while 2003-04 was a relatively quiet year, there is strong demand for the programme coming into 2004-05.

SMART

The SMART Programme assists micro and small companies and individuals to carry out feasibility studies to develop innovative ideas into commercial products. SMART is rigorously competition-based, and of the 49 applications received, 15 projects met the criteria and gained support.

RTD Centres of Excellence

Invest NI's RTD Centres of Excellence Programme is delivered with funding support from the European Union Programme for Peace and Reconciliation in Northern Ireland and in partnership with the Department for Employment and Learning.

Under the programme, assistance was provided during the year to a further two Centres of Excellence - the Institute of Electronics, Communications and Information Technology (ECIT) and the FG Wilson Research & Development Centre. In total, this brings the number of new Centres of Excellence established to 18, spanning a range of technology sectors important to the growth of the Northern Ireland economy. To date, almost £35m has been allocated towards a total public/private sector investment of over £100m.

The Institute of Electronics, Communications and Information Technology (ECIT), at Queen's University Belfast, represents the single largest investment in leading edge R&D infrastructure ever seen in Northern Ireland. It will combine with the other RTD Centres of Excellence to enhance the market driven, technological capability within Northern Ireland industry and the universities.

ECIT will be the flagship tenant for the Northern Ireland Science Park. As a world-class research centre, ECIT will enable Northern Ireland to take full advantage of the fundamental changes in the electronic, telecommunications and computer industries in recent years.

Foresight

The Foresight Programme applies future-intelligence-gathering and medium-to-long-term vision-building processes to inform present-day decisions and actions. Under Foresight NI, 2 new commercially relevant and far-reaching research projects were supported.

Launched in autumn 2003, the MATCH (Multi-Disciplinary Assessment of Technology Centre for Healthcare) project is a UK-wide initiative to harness the expertise of the Universities of Ulster, Nottingham and Brunel to provide new methods to assess pioneering medical technologies. Spanning a 5-year period, the project involves a total financial commitment of £444,000.

The e-Science project commenced in October 2003 and seeks to enhance the e-Science Centre at Queen's University Belfast with facilities and staff to promote commercial grid activities and to develop open grid architecture. It brings academics and scientists together with businesses to help identify new science and technologies and develop actions to realise these opportunities. Part of a national project and the first of its kind in Northern Ireland, this QUB project involves a total financial commitment of £362,485.

Proof of Concept

Launched in December 2003, the Proof of Concept Programme's key objective is to improve the level and quality of commercialisation from within Northern Ireland's universities by funding early stage development promising strong commercial potential.

A pilot being run over 3 years with a total value of £5m, the programme will provide funding to individuals and small groups of academics at the 2 Universities. This will enable them to move an idea from laboratory to marketplace through a new spin-out company or by licensing the technology to an existing company. The first call for applications at the end of January 2004 resulted in a very healthy response, providing 25 entries.

NITECH Growth Fund

Since its launch in February 2003, the NITECH Growth Fund has helped finance the commercialisation of technology within new-start or existing small and medium-sized enterprises in Northern Ireland. A £3m venture-capital fund, NITECH can invest up to a maximum of £250,000 in any one company. Twenty five applications have been received since the Fund's inception and the first 4 investments, totalling £360,000, were made in 2003-04.

Science & Technology Programme

The newradiane Programme, launched during 2003, supersedes the former RADIANE programme and is managed, on behalf of the Fund, by Invest NI in Northern Ireland and by Enterprise Ireland in the Border Counties. The programme pilots financial assistance aimed at helping local companies undertake product and process-development projects through joint ventures with partner companies in the US, Canada, Australia, New Zealand or in another EU Member State.

During 2003-04, 12 projects representing almost £460,000 investment were offered around £190,000 assistance.

Knowledge Transfer Partnership

Knowledge Transfer Partnership (KTP) enables businesses and universities to collaborate. Each partnership centres on a project owned and carried out by one or more of Northern Ireland's high calibre graduates known as KTP Associates, who draw upon the knowledge and expertise of senior staff within the university and senior personnel within the company. Through KTP, 29 new knowledge transfer partnerships were formed in Northern Ireland.

Design

Design is a set of powerful disciplines which can deliver strong competitive advantage by differentiating products and services and reducing costs. Using design excellence, companies can realise ideas which set the pace in their markets for new products and services introduction.

Invest NI has developed a comprehensive Design Action Plan aimed at embedding the use of best practice in Northern Ireland businesses. The plan aims, through practical programmes, to have design, innovation and creativity accepted as an integral part of the business process and as a source of competitive advantage.

RTD Networking

Invest NI is also responsible for the delivery of the RTD Networking Programme which provides financial support for travel and subsistence costs associated with accessing those technologies, expertise and RTD contacts which may be central to the region's competitiveness. A major element of the programme is assistance towards the travelling costs of organisations seeking consortium partners for EU Framework Programme projects.

Innovation Relay Centre

Invest NI's Innovation Relay Centre (IRC), partly funded by the EU to promote collaboration between companies or universities in Northern Ireland and their counterparts in Europe, is part of a network of 71 IRCs throughout Europe.

During the year, the IRC visited 61 companies and facilitated 312 technology matches between clients in Northern Ireland and companies in Europe. These resulted in 7 new technologies coming into Northern Ireland from Europe and in 2 local technologies being transferred to European companies.

The Centre was heavily involved in the IRC Network by chairing the Medical Technologies Group, contributing to the Network Steering Group and being a member of the Environmental and Agri-food Groups.

Invest NI also hosted a meeting of all UK and Ireland IRCs and organised a series of European Matching meetings in the regions throughout Northern Ireland.

The Northern Ireland Science Park

The Northern Ireland Science Park was established in 1999 to advance the Government's vision of facilitating the commercialisation of Northern Ireland's research base. The first building, the Innovation Centre at Titanic Quarter, Belfast, was successfully completed in 2003 and established the first phase of the Science Park. In addition, two post-incubation buildings are being developed in the North West at the University of Ulster's campuses at Magee and Coleraine.

During this period, the Innovation Centre achieved almost 60% occupancy. As a result of the strong initial demand approval was granted for the next phase.

The European Framework Programme

Invest NI's specialist European RTD Directorate facilitates Northern Ireland's participation in the Sixth EU Framework Programme for Research and Technology Development. This programme seeks to maximise coordination between Europe's research and scientific networks with the aim of making the European Union the world's most dynamic and competitive knowledge-based economy.

This work covers a broad spread of priority sectors, ranging from Life Sciences, Genomics and Biotechnology for Health to Nanotechnologies, Aeronautics and Space, and Global Change and Ecosystems.

During the year, the Directorate facilitated 8 information seminars including one joint North-South event, two proposal-writing workshops, and two "missions" involving participants from research centres in industry and university. Eighteen FP6 projects were funded in Northern Ireland, representing assistance of some €3.3m from the European Union.

HELPING EXISTING BUSINESSES TO GROW

Trade

Seventy-two per cent of products made in Northern Ireland are sold in external markets and two out of every three jobs in manufacturing depend on our ability to sell outside Northern Ireland. Northern Ireland has a number of companies which excel in exporting. However, we need to encourage more companies to start and to help established exporters strengthen their position in existing and new markets.

Trade Targets 2003-04

The targets for the Trade Division were substantially delivered in all cases, and exceeded in two important respects. Invest NI client companies demonstrated considerable interest in first-time exporting and entering new export markets, exceeding the target for the latter category by 40%.

Key Actions	Targets 2003-2004 Companies	At Year end March 2004 Companies
Participation in trade missions and initiatives	1500	1470
Companies entering export markets first time	100	112
Exporters entering new markets	200	280

Programme Activity 2003-04

Much of the activity in Trade Programmes for export development in 2003-04 was concentrated on preparation for the new programme 'Passport to Export', which aims to deliver tailored solutions for new and established small to medium-sized clients.

Under 'Passport to Export', a wide range of services will be available to help Northern Ireland companies explore and develop market opportunities, and a range of new export marketing workshops will enable companies to compete successfully in international markets. Topical workshops will focus on current export issues such as market entry, financial, legal and logistical matters, sales management, and alliances in international markets. Companies will also be able to access specialist advice and support from mentors in developing their export plans.

The final Marketing Awareness Programme (MAP), focusing on strategic marketing ended in March with 12 companies presenting. Since March 2001, when the last contract was awarded, 143 SMEs have joined this programme, and 97% have completed the 14 workshops and mentor sessions. This has resulted in sales growth, increased profitability, improved management and selling skills, and greater customer satisfaction.

The Marketing with Impact Programme, a series of 1-day practical marketing workshops to improve marketing skills, provided valuable training in 12 key areas for almost 300 participants.

The Export Development Programme (EDP) aimed to assist companies identify, target and develop new export markets. Based on the results of market research and visits, companies developed and implemented plans for their target export markets. Twelve Invest NI companies participated in the final Wave 3 of EDP.

In November 2003, the Global Complex Sales Academy Programme focused on the key selling skills required by ICT companies to sell effectively in global markets. Attended by 7 major IT firms, this event was developed following close consultation with the relevant industry bodies, client companies and Invest NI's International ICT team. Training focused heavily on the complete skills set required by ICT companies to sell effectively in global markets.

During the year, Trade's sectoral activities were wide in their geographic reach, the Division sponsoring over 200 companies who exhibited at trade shows such as the Paris Air Show, Bio 2003 (Washington), ITU Telecoms (Geneva), Offshore Europe Oil and Gas (Aberdeen), Hotelympia (London), GSM Telecoms (Cannes) and Seatrade Cruise (Miami).

Priority Sectors

While continuing to support all sectors and sub-sectors, Trade Division prioritised those with greatest economic impact as indicated in the table overleaf.

Trade Priority Sub-Sectors
Food
Healthcare
Pharmaceutical
Giftware
Creative Industries
Agri-Engineering
Agri-Technology
Environmental
Marine
Oil & Gas
Telecoms
Aerospace
Automotive
Tourism
Software

Market Access

Invest NI's trade objective is to provide an integrated trade service focused on priority markets. Trade missions continue to be popular and cost effective, especially for SMEs. In 2003-04 Invest NI organized missions to markets in South Korea, Japan, China, South Africa, India, USA, Middle East, Scandinavia and Spain attended by almost 200 companies.

During the year, Invest NI contracted the Northern Ireland Chamber of Commerce & Industry to evaluate and monitor outcomes from participation in trade events. In the 6 months to March 2004, the Chamber indicated that companies participating in trade missions, exhibitions, and other initiatives in that period had reported new business potential in excess of £30m.

An integral part of Invest NI's market access programme is the In-Market Support (IMS) service which is available in priority markets. In 2003-04 these included the Benelux region, USA, Gulf States, SE Asia, China and South Africa. IMS offers advice and guidance on a one-to-one basis from specialist trade advisers to companies seeking to develop sales and business alliances in their target markets.

The Northern Ireland Technology & Development Centres, now operational in Boston, Denver and Dubai, are an important aspect of IMS. These centres provide business incubation services to Northern Ireland companies interested in developing trade in the US and Gulf States. In the relatively short period from the opening of the Denver Centre in November 2003 to the end of March 2004, companies using its services reported new sales valued at some \$4m.

In May 2003, Invest NI entered into an arrangement with the Energy Industries Council to provide workspace facilities in Houston, Texas - the oil and gas hub of the US - for Northern Ireland ICT companies seeking to develop relationships with US energy companies.

Strategic business alliances provide an important opportunity to enhance businesses' international competitiveness in the global economy. This is a cross-cutting activity within Invest NI and, in late 2003, a Strategic Business Alliance Unit was established within Trade Division to develop linkages across the agency to facilitate strategic alliances.

The trade development and promotion services of Invest NI complement UK Trade and Investment's international trade teams, which are active in over 200 posts worldwide.

Exporter of the Year Award

In June 2003 Powerscreen International was presented with the overall winner award at the 'Exporter of the Year Award' event at the City Hall, Belfast.



Alan Hingston, Invest NI's Trade Director, marking out Powerscreen International Distribution as the Northern Ireland Exporter of the Year.

BUSINESS IMPROVEMENT SERVICES

During the year, Business Improvement Services Division restructured its extensive portfolio of capability-building programmes into 5 key service areas - People Excellence; Process Excellence; Strategic Excellence; Innovation and Creativity; and Networking Services.

Demand was substantial and almost 1,500 projects were delivered against an initial target of 1,100. This represented offers totalling £17.2m in support of overall project costs in excess of £55.5m. Our support for business process and best practice/benchmarking helped client companies generate increased profits of £12.45m and new sales of £4.4m.

The flagship Company Development Programme made 115 offers of assistance worth £15.1m to client companies in support of £53.3m client investment in skills-related activities. Included were offers totalling £7.9m, made in support of 43 projects in NTSN/Special Status areas.

Under the People Excellence framework, one-to-one advice on people management and development issues was provided to over 130 companies.

Under Process Excellence, support was provided to 316 companies investing in business process improvement activities, such as internationally recognised best-practice techniques, including Total Productive Maintenance, Six Sigma and Theory of Constraints.

Invest NI organised a major event entitled 'The Goal and Beyond' in which internationally renowned management guru, Eli Goldratt, originator of the Theory of Constraints, addressed a conference attended by around 200 representatives from the private and public sectors. The event showcased the theory, illustrating a 'viable vision' that would help companies achieve a profit equal to their current turnover within 4 years. Invest NI is supporting client companies which are undertaking this process.

The Networking Services Northstar Mentoring Support Programme assigns experienced business people as mentors to assist smaller companies address critical business issues. During the year, over 350 firms received assistance under this programme. The Explorers and Connections Programmes provide low-cost assistance to businesses wishing to develop export markets. Activity under these programmes helped generate £3.5m of sales in new markets.

The Business Club Network established in the previous financial year continued to meet regularly in Omagh, Newry, Londonderry, Ballymena and Belfast, enabling members to network, share best practice ideas and discuss issues of mutual interest. In response to the considerable concerns raised by businesses about rising insurance premiums, Invest NI organised a series of workshops to provide practical guidance on Risk Assessment and Management.

Two new service areas, Strategic Excellence and Innovation and Creativity, were launched towards the end of the financial year, to encourage Northern Ireland businesses to face the challenges to growth and competitiveness posed by increased globalisation. In March the Strategic Excellence service launched its diagnostic tool, 'Business Health Check', which will be rolled out during 2004-05 and the Innovation and Creativity Service undertook internal and external promotion in February and March, including an international Innovation Conference in February. By the year end, 14 companies had already been engaged with the service.

Knowledge Management

Broadband



Actor Adrian Dunbar helped Leslie Morrison and Olive Hill highlight the benefits of broadband technology to NI businesses.

Broadband's ability to transform traditional businesses into e-Businesses was strongly promoted. Key to this was Invest NI's launch of a range of Broadband Stimulation Initiatives to encourage SMEs to take advantage of available high-speed Internet connections using any type of broadband connection.

In addition to promotional events, mailshots and advertising, we held 19 awareness seminars attracting over 1,000 attendees. Our team of Broadband advisers, operating in both a regional capacity and targeting key sectors, also visited over 500 businesses to provide free and impartial advice.

Over 1,000 businesses have applied for funding to install broadband through our Broadband SME Programme and over 140 people visited the e-Solutions centre during the year to obtain impartial advice and demonstrations on a range of ICT issues.

e-Business

The e-Business team provided free independent advice to over 1,000 businesses and 42 companies completed e-Process projects, which use technology to refine and develop existing processes. Over 250 SMEs attended 6 regional seminars mounted by Invest NI which focused on how a number of local companies had implemented ICT and the benefits they gained as a result. The e-Business team developed a range of case studies to promote the use of ICT in local businesses.

Companies implementing ICT during the year include Robinson Cleaning, who have successfully piloted new business processes and technology support to facilitate remote working for their operations managers.

A further example is FM Environmental, which needed to update the way they handled stock control, purchasing and job costing. Invest NI's e-Business team assisted the company in mapping their processes, developing their statement of requirements and finding possible solutions to meet the company's needs.

Scientific Services

Scientific Services continued to deliver technical expertise to address a range of issues in the workplace. Invest NI staff worked with companies, sourcing information, providing the highest standards of chemical analysis, offering interpretation and advice, and delivering seminars on 'best practice' and the implications of legislative changes.

Sustainable Development

Invest NI worked closely with businesses to address a wide variety of concerns ranging from waste handling issues to the control of hazardous materials in the workplace.

Energy-related issues are key to sustainable development and Invest NI mounted a number of initiatives during the year. These included an Energy Show in Belfast featuring demonstrations of technologies by 50 product sales teams from companies across the UK and Ireland. Expert speakers on energy saving technologies also delivered a series of Masterclass sessions attended by over 1,500 people.

Funded by Invest NI, the Carbon Trust ran a highly successful programme, including undertaking over 290 company energy audits. A further 100 visits to companies in a wide range of sectors were made by energy specialists who identified potential savings worth over £30m to the businesses concerned.

The Trust's Action Energy Loan Scheme offered support totalling £402,000 to energy efficiency projects in 19 SMEs, expected to generate energy savings worth over £150,000 per annum. The Trust also published a major scoping study into the use of energy in Northern Ireland which considers both the supply of energy and an analysis of demand across the main energy consuming sectors.

Invest NI's initiatives also included working in partnership with Lisburn City Council to mount a seminar to identify potential energy efficiency savings for companies located in the local area, and supporting the annual Phoenix Natural Gas Energy Management awards, which recognise businesses using gas efficiently.

Under the Environmental Audit Support Scheme, 107 businesses were offered financial support of £394,000 to help them audit their environmental performance and identify opportunities for operational improvement. Fourteen companies were also offered interest free loans totalling in excess of £500,000 to help with investment in capital equipment that improved process efficiency, reducing costs and improving environmental performance.

Fifteen construction companies, suppliers to the Housing Executive and Water Service, participated in an Environmental Performance Improvement Club which identified a significant number of opportunities to save money and protect the environment. Eleven businesses participated in a pilot project, the first of its kind in the UK, to assess a new approach to developing Environmental Management Systems (EMS).

PROMOTING AN ENTERPRISE CULTURE

A key remit for Invest NI is working with export-oriented companies and those which demonstrate a potential to be export-led. To underpin this approach, a 'Global Start Team' was set up during the year as a specialist resource. The team has links and relationships across Invest NI to enable it to respond quickly to new companies or individuals with the potential to develop successful start-up operations targeting international markets.

The team's remit includes taking forward development projects involving client companies with the maximum potential to trade in global markets. This also includes new or recently established companies which are progressing from the research stage and are ready to take their products to market.

It is also responsible for bringing together companies, entrepreneurs, venture capitalists and other investors to create an environment in which start-ups can identify and maximise funding opportunities. Under this initiative a major venture capital "elevator pitch" event was held in November 2003, which was attended by 110 client companies, venture capitalists and leading entrepreneurs.

The team is also developing a pilot programme aimed at encouraging inward entrepreneurs and is active in supporting Invest NI's objective of promoting a vibrant and self-sustaining venture capital industry.

Accelerating Entrepreneurship

Invest NI launched its 'Accelerating Entrepreneurship Strategy' (AES) in June 2003 with the aim of making Northern Ireland an exemplar location for starting and growing a successful business. Partnership is the central focus of AES, and all the projects and initiatives developed under the strategy are the result of partnership activity, demonstrating how the involvement of the public, private and voluntary sectors is essential to their success.

Promoted through the highly visible and effective 'Go For It' campaign, AES features a range of components including the Start A Business

Programme, which Invest NI funds in partnership with the 26 District Councils and the EU. During the year this generated 10,000 enquiries and supported 4,278 people on its training programme, leading to 2,637 new business start-ups focused on supplying the local Northern Ireland market. A further 104 businesses with export potential have been assisted, leveraging almost £20m private sector investment for the Northern Ireland economy.

Research has demonstrated a 70% awareness in the community of the 'Go For It' brand, a key factor in the success of the 'Start a Business' shows, which Invest NI delivers through the Enterprise NI network of Local Enterprise Agencies. These provide, under one roof, all the advice, information and support to enable an entrepreneur to begin the process of new business venture promotion. Some 6,000 people attended these shows and to date over 1,000 attendees have begun the process of starting a business.



Alan Morrow, Invest NI and Claire Ferris, Work West Enterprise Agency, helped to raise awareness for the Start a Business Show at the Odyssey, where over 4,000 people came to find out how to 'Go for It'.

Local Office Network

Across Northern Ireland, Invest NI's presence in the local community is maintained through a network of 8 offices which deliver the full range of Invest NI business solutions.

This Local Office Network (LON) provides an integrated and professional enterprise advisory

service which assists and develops the growth capability of existing clients. It also identifies and supports new business starts with export potential and works in partnership with, and supports, local economic development organisations, government departments and individuals seeking to make a positive difference in local communities.

During the year our LON launched a streamlined Invest NI sectoral strategy ensuring consistent responsibilities across the network and rationalised support programmes through a comprehensive suite of Business Development Solutions. Delivery of these solutions is a core activity of the LON teams.

By year end, the LON also realigned the focus and resources of our Eastern Local Office in Belfast on Export Start businesses, and established client companies as part of the sectoral team portfolios.

While business starts is a core activity for LON, it continues to promote an enterprising culture through development projects with existing companies and initiatives with local economic development organisations. For established businesses the local offices provided £4.84m support towards the development of 128 companies, leveraging nearly £15m investment.

Local economic development involves building strong relationships and creating new ideas and pioneering partnerships on economic initiatives.

The North West Action Plan is an example of such activity. Launched during the year it is a 3-year action plan to address the specific needs and opportunities of the North West, and over £60m Invest NI support will be injected by 2005-06. The plan responds to the specific business and enterprise needs of the North West, through a series of business interventions, job creation projects and with stakeholders encouraging the development of a strong business infrastructure and sales proposition.

The North West and Western Local Office areas have been particularly impacted by job losses in traditional sectors such as textiles and clothing.

Working with local stakeholders and other government agencies such as the Department for Employment and Learning and Department of Health and Social Security, the LON provides advice and support to those being made redundant.

Invest NI remains actively involved on the Omagh Taskforce which has taken forward the implementation of a number of important areas of the Omagh 2010 Vision/Strategy. These include proposals for the reinvigoration of all aspects of the town, including health, social, town centre arts, environmental and economic issues.

In the North East, the East Antrim Forum Meetings drew to a successful close in December 2003. During the year, the Forum provided a number of initiatives in the area, which culminated in a significant inward investment by a US pharmaceutical company offering 100 new jobs in Carrickfergus. The North Eastern Local Office also supported a number of other local initiatives in conjunction with the CORE grouping of councils.

In the Southern Local Office area Invest NI has a close working relationship with the SEED (South East Economic Development) Partnership. This is made up of the 5 councils in this area plus Ards council.

This facilitates the targeting of small locally focussed enterprises which do not normally interface with Invest NI's main schemes of support. The ultimate aim is to accelerate economic and entrepreneurial development, by drawing out and developing small businesses to the point where they can commence this interface.

Launched in 2003 with assistance totalling over £370,000 from Invest NI and co-funded by the councils and EU, the programmes cover a variety of areas including crafts, enterprise awareness, third level education achievers, business competitiveness and innovation. This successful model has allowed Invest NI to work in close partnership with councils to co-ordinate and catalyse local initiatives, while complementing and adding value to its mainstream activities.

Major initiatives emerging out of the work of the West Belfast and Greater Shankill Taskforce have been developed and integrated into detailed project bids to the Integrated Development Fund. Invest NI's involvement in this preparatory work should lead to tangible economic projects emerging in 2004-05. Infrastructural development of the former Mackies site, renamed the Forth River Business Park, began this year and will provide much needed progression workspace for local companies by the end of 2004-05.

An example of business, council and education working together can be seen through Invest NI's partnership between North Down and Ards Institute, North Down Development Organisation and North Down Council for a North Down Business Village. This will bring together the Colleges' Centres of Excellence, Industrial Units via the Local Enterprise Agency and the Council's Business Growth Centre.

Invest NI's LON work with established Taskforces, Local Strategy Partnerships and Local Council Economic units. They are also proactive with other government departments such as DEL, DSD, DARD and DE in co-ordinating appropriate responses to job losses.

Property Procurement

Invest NI's role in property procurement is driven by evidence of private sector market failure and is applied in accordance with the Agency's Intervention Principles. Invest NI will work to provide its client companies with a range of property options to meet their project needs both in the immediate and longer terms.

The Property Solutions Unit seeks to achieve this by ensuring that there is an adequate supply of serviced sites in key strategic locations. The Unit seeks to lever the maximum amount of private-sector investment in the procurement process.

Invest NI owns 49 business parks and industrial estates located in district towns throughout Northern Ireland, maintaining a total landholding of approximately 2,800 acres with around 980 useable acres currently available for leasing. Invest NI also maintains a small stock of modern manufacturing and office-style business units ready for immediate occupation.

During the year, total property receipts of over £5.6m were generated. Tables 5.1 and 5.2 in Annex 5 provide further details on Land and Factory Holdings, Acquisitions, Completions and Sales.

The Unit maintains an up-to-date and comprehensive property database that details available factory and office space, both Invest NI and private sector owned, located across Northern Ireland. This can be accessed via the Invest NI web site. The Unit also maintains regular contact with the major commercial estate agents who contribute part of their portfolios to the site. The site also contains valuable links to all Local Enterprise Agencies.

Estates Management

The former Mackie's site in West Belfast, the Creagh in the Magherafelt District Council Area, Balloo in North Down and Ballyharry on the Donaghadee Road in Newtownards are prominent projects.

The Unit completed the construction of two new buildings, a 19,550 sq ft modern flexible business unit at Glenbank in North Belfast and an 11,400 sq ft factory at Down Business Park in Downpatrick.

The former Mackies factory complex has been demolished in preparation for new development. Planning permission for the new junction with Springfield Road has been granted and the construction work, which is already under way, is scheduled for completion in September 2004. The tendering process for the main internal road infrastructure has been completed, with a contract start date of April 2004.

FOREIGN DIRECT INVESTMENT

Global FDI activity levels have shown a decline over the past three years and many of the opportunities have located or relocated in developing economies. Despite this difficult international environment, Invest NI has been aggressively pursuing targeted FDI with a competitive business model that reflects the specific needs of increasingly mobile investment opportunities.

More than 3,200 visits were made with influencers and potential investors. A total of 148 potential investor visits to Northern Ireland took place, of which 93 were first time visits and 55 were repeat visits, in addition to visits by 32 delegations, covering journalists, Government representatives and business influencers.

Securing new international investment for Northern Ireland is the result of hard work and input from many people over extended timeframes. In the past year 11 new FDI projects were secured offering the prospect of 1,099 new jobs and representing total investment of £38.3m. North America remains the most attractive market for Northern Ireland, with 55% of projects secured coming from this area. Great Britain is also an important market contributing a further 18% of projects secured.

Invest NI is committed to supporting TSN areas and 82% of the projects won in the past year were promoted in these areas.

Sector Focus

Invest NI has been working to ensure Northern Ireland's offering, as a location for inward investment, is built around our real capabilities. Northern Ireland is competitive internationally, especially for new investment in areas such as software, ICT, financial services, contact and shared services operations. Telecommunications, biotechnology and medical devices, R&D operations and electronics are also target areas for our international sales teams.

Geographical Focus

Markets are continually assessed to ensure that our international operations are as effective as possible. The Boston office has been enhanced and now operates as the lead office in North America. The new office in Washington is operational and provides access to the important area of North Virginia, with its large concentration of ICT and high-tech businesses.

The traditional markets in Asia Pacific remained flat during the reporting period, although the growing markets and economies in China and India provide potential sources of new FDI in future years.

The sales team in Asia Pacific has been working closely with the Trade and Technology Divisions of Invest NI to assist Northern Ireland companies and academic researchers to identify and secure potential opportunities in these markets.

GB continues to offer an attractive source of inward investment projects into Northern Ireland.

Promotional Work

In support of its overseas teams, Invest NI's headquarters team identifies and organises promotional activities across these markets. The majority of events are targeted at providing our sales team with access to key contacts in target sectors. Key events included the International Quality and Productivity Centre Shared Services week held in Manchester; the Marcus Evans Operational Risk Conference in London; and the Economist Conference for Chief Financial Officers, also in London.

New advertising campaigns were developed for each of the markets. The GB campaign, in the Times and the Economist, was particularly effective in raising awareness of what Northern Ireland has to offer potential investors from the Financial Services sector. As a result of the campaign, awareness levels among Financial Directors in the UK rose from 1% in 2002-03 to 30% in 2003-04.

North West

As part of its work on the North West Action Plan, Invest NI commissioned a comprehensive report to review and benchmark the North West as a potential location for inward investment. This report was presented to local stakeholders and set out a number of areas where additional work could be initiated to enhance the range of information available to potential investors.



ADMINISTRATION

ADMINISTRATION

HUMAN RESOURCES

The Human Resources team continued to integrate the functions of the legacy agencies' HR units while working hard to establish supply lines for new staff. The main areas of focus during the year were:

Management of Change

The drive towards integrating the work of the legacy agencies continued with two major initiatives.

- i) Under the 'Restructuring of Invest NI Client-Facing Functions' initiative, a fundamental restructuring took place in which the former Entrepreneurship & Enterprise and Business International Groups merged into a single Clients Group, with customers segmented by sector rather than size. The new structure, which necessitated the appointment of an additional Director, was implemented over the period 1 October - 31 December 2003.
- ii) The Invest NI 'Vision and Values' initiative was conducted with the assistance of change management consultants, AD Little. A broad cross section of staff, particularly those with a client-facing role, contributed to a detailed consultation process following which an initial set of statements was developed. These were subjected to rigorous evaluation in an extensive process involving all staff, following which a finally agreed set of Invest NI's Visions and Values statements was produced. These Visions and Values will serve as an important guide to the way in which we interface with our clients and customers, identifying and meeting their needs across the full range of our activities.

Employee Resourcing

Another highly active year on the recruitment front saw 33 competitions organised across a range of grades and functions, including Managing Director, Corporate Services Group; Finance Director; Local Office Managers; and Overseas Business Development Executives. In total, 165 appointments were made, as the organisation continued to fill vacant posts and to replace staff returning to the Northern Ireland Civil Service.

By the end of the year, we had effected our planned staffing efficiencies, reducing our staff to 680 (full time equivalent). Human Resources developed a Staff/Costs model, which paved the way for a more strategic approach to resourcing and enhanced recruitment planning in 2004-05.

Equal Opportunities

Significant developments in Equal Opportunities during the year included new policies on Harassment and Bullying, and Equality of Opportunity which were launched in November 2003, together with the Joint Declaration of Protection. In addition, work began on an Equality Impact Assessment on recruitment and selection in January 2004, while a series of Disability Audits were conducted on Invest NI premises ahead of the Disability Discrimination Act.

Accommodation/Facilities Management

The Facilities Management Team had an exceptionally busy year. As well as a building maintenance programme which included a new roof for one of the wings of the Lisburn premises and other major renovations there, the team planned and implemented the relocation of Enterprise Support Division from Galwally to Chichester Street, Property Solutions Unit to Galwally and the Eastern Local Office from its Franklin Street base to Chichester Street. All the moves were effected with minimal impact on our service delivery to clients.

The second half of the year saw the focus shift to planning for the move of the 400 staff in Chichester Street to Goodwood House in April 2004. This was a major co-ordination exercise encompassing, as it did, the introduction of a new shared workspace office environment together with new working practices and protocols.

Contribution of Learning and Development in 2003-04

The focus of our Learning and Development Strategy for 2003-04 was on corporate needs, with several key change initiatives influencing the thrust of training and development activities. Our energy and resource concentrated on review and refinement. This encompassed all of our change activities, including:

- the restructuring into sector teams;
- defining and agreeing a competence framework for client group staff;
- developing and agreeing the Agency's Visions and Values;
- defining the consolidated business processes; and
- the production and roll-out of the Invest NI Operating Manual.

A total of 1,972 training days were delivered through both internal and external workshops, seminars and training courses. The training activities focused on a number of key areas, including Client Facing Staff; Organisational Development (through integration and managing change); and Core Knowledge and Skills Development.

In addition the training budget of £360,000 provided technical training for IT staff, conference attendance across the organisation and support for 34 staff through the FE scheme.

EQUALITY

Invest NI is fully committed to its Equality responsibilities and has a team specifically responsible for ensuring that its Section 75 obligations are taken forward across all our activity fronts. During the year the Agency's equality scheme was completed and ratified by the Equality Commission and an associated timetable of equality impact assessments drawn up and implementation begun.

An internal Equality Advisory Group has now been established which provides overall support for the implementation of the equality agenda within the organisation.

The Equality Team is closely involved with a number of Section 75 organisations in the delivery of economic development activities. Invest NI is also an active member of, and has sponsored, Disability Action's Business Support Programme which encourages Northern Ireland businesses to embrace good practice on disability issues.

The Human Resources Division has worked closely with the Equality Commission to enhance staff awareness of the requirements of the Disability Discrimination Act. Other Invest NI Teams are involved in progressing equality issues and have supported initiatives key to a number of the Section 75 Groups. This has included the provision of programmes for women and young people, as well as carrying out research to encourage more people from all backgrounds to think positively about establishing business ventures.

Invest NI uses a number of internal mechanisms to underline its commitment to equality both at strategic and operational levels. A training needs analysis completed during the year will be key in identifying any gaps in equality training and indicating the most appropriate delivery methods for the future.

NEW TARGETING SOCIAL NEED (NTSN)

Invest NI continues to work with the Department of Enterprise, Trade and Investment, in implementing the NTSN Action Plan. We now have in place an enhanced monitoring system which gathers employment information on a number of the Section 75 categories, including gender, religious belief, disability, age, racial group, marital status and number of dependents.

Our monitoring enables us to track Invest NI's overall performance in impacting on areas of disadvantage and social deprivation through targeting resources to socially deprived areas. This information also enables Invest NI to identify potential gaps in activity and develop new programmes with better "fit" to local communities.

During the year the Office of the First Minister and Deputy First Minister commissioned an evaluation of the NTSN Policy. The findings of this evaluation will allow Invest NI to work closely with the Department of Enterprise, Trade and Investment and other key organisations to ensure a more co-ordinated, all inclusive approach to the future direction of NTSN.

ACKNOWLEDGEMENT OF CONTRIBUTION PROVIDED FROM EUROPEAN FUNDING

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



ANNEXES 1 - 5

ANNEX 1

Table 1.1: Offers, Assistance and Investment by District Council Area 2003-04

District Council Area	No of Offers	Assistance (£)	Planned Investment (£)
ANTRIM	104	2,958,158	9,357,348
ARDS	48	2,691,665	9,469,349
ARMAGH	107	1,357,458	4,853,908
BALLYMENA	116	4,568,548	27,666,838
BALLYMONEY	54	495,043	3,233,466
BANBRIDGE	64	362,760	890,543
BELFAST	546	53,109,994	218,601,226
CARRICKFERGUS	67	343,556	892,207
CASTLEREAGH	119	1,329,394	4,373,863
COLERAINE	80	590,962	1,496,784
COOKSTOWN	108	2,103,132	7,666,378
CRAIGAVON	193	6,730,339	31,358,533
DERRY	232	7,590,869	27,306,606
DOWN	97	613,685	2,636,822
DUNGANNON	163	2,720,929	14,245,659
FERMANAGH	111	3,229,638	11,757,257
LARNE	68	2,233,647	8,314,096
LIMAVADY	36	4,924,670	9,455,797
LISBURN	184	2,083,657	7,039,126
MAGHERAFELT	147	1,886,723	7,987,869
MOYLE	24	197,644	405,689
NEWRY & MOURNE	158	1,566,229	5,756,777
NEWTOWNABBEY	166	3,104,549	9,448,653
NORTH DOWN	95	3,046,236	8,266,774
OMAGH	142	1,545,390	5,466,065
STRABANE	52	5,769,115	30,198,737
TOTAL	3,281	117,153,990	468,146,370

Total offer locations exceed total offers as some projects are located in more than one area.

An additional £4m of assistance was offered, for which this level of detail is not available.

Table 1.2: Offers, Assistance and Investment by Parliamentary Constituency Area 2003-04

Parliamentary Constituency Area	No of Offers	Assistance (£)	Planned Investment (£)
BELFAST EAST	153	15,781,520	59,561,790
BELFAST NORTH	111	4,491,136	24,863,957
BELFAST SOUTH	268	25,744,481	106,565,647
BELFAST WEST	96	8,083,963	26,637,705
EAST ANTRIM	175	3,895,611	12,601,313
EAST LONDONDERRY	116	5,515,632	10,952,580
FERMANAGH AND SOUTH TYRONE	211	4,330,331	16,063,338
FOYLE	232	7,590,869	27,306,606
LAGAN VALLEY	189	1,701,255	5,835,880
MID ULSTER	318	5,610,090	25,593,826
NEWRY AND ARMAGH	188	2,126,189	8,466,145
NORTH ANTRIM	194	5,261,235	31,305,993
NORTH DOWN	97	5,051,236	15,224,275
SOUTH ANTRIM	216	4,533,953	15,122,204
SOUTH DOWN	160	1,244,825	4,201,426
STRANGFORD	121	1,641,799	5,431,651
UPPER BANN	240	6,995,359	31,978,233
WEST TYRONE	194	7,314,505	35,664,802
TBD*	2	240,000	4,769,000
TOTAL	3,281	117,153,990	468,146,370

Total offer locations exceed total offers as some projects are located in more than one area.

An additional £4m of assistance was offered, for which this level of detail is not available.

* Location yet to be determined.

Table 1.3: Offers, Assistance and Investment by Targeting Social Needs Status 2003-04

Targeting Social Needs Status	No of Offers	Assistance (£)	Investment (£)
Non TSN	1,895	39,836,061	158,879,002
Special Status	282	10,731,510	30,419,357
TSN	1,104	66,586,419	278,848,011
TOTAL	3,281	117,153,990	468,146,370

Total offer locations exceed total offers as some projects are located in more than one area.

An additional £4m of assistance was offered, for which this level of detail is not available.

ANNEX 2

Table 2.1: Locally Owned Assisted Business Start-ups by District Council Area 2003-04

District Council Area	Externally Focused*	Locally Focused**	TOTAL
ANTRIM	0	51	51
ARDS	5	147	152
ARMAGH	5	107	112
BALLYMENA	3	56	59
BALLYMONEY	1	37	38
BANBRIDGE	4	77	81
BELFAST	14	305	319
CARRICKFERGUS	1	51	52
CASTLEREAGH	2	69	71
COLERAINE	4	67	71
COOKSTOWN	7	68	75
CRAIGAVON	3	133	136
DERRY	9	203	212
DOWN	4	153	157
DUNGANNON	6	110	116
FERMANAGH	3	145	148
LARNE	6	55	61
LIMAVADY	0	66	66
LISBURN	5	121	126
MAGHERAFELT	3	106	109
MOYLE	2	15	17
NEWRY & MOURNE	4	141	145
NEWTOWNABBEY	5	138	143
NORTH DOWN	3	124	127
OMAGH	4	71	75
STRABANE	1	61	62
GRAND TOTAL	104	2,677	2,781

* Externally focused start-ups are those assisted through the Export Start Scheme.

** Locally focused start-ups include those assisted through the 'Start A Business' Programme, Home Start and Community Business Start Schemes.

Table 2.2: Assisted Business Start-ups by Parliamentary Constituency Area 2003-04

Parliamentary Constituency Area	Externally Focused*	Locally Focused**	TOTAL
BELFAST EAST	1	95	96
BELFAST NORTH	1	71	72
BELFAST SOUTH	11	125	136
BELFAST WEST	3	92	95
EAST ANTRIM	9	134	143
EAST LONDONDERRY	4	133	137
FERMANAGH & SOUTH TYRONE	7	217	224
FOYLE	9	203	212
LAGAN VALLEY	4	116	120
MID ULSTER	12	212	224
NEWRY & ARMAGH	8	180	188
NORTH ANTRIM	6	108	114
NORTH DOWN	3	154	157
SOUTH ANTRIM	3	143	146
SOUTH DOWN	5	225	230
STRANGFORD	7	167	174
UPPER BANN	6	170	176
WEST TYRONE	5	132	137
GRAND TOTAL	104	2,677	2,781

* Externally focused start-ups are those assisted through the Export Start Scheme.

** Locally focused start-ups include those assisted through the 'Start A Business' Programme, Home Start and Community Business Start Schemes.

Table 2.3: Assisted Business Start-ups by Targeting Social Needs Status 2003-04

TSN	Externally Focused*	Locally Focused**	TOTAL
Non-TSN	56	1,652	1,708
Special Status	10	317	327
TSN	38	708	746
Grand Total	104	2,677	2,781

* Externally focused start-ups are those assisted through the Export Start Scheme.

** Locally focused start-ups include those assisted through the 'Start A Business' Programme, Home Start and Community Business Start Schemes.

ANNEX 3

Table 3.1: Clients offered assistance of £75,000 or more made during the period 1 April 2003 to 31 March 2004

Business/ Organisation	Amount Offered (£)	Total Planned Investment (£)
3M UNITED KINGDOM PLC	102,270	451,180
BOVER8 LIMITED	105,810	302,315
A J POWER LTD	502,896	2,501,001
A P GALGORM LIMITED	2,000,000	15,370,000
AB VALVES	84,000	263,592
ABBEY NATIONAL	1,037,075	6,726,000
ADAMSEZ (NI) LTD	105,388	260,940
ADREAM SOLUTIONS LTD	97,650	217,000
AEPONA LTD	675,289	9,161,213
AERONA SOFTWARE SYSTEMS LTD	101,477	503,843
AFA SYSTEMS (NI) LIMITED	185,125	478,379
ALLEN SYSTEMS GROUP INC	2,016,000	3,629,000
AMBER MERCHANTS LIMITED	178,280	429,171
AMPHION SEMICONDUCTOR LTD	785,750	3,439,226
AN GAELARAS LTD	100,000	2,750,984
ARBARR ELECTRONICS LTD	107,000	232,000
ARDS BOROUGH COUNCIL	85,990	171,980
ARRAGEN LIMITED	1,525,000	3,592,423
ASIDUA LTD	187,900	502,614
AUDIO PROCESSING TECHNOLOGY LTD	225,705	552,014
AURORA SX3 LTD	474,554	1,867,913
AXIS THREE LIMITED	209,826	325,856
B A KITCHEN COMPONENTS LTD	203,611	1,385,035
B I C SYSTEMS LTD	106,390	378,795
B T NORTHERN IRELAND	437,178	952,778
BINNIAN DEVELOPMENTS LTD	100,000	1,115,200
BOMBARDIER AEROSPACE - SHORT BROTHERS PLC	12,800,480	52,311,480
BRIDGEDALE OUTDOOR LTD	95,000	297,000
BRITISH BAKERIES LIMITED	1,768,250	7,779,000
BT-BELFAST ENGINEERING CENTRE	307,818	1,387,622
BYTEL LIMITED	108,461	235,088
CABRAGH ENGINEERING LIMITED	76,050	1,052,062
CAMCO INTERNATIONAL (UK) LTD	96,764	386,577
CHALKBYTES	90,600	120,800
CITY INDUSTRIAL WASTE LTD	78,000	879,290
CK INTERNATIONAL LTD	96,641	303,260
CLINICAL TRIAL SERVICES	128,183	848,460
CONSILIUM TECHNOLOGIES LIMITED	85,000	460,013
COOKSTOWN ENTERPRISE CENTRE	150,000	340,000
COPELAND LTD	498,564	1,313,489

Business/ Organisation (continued)	Amount Offered (£)	Total Planned Investment (£)
CORE SYSTEMS (NI) LTD	201,131	478,383
CRAIGAVON BOROUGH COUNCIL	91,845	183,690
CROSSBOWS OPTICAL LTD	88,796	253,702
DAIRY PRODUCE PACKERS LTD	185,045	576,106
DALE FARM LIMITED	164,546	3,353,939
DANLOR UTILITIES LTD	92,000	105,434
DATACTICS LTD	100,000	580,718
DATZA LTD	429,000	954,331
DELTA PRINT & PACKAGING LTD	2,835,194	10,559,703
DIGESTORS SILOS & TANKS LTD	512,584	1,575,310
DIGITAL THEATER SYSTEMS (UK) LTD	410,030	1,025,076
DIMEX (NI) LIMITED	123,590	402,887
DOUBLE BAND FILMS LIMITED	108,800	217,600
DOWN BUSINESS CENTRE LTD	100,000	800,000
DU PONT (KEVLAR)	112,869	443,227
DUNGANNON MEATS	83,850	279,499
E & I ENGINEERING LTD	353,133	969,543
ENTERPRISE NORTHERN IRELAND LTD	4,546,926	7,737,764
EPS ENVIRONMENTAL LTD	80,480	167,137
EVENT MAP LIMITED	104,131	256,229
EVRON FOODS LTD	507,750	1,888,998
EXUS ENERGY LIMITED	177,336	860,840
F G WILSON (ENGINEERING) LTD	1,767,630	7,143,880
FELIX MCPARLAND & CO LTD	75,450	574,816
FIELD BOXMORE BELFAST LTD	88,000	160,280
FINLAY HYDRASCREENS (OMAGH) LTD	84,901	97,256
FIRST DERIVATIVES PLC	88,109	261,193
FORTRESS DIAGNOSTICS LTD	95,982	256,026
FOYLE FOOD GROUP LIMITED	180,000	531,743
FRANCIS DINSMORE LTD	182,640	851,950
GARAGE DOOR SYSTEMS LTD	77,182	337,782
GENERAL CABINS & ENGINEERING	105,140	541,390
GG ENTERPRISES LTD	154,935	206,580
GILTSPUR SCIENTIFIC LTD	94,688	217,862
GRAHAM & HESLIP LTD	124,534	515,442
GREENACRE COMPOSTING ENTERPRISES LTD	101,965	1,551,304
HEARTSINE TECHNOLOGIES INC	500,000	1,235,011
HILL ENGINEERING LTD	90,350	419,350
HILTON HOTEL, TEMPLEPATRICK	168,324	561,082
HILTON, LAGANBANK	202,198	577,710
HOMELOANS MANAGEMENT LIMITED	3,200,000	9,500,000
HUBERT BROWN-KERR	114,729	557,356
HUCO LIGHTRONIC NI LTD	183,209	1,159,987
I C S COMPUTING LIMITED	665,380	1,884,466
ICEMOS TECHNOLOGY LTD	3,529,410	9,600,000

Business/ Organisation (continued)	Amount Offered (£)	Total Planned Investment (£)
INDEPENDENT FERTILISERS LIMITED	75,000	394,100
INTEGRATED AUTO SOLUTIONS LTD	76,242	228,602
INVESTMENT BELFAST LTD	182,012	760,989
JANUS CONTRACTS LTD	99,750	949,203
JOSEPH HUGHES PAINTING CONTRACTOR	87,127	435,140
KESTREL FOODS LTD	91,868	845,887
KEYSTONE LINTELS LTD	267,960	745,135
KOSMOS GLASS RECYCLING LIMITED	204,000	2,416,592
K-SCROLL LIMITED	96,790	516,632
LAGAN TECHNOLOGIES LTD	267,980	1,030,690
LARNE ENTERPRISE DEVELOPMENT CO LTD	150,000	275,000
LATENS SYSTEMS LTD	387,048	967,621
LEVEL SEVEN SOFTWARE	100,780	250,664
LIAM EASTWOOD	79,140	360,920
LISNASKEA COMMUNITY ENTERPRISES LTD	365,535	783,935
LIVEWIRE (NORTHERN IRELAND) LIMITED	544,206	806,206
LUSTY BEG ISLAND	133,247	592,000
M D F ENGINEERING LIMITED	100,000	460,000
MAGENTA VIDEO CONFERENCING LTD	196,380	436,400
MAGHERA JOINERY WORKS LTD	110,141	994,708
MALLUSK ENTERPRISE PARK LIMITED	100,000	1,387,400
MASH DIRECT LTD	75,778	216,240
MCKEOWN FINE FOODS LTD	148,175	2,256,090
MCQUAID ENGINEERING	95,613	428,647
MCELWAIN TECHNICAL SERVICES LTD	94,845	395,303
MCMULLEN ARCHITECTURAL SYSTEMS LTD	307,809	1,016,806
MECHANICAL INSTALLATION AND MAINTENANCE (NI) LTD	97,000	330,856
MEDIACOM (IRELAND) LTD	118,669	338,978
MEMSIS LIMITED	140,000	297,500
MICHELIN TYRE PLC	2,844,945	14,975,881
MICROSOFT LIMITED	168,000	677,613
MM GROUP LTD	628,450	1,191,500
MOBILE COHESION LIMITED	234,863	671,038
MOMENTUM ICT FEDERATION LTD	150,000	2,475,000
MOY PARK LIMITED	277,675	1,225,572
N C AGRICULTURAL ENGINEERING LTD	283,059	943,118
NACCO MATERIALS HANDLING (NI) LTD	2,208,946	14,332,337
NATURAL WORLD PRODUCTS LTD	118,662	508,965
NEWRY & MOURNE DISTRICT COUNCIL	122,250	244,500
NIROX LTD	77,358	193,396
NORBROOK LABORATORIES LIMITED	85,348	165,348
NORTH WEST MARKETING LTD	181,677	291,000
NORTH DOWN & ARDS INSTITUTE	892,819	2,207,819
NORTHBROOK TECHNOLOGY OF NORTHERN IRELAND	5,534,729	30,812,729
NORTHERN IRELAND COUNCIL FOR VOLUNTARY ACTION	435,623	871,246
NORTHERN IRELAND FILM AND TELEVISION COMMISSION	1,565,000	6,882,000

Business/ Organisation (continued)	Amount Offered (£)	Total Planned Investment (£)
OCWEN FINANCIAL CORPORATION	240,000	4,769,000
OMAGH ENTERPRISE CO LTD	325,000	2,092,830
OPT 2 VOTE LTD	127,514	612,251
PARITY SOLUTIONS (IRELAND) LTD	159,000	608,800
PERFECSEAL LTD	215,540	741,497
POWERSCREEN INTERNATIONAL DISTRIBUTION LTD	85,786	124,575
PRE-SET FRAMES LIMITED	78,000	307,452
QUB - Institute for Electronics, Communications and Information Technologies (ECIT)	8,282,618	37,756,883
QUINN DIRECT INSURANCE LTD	336,000	1,010,552
RANDOX LABORATORIES LTD	1,170,344	3,310,860
RAPID INTERNATIONAL LTD	75,653	94,908
REFLEX MOULDINGS LTD	110,643	186,686
RELAY BUSINESS SOFTWARE LTD	172,132	600,211
RESPANSIAN LIMITED	75,000	405,000
RETAIL SYSTEMS TECHNOLOGY LTD	92,114	307,045
ROAD SAFETY CONTRACTS LTD	99,762	298,685
ROLL FORMED FABRICATIONS LTD	462,759	2,271,883
S D C TRAILERS LTD	276,398	1,403,994
S&S PRODUCE	195,000	1,050,188
SCHRADER ELECTRONICS LTD	341,384	1,062,153
SEAGOE TECHNOLOGIES LTD	90,368	344,585
SENSOR SYSTEMS WATCHMAN LTD	91,448	186,993
SHARMAN D NEILL LTD	111,137	276,055
SINGULARITY LTD	468,034	1,673,803
SMART LIGHT DEVICES IRELAND LTD	823,000	2,221,912
SMTEK EUROPE LTD	700,000	1,000,000
SPECIALIST JOINERY FITTINGS LTD	86,482	233,483
SPRINGFARM ARCHITECTURAL MOULDINGS LTD	136,478	933,792
STEELWELD FABRICATIONS LIMITED	111,154	672,593
THE BELLEEK POTTERY LTD	1,013,827	2,992,654
THE INTERNET BUSINESS LIMITED	335,808	1,150,112
THE MCAVOY GROUP LTD	834,373	2,836,390
THERMAL ENGINEERING DEVELOPMENTS N.I. LIMITED	146,964	290,634
TOMCAT SYSTEMS LTD	87,442	368,884
TYRONE FABRICATIONS LTD	266,094	1,267,528
UNICORN SELF SERVE LIMITED	108,922	254,365
UNITED DAIRY FARMERS LTD	992,593	4,093,629
UNITED FEEDS	99,975	281,786
VIPER INTERNATIONAL LIMITED	378,103	4,791,863
VISTEON UK LTD	99,622	273,604
WADE TRAINING LTD	371,787	495,716
WILSON'S COUNTRY LTD	154,944	3,366,450
WORKSPACE (DRAPERSTOWN) LTD	85,763	341,552
WRIGHTBUS LIMITED	425,015	1,416,056
YOUNG ENTERPRISE NORTHERN IRELAND	678,960	1,570,880

ANNEX 4

Table 4.1: Potential Investor Visits 2003-04

Total Visits	2001-02	2002-03	2003-04
First Time Visits	96	98	93
Repeat Visits	37	38	55
Total	133	136	148

Table 4.2: Potential Investor Visits by District Council 2003-04

District Council Visits	2001-02	2002-03	2003-04
Antrim	5	8	6
Ards	6	3	1
Armagh	4	4	1
Ballymena	0	0	1
Ballymoney	0	1	0
Banbridge	1	0	0
Belfast	68	78	79
Carrickfergus	5	7	4
Castlereagh	1	0	1
Coleraine	3	8	2
Cookstown	0	0	0
Craigavon	11	3	6
Derry	13	22	18
Down	11	3	1
Dungannon	0	0	1
Fermanagh	0	2	0
Larne	1	1	0
Limavady	0	1	0
Lisburn	6	4	4
Magherafelt	0	1	1
Moyle	0	0	0
Newry & Mourne	9	7	4
Newtownabbey	14	20	6
North Down	6	4	2
Omagh	7	5	1
Strabane	2	1	3
TOTAL	173	183	142

ANNEX 5

Table 5.1: Land and Factory Holdings, Acquisitions, Completion and Sales

Land Acquisitions	2002-03	2003-04
Land acquired during Year (acres)	0	4,452
Land acquired in disadvantaged areas * during year (acres)	0	0
Land Holdings at End Year:		
Industrial land holding (acres)	2,829	2,805
Industrial land holding in disadvantaged areas * (acres)	1,110	1,096
Land available for leasing (acres)	1,028	985
Land available for leasing in disadvantaged areas * (acres)	309	298
Factory Completions and Sales:		
Advance factories completed	0	2
Purpose built factories completed	0	0
Purpose built factory extensions completed	0	0
Total area of all completions during year (sqm)	0	2,870
Number of factories sold	0	3
Value of factories sold (£m)	0	£2,250m
Factory Holdings at End Year		
Factory Stock **	36	35

* Disadvantaged areas are NTSN and special status District Council Areas.

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

**Table 5.2: Land Holdings and Land Available by District Council Area
(Year Ending March)**

DISTRICT COUNCIL	Total Land Holdings (Acres)		Land Available For Leasing (Acres)	
	2002-03	2003-04	2002-03	2003-04
ANTRIM	110	110	34	34
ARDS	32	32	4	4
ARMAGH	33	33	9	9
BALLYMENA	81	81	36	36
BALLYMONEY	13	13	7	5
BANBRIDGE	27	27	0	0
BELFAST	137	137	21	19
CARRICKFERGUS	108	108	27	27
CASTLEREAGH	13	13	0	0
COLERAINE	74	74	54	53
COOKSTOWN	38	38	6	6
CRAIGAVON	378	378	227	219
DERRY	416	416	130	129
DOWN	129	133	60	57
DUNGANNON	94	94	22	22
FERMANAGH	126	126	44	44
LARNE	36	36	10	5
LIMAVADY	51	51	16	16
LISBURN	313	313	69	60
MAGHERAFELT	75	75	37	37
MOYLE	6	6	4	4
NEWRY & MOURNE	114	100	28	26
NEWTOWNABBEY	284	270	127	127
NORTH DOWN	63	63	33	23
OMAGH	47	47	18	18
STRABANE	31	31	5	4
TOTAL	2,829	2,805	1,028	984

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FOREWORD TO THE ACCOUNTS

The Board present their Annual Report and the Audited Accounts for the year ended 31 March 2004.

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

STATUTORY BACKGROUND

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

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

MISSION AND OBJECTIVES OF INVEST NI

Invest NI's mission is:

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

Invest NI's objectives are:

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

PRINCIPAL ACTIVITIES

The principal activities of Invest NI are:

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

OPERATING AND FINANCIAL REVIEW

(i) Corporate Plan

Invest NI's first Corporate Plan, covering the period April 2002 - March 2005, was published in April 2002 following widespread consultation. The Corporate Plan describes the organisation's strategy for that period. It includes a detailed description of the organisation's new design and functionality as well as the objectives, initiatives and targets through which it proposes to achieve its mission. Invest NI's Corporate Plan is consistent with DETI's Corporate Plan for the same period and the economic priorities set out in the Northern Ireland Programme for Government. The second Corporate Plan for the period April 2005 - March 2008 is currently being prepared and was issued for public consultation in December 2004. While the global economic context in which we are now working has changed and Invest NI's Mission and Objectives may be presented slightly differently, it is not intended to introduce any significant changes to the organisation's overall strategic direction.

(ii) Operating Performance in the Year

Invest NI's three-year Corporate Plan is delivered through a series of Annual Operating Plans. The key operational targets of the 2003-04 Operating Plan together with the year-end achievements are listed below.

Innovation

Key Actions	31 March 2004 Target	Year End Achievement
Stimulate higher levels of investment in R&D	Lever £20m private sector investment	£19.4m
Increase number of companies performing R&D	Increase participation in R&D programmes by 5%	6%
Enhance technological infrastructure	Establish 2 additional Centres of Research Excellence	2 Centres of Excellence established
	From established Centres of Excellence: <ul style="list-style-type: none"> Undertake commercial research to the value of £0.5m 	£0.456m
	<ul style="list-style-type: none"> Secure additional research funding of £1.5m 	£7.0m
Promote industrial design	20 companies to complete Design Development Programme	9

Inward Investment

Key Actions	31 March 2004 Target	Year End Achievement
Market Northern Ireland as an investment location	3,300 face-to-face visits with investment leads	3,228 face-to-face visits
	190 inward visits from prospective investors	148 inward visits
	30 visits from influencer groups	32 visits
	11 new externally-owned knowledge-based investments promising 1,000 jobs	11 new investments secured, promising 1,099 jobs
	Secure 10% market share of all FDI into UK and ROI	10%
	75% of new inward projects to be located in NTSN areas	94%

(ii) Operating Performance in the Year (continued)

Growth by Existing Business

Key Actions	31 March 2004 Target	Year End Achievement
Support development projects by client companies	Support 255 projects leveraging £215m private sector investment	267 projects supported, leveraging £200m private sector investment
Encourage exports	1,500 companies to participate in Trade Missions and Initiatives	1,470
	100 companies to enter export markets for the first time	112
	200 existing exporters to enter new markets	280
	Establish 1 further Technology and Development Centre	2 Centres established in Houston and Denver
Encourage skills development	1,000 Business Improvement Interventions resulting in £7.5m increase in profits and £7.5m increase in new business	1,377 interventions resulting in £12.45m increase in profits and £4.4m increase in new business
Encourage companies to improve their use of ICT/e-Business	400 companies to be engaged in improving their use of ICT/e-Business	1,022
Promote energy efficiency	Generate energy savings of 29,500 GJs	54,884 GJs

Business Start-ups

Key Actions	31 March 2004 Target	Year End Achievement
Promote self employment	2 major Enterprise Roadshows with 3,500 participants	2 Road shows with 5,202 participants
Assist business start-ups	1,500 locally focused start-ups	2,677
	100 externally-focused start-ups	104
	20 global start-ups	10
Support social economy enterprise	30 projects funded under the Community Business Programme	28

(iii) Other Achievements

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

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

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

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

A significant amount of work took place on the preparatory arrangements for acquiring a single headquarters site and towards the end of the financial year, preferred bidder status was awarded to MRDE Ltd for the development of a new building at Bedford Street in Belfast city centre. The final contract has been signed since the balance sheet date.

RESULTS AND FINANCIAL REVIEW

Details of the Operating Performance for the year ended 31 March 2004 are outlined in the Review of the Business Section on pages 72 and 73 as part of the Foreword to these Accounts. The results are set out in detail in the Income and Expenditure Account on page 84.

Invest NI is predominantly funded by the Department of Enterprise, Trade and Investment (DETI) by grant in aid. This funding is reflected in the Income section of the Income and Expenditure Account on page 84 and does not include funding received in respect of capital items such as monies provided to purchase loans and shares in client companies and to invest in venture capital funds ('fixed investments'). The Income and Expenditure account shows that DETI funding has reduced by £8m from 2002-03, however, when capital funding is added to the total it reflects that funding has in fact increased by £3m (gross funding figure in Note 3 to the accounts) to reflect a higher level of fixed investments during the year. Funding received from DETI in respect of capital items is reflected in the Government Grant Reserve account as detailed in Note 22 to the accounts. Investments in land and property have reduced as a result of surplus land and property disposals. Fixed investments have increased in line with the policy to utilise a higher level of repayable forms of assistance. The overall net asset position has increased from £98m to £113m representing the increase in fixed investments as reflected through the Government Grant Reserve account and reduction in grant provisions.

The deficit of £9m arising from operations as detailed on the Income and Expenditure account arises because DETI funding disclosed in the Income section is on a cash basis whereas expenditure is calculated on an accruals basis. An additional £10m (income surrenderable but retained figure in Note 3 to the accounts) from the previous year was received in the form of income from property sales, fixed investment repayments and redemptions which also reduced the level of net DETI cash funding requirement.

To reflect the cost associated with funding Invest NI's activities a notional cost of capital is charged to the Income and Expenditure account at a rate of 3.5%. This reduced from a level of 6% in 2002-03 as a result of a change in the Government's Treasury Discount Rate. The net current liability position has increased by over £1m to £27m but this is not a reflective position of the liquidity of the organisation as current commitments are to be met primarily by future cash funding requirements from DETI.

The cash flow position for the year ended 31 March 2004 reflects an increased cash requirement to meet previous and new grant and other operational commitments.

Invest NI committed a total of £123m (2003: £141m) to client companies during the year based on 3,224 (2003: 3,936) direct offers, most of which will be paid over future years.

The full-time and permanent part-time staff totalled 681 as at 31 March 2004 (2003: 680), measured on a full-time equivalent basis.

FUTURE DEVELOPMENTS

Invest NI is now two years old and a considerable amount of sustained effort has been spent in these early years on establishing the organisation, integrating staff, rationalising programmes, services and internal processes. At the same time Invest NI has made a real impact on the development and growth of its client companies and has introduced a renewed awareness of the importance of entrepreneurship in growing a successful economy. Developing the capability of Northern Ireland's businesses and helping them to grow through innovation, enterprise and entrepreneurship will continue to be Invest NI's central objectives and challenging targets have been set across these priorities. Invest NI is now entering a period of consolidation during which it can energetically pursue these objectives. A new Corporate Plan for the period 2005-08 has been issued for public consultation.

Key to the further progress will be the acquisition of a single site in the autumn of 2005, the further integration of staff at that site and, consequently, closer linkages, synergies and better communications. The organisation's stability will also be enhanced by the finalisation of the 'options' process in March 2005 through which Northern Ireland Civil Service staff are required to make a final decision on whether to remain with Invest NI or return to the Civil Service.

RESEARCH

Invest NI works closely with its parent Department on the commissioning of economic research which will inform the activities and programmes required to carry out its aims and objectives. During 2003-04 a number of key research projects were carried out, including the Global Entrepreneurship Monitor, which examined levels of entrepreneurship activity and provided a clear baseline of entrepreneurial activity in Northern Ireland. This will form the basis of measurement of progress on implementation of the Accelerating Entrepreneurship Strategy. Research was undertaken into levels of innovation in Northern Ireland compared to the Republic of Ireland. The Innovation Survey results were used as the basis for a number of workshops aimed at raising levels of innovation within businesses in Northern Ireland.

PAYMENTS TO DETI IN RESPECT OF INCOME REPAYABLE

In accordance with the Financial Memorandum agreement between Invest NI and DETI, the sponsoring Department, certain types of income cannot be retained and will be surrendered back to DETI. During the year, Invest NI made a total payment of £5,204,916 (2003: £2,451,843) to DETI in relation to these types of income.

FIXED ASSETS

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

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

CHARITABLE DONATIONS

Charitable donations made in the year amounted to £nil (2003: £nil).

PAYMENTS TO SUPPLIERS

Invest NI is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

Regular reviews conducted to measure how promptly Invest NI pays its bills found that 90% (2003: 97%) of bills were paid within this standard.

REGISTER OF BOARD MEMBERS' AND SENIOR MANAGEMENT INTEREST

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

POST BALANCE SHEET EVENTS

Due to the Victoria Square redevelopment project, in April 2004, Invest NI temporarily relocated its headquarters from Chichester Street to May Street. The preferred bidder for the new Invest NI headquarter PFI ('Private Finance Initiative') project was confirmed in the same month. The new headquarters will be located in Bedford Street and is scheduled for completion during the second half of 2005. The final contract was signed towards the end of 2004.

The Start A Business Programme has received overwhelming responses since its introduction in late summer 2001. The programme met its target in terms of the number of new starts in August 2004, which was higher than initially budgeted. The programme also received Ministerial funding approval for a further 5 years in early autumn 2004.

In addition, Air Route Development (NI) Limited (ARD), a subsidiary of Invest NI, has announced a number of new air routes which will be assisted by the 'Northern Ireland Air Route Development Scheme'. Most notably, a direct service from Belfast to Newark airport in New York was announced in September 2004. This service is expected to commence during summer 2005.

Following consultation with DETI, it was agreed between Invest NI and the Northern Ireland Tourist Board (NITB) for the transfer of functions in relation to 3 share investments that NITB holds. These investments will be transferred into Invest NI during the financial year 2004-05.

In early 2005, there was a restructuring which involved the transfer of the scientific services functions and related staff out of Invest NI. The Occupational Hygiene Unit transferred to the Health and Safety Executive and the Air Pollution Unit transferred to the Environment and Heritage Service. The restructuring has been conducted in full consultation with NIPSA.

The option for civil servants returning to the civil service expired in March 2005. Leading up to this, Invest NI conducted a thorough communication and consultation process with the staff involved. The management is in the process of finalising a resourcing and recruitment strategy to facilitate a smooth transition going forward.

Since the balance sheet date a number of client companies have made announcements concerning their activities. Several companies have announced expansion plans reflecting an upturn in some economic sectors. However, client companies in a number of specific sectors are affected by the state of the global economy and changes in market demand, and are experiencing difficult trading conditions. Invest NI is working closely with client companies to provide the appropriate support, particularly those experiencing difficult trading conditions. The impact of the performance of these companies on Invest NI may subsequently be reflected in future Invest NI annual accounts, depending on the particular circumstances in each company concerned. Since 31 March 2004, due to finalisation of previous and current closures, approvals were granted to waive or write off 38 cases totalling £3.6m. Invest NI is in the process of reviewing 19 cases of potential waivers or write off (totalling £16.6m, of which more than 80% related to pre Invest NI transactions) with DETI, DFP and is at the final stages of negotiations with the client companies. Of those balances existing at the balance sheet date, sufficient provisions have been made.

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

THE BOARD

The board members who were appointed on Invest NI's incorporation and served during the year to 31 March 2004 were as follows:

Professor Fabian Monds (Chairman)

Mrs Rotha Johnston (Vice Chairman)

Mrs Deborah Boyd

Mr Frank Bunting

Professor Bernie Hannigan

Dr Patrick Haren

Mrs Debra Jenkins-Devine

Mr Gilbert Little

Mr Bill McGinnis

Dr Alan McClure

Mr Stephen Kingon

Mrs Rosemary Peters-Gallagher

Mr Derek Shaw (retired from office by rotation 31 March 2004)

Mrs Teresa Townsley (retired from office by rotation 31 March 2004)

Professor Roy Crawford (retired from office 31 December 2004)

STATUTORY EQUALITY OBLIGATION

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

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

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

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

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

EMPLOYEE POLICY

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

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

AUDITORS

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



Leslie Morrison
Designated Accounting Officer

Date: 23 May 2005

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

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

In preparing the accounts, Invest NI is required to:

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

Responsibilities of Board Members

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

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

Responsibilities of the Accounting Officer

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



Leslie Morrison
Designated Accounting Officer

Date: 23 May 2005

STATEMENT OF INTERNAL CONTROL

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

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

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of Invest NI's policies, aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. Corporate and Group Risk Registers, with allocated Risk Owners, are regularly reviewed, updated and reported on at the end of each quarter. Risk management has been built into corporate planning and decision-making processes. In addition Invest NI has an established Internal Audit Committee and a Board Audit Committee. As a result, the Management and Board of Invest NI have ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

Invest NI engages the services of the Department of Enterprise, Trade and Investment's Internal Audit Service (IAS) which 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, upon which audit activity in 2003-04 was based. The analysis of risks and the internal audit plans were endorsed by the Internal Audit Committee and the Board Audit Committee. The Head of Internal Audit (HIA) has provided me with a report on internal audit activity in Invest NI which includes the HIA's independent opinion on the adequacy and effectiveness of Invest NI's Risk Management, Control and Governance arrangements. A full audit programme was devised for 2003-04 which included a follow up on issues identified as part of the work undertaken in 2002-03. In relation to the small number of serious procedural breaches identified in the area of payroll, follow-up audits have revealed that payroll administration and processing procedures have been tightened and improved significantly.

The IAS programme of audits undertaken in 2003-04 represented the first year of the agreed four years Audit Strategy for Invest NI and was based on the audit need as agreed by the respective Audit Committees. As part of the current year programme, approximately one half of the systems identified within Invest NI have now been subject to review. Therefore, IAS is not currently in a position to comment on the adequacy and effectiveness of all Invest NI systems and controls. However, the majority of Invest NI systems not yet covered are legacy or hybrid legacy systems which have been subject to audit previously. Taking cognisance of the limitations in the audit activity and on the basis of all relevant work to date the HIA is satisfied that a framework for discharging Invest NI's Risk Management, Control and Governance responsibilities is in place. 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 2003-04 audit findings while not revealing any major flaws, have identified a number of procedural weaknesses, specifically with regard to adherence to tendering best practices and non-compliance with the purchase ordering system (first full year of system implementation). Steps have been taken to re-enforce procedures in these areas.

The 2002-03 Statement of Internal Control made reference to new guidance being introduced to minimise certain control weaknesses in relation to Third Party Organisations. A review of existing third party relationships is continuing and this is looking at specific governance, contractual and monitoring weaknesses in these relationships.

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

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

A handwritten signature in black ink, appearing to read 'Leslie Morrison'. The signature is written in a cursive style with a large initial 'L'.

Leslie Morrison
Designated Accounting Officer

Date: 23 May 2005

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

I certify that I have audited the financial statements on pages 84 to 129 under the Industrial Development Act (Northern Ireland) 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 88 to 92.

Respective responsibilities of the Board, the Accounting Officer and Auditor

As described on page 79, The Board and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department of Enterprise, Trade & Investment directions made thereunder and for ensuring the regularity of financial transactions. The Board and Accounting Officer are also responsible for the preparation of other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department of Enterprise, Trade and Investment directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if Invest Northern Ireland has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 80 and 81 reflects Invest Northern Ireland's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of Invest Northern Ireland's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by Invest Northern Ireland, the Board and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to Invest Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. However, the evidence available to me was limited in respect of £4m to third parties to carry out various local economic development activities, as there were significant deficiencies in their contractual terms and conditions and insufficient monitoring of the contractors' books and records. There were no other satisfactory audit procedures that I could adopt to confirm the accuracy of these payments and that they were used for the purpose intended. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming my opinion, I have considered the adequacy of the disclosures made in the financial statements concerning the fundamental uncertainty over the adequacy or excessiveness of the provision on unsubmitted grant claims of £12m.

Details of the circumstances relating to the fundamental uncertainty over the accuracy of these provisions are described in the Statement of Internal Control and in notes 20 and 21 to the financial statements. My opinion is not qualified in this respect.

Qualified opinion arising from limitation in audit scope

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

- the financial statements give a true and fair view of the state of affairs of Invest Northern Ireland at 31 March 2004 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and directions made thereunder by the Department of Enterprise, Trade & Investment; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Details of this matter are set out in paragraphs 1 to 11 of my report in Appendix B and my observations on the issues arising on land acquisition costs associated with the expansion of the Granville Industrial Estate in Dungannon are included in paragraphs 1 to 38 included in Appendix C to the financial statements.



J M Dowdall CB
Comptroller and Auditor General

Date: 4 July 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2004

	Note	2004 £'000	2003 Restated (note 2) £'000
INCOME			
Gross grant in aid from the Department of Enterprise, Trade and Investment (DETI) inclusive of income surrenderable but retained	3	128,833	137,067
Income from operating activities	4	8,570	2,822
Other operating income			
(loss)/profit on assets disposal	5	(107)	284
(loss)/profit on investment disposal	5	(244)	-
government grant reserve credit	22(iii)	13,791	15,207
other	6	5,007	4,685
Total		155,850	160,065
Less:			
Net operating income surrendered to DETI	28(iv(b))	(5,466)	(5,056)
Income surrenderable to DETI but retained			
operating income	3	(6,396)	(2,451)
non operating income	3	(14,049)	(7,713)
Net total income		129,939	144,845
EXPENDITURE			
Grants and programme related costs			
grants and programme related costs	7	(93,383)	(102,065)
asset development, maintenance and related costs	25(iii)	(1,532)	(568)
depreciation	11(i)	(1,524)	(1,725)
asset impairment	11(ii)	(7,568)	(9,545)
other operating costs	10	(7,243)	(7,154)
Administrative expenses			
staff costs	12(iii)	(20,534)	(18,840)
other	8	(8,497)	(8,786)
Notional cost of capital	9(ii)	(3,694)	(5,586)
Total expenditure		(143,975)	(154,269)
Deficit on activities before taxation		(14,036)	(9,424)
Tax on ordinary activities	14	(680)	(1,000)
Deficit for the financial year		(14,716)	(10,424)
Credit reversal of notional costs	9(iii)	6,091	8,317
Amount transferred to general reserve	23	(8,625)	(2,107)

All activities derive from continuing operations.

Notes 1 to 30 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2004

	Note	2004 £'000	2003 Restated (note 2) £'000
Results for the year before credit reversal of notional costs		(14,716)	(10,424)
Surplus on revaluation of tangible fixed assets included in government grant reserve	22(i)	9,647	8,225
Total recognised gains/(losses) relating to the year		(5,069)	(2,199)

BALANCE SHEET

Year ended 31 March 2004

	Note	2004 £'000	2003 Restated (note 2) £'000
FIXED ASSETS			
Tangible assets	15(i)	109,654	109,798
Investments	16(i)	200	200
Fixed investments	17(i)	42,412	33,211
		152,266	143,209
CURRENT ASSETS			
Debtors	18(i)	8,848	7,799
Cash at bank and in hand		1,190	149
		10,038	7,948
CREDITORS:			
amounts falling due within one year	19	(36,786)	(33,292)
NET CURRENT LIABILITIES		(26,748)	(25,344)
TOTAL ASSETS LESS CURRENT LIABILITIES		125,518	117,865
CREDITORS:			
amounts falling due after more than one year			
Provision for liabilities and charges	20	(12,482)	(19,790)
		113,036	98,075
CAPITAL AND RESERVES			
Government grant reserve	22(i)	153,576	144,039
General reserve	23	(40,540)	(45,964)
		113,036	98,075

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



Leslie Morrison
Designated Accounting Officer

Date: 23 May 2005

CASH FLOW STATEMENT

Year ended 31 March 2004

	2004 £'000	2003 £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,270)	(9,683)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Loan interest received	1,302	794
Dividend received	148	581
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1,450	1,375
TAXATION		
Corporation tax paid	(1,450)	(2)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(6,008)	(7,753)
Receipts from sales of tangible fixed asset	5,264	4,238
Loan repayment received	8,211	2,942
Share redemption received	574	534
Loans made to client companies	(8,582)	(6,023)
Interest element included in loans to client companies	(17)	(16)
Investment in share capital of client companies	(11,232)	(4,825)
Investment in venture capital fund	(1,690)	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND INVESTMENT	(13,480)	(10,903)
CASH OUTFLOW BEFORE FINANCING	(18,750)	(19,213)
FINANCING		
Capital funding received from DETI		
UK Grants	26,519	14,919
EU Grants	1,010	3,697
Payments made to DETI	(5,205)	(2,452)
NET CASH INFLOW FROM FINANCING	22,324	16,164
INCREASE/(DECREASE) IN CASH	3,574	(3,049)

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

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

Statement of Accounting Policies

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

Accounting Conventions

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

Tangible Fixed Assets

- i) Land and buildings owned by Invest NI are restated at current cost on the basis of professional valuations generally based on open market value for existing use. Other property is restated at current cost on the basis of professional valuations. Professional valuations are conducted at intervals no longer than five years and appropriate indices are used for restating the assets at current cost in intervening years.
- ii) Other non-property tangible assets are stated at current cost using appropriate indices to account for the effects of inflation.
- iii) The minimum level of capitalisation of a tangible fixed asset is £1,000.

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

Depreciation

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

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

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

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

Assets in the Course of Construction

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

Surplus Assets

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

Investments in Subsidiaries

Investments in subsidiaries are valued at cost less impairment.

Other Investments

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

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

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

Debtors

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

Taxation (including Value Added Tax)

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

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

Income

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

Income from operating activities represents:

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

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

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

Income Payable/Surrenderable to DETI

In accordance with the Financial Memorandum Agreement between Invest NI and DETI (the sponsoring Department):

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

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

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

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

Grant expenditure

The expenditure comprises grants payable to companies sponsored by Invest NI under the terms and conditions of financial assistance agreements. Grants payable are accounted for in the period in which the recipient carries out the activity which creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Income and Expenditure account, on the basis of claims received not yet paid (included as accruals in the Balance Sheet) and best estimates of claims not received at the year end (included as provisions in the Balance Sheet - see also Note 21).

Administration expenditure

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

Notional charges

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

Capital charge

A non-cash capital charge, reflecting the cost of capital utilised by Invest NI, is included in operating costs and calculated using the average method. The charge is calculated at the Government's standard rate of 3.5% (2003: 6%) in real terms on assets less liabilities.

Pensions

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

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

Early departure costs

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

Provisions

Invest NI makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, Invest NI discounts the provision to its present value using a standard Government discount rate, which currently stands at 3.5%.

Consolidation

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

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

Government grant reserve

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

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

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

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

2. RESTATEMENT OF COMPARATIVES

a) DETI Grant in Aid Funding

Invest NI is net funded by DETI. Due to timing differences between the receipt of grant in aid and the actual surrender of income to DETI, the previous year's grant in aid has been understated by the amount of cash received but not yet physically paid over by Invest NI. As a result, the 2002-03 gross grant in aid figure will be increased by £2,326k and the same amount will be debited to a DETI debtor account. This restatement has also led to an increased notional cost of capital charge, and its reversal by £69k, which was calculated on an average net asset method.

b) Notional Cost Restatement

The notional cost for personnel, training and service was understated by £192k. For comparison purposes, the prior year notional costs and notional costs reversal has been restated to include this item.

c) Reclassification of Expenditure

In 2003-04, all expenditure relating to property support and development schemes is classified as 'grants and programme related costs'. In 2002-03, a related cost of £1,231k was reported under 'asset development, maintenance and related costs'. For consistency purposes and in accordance with the requirement of Financial Reporting Standard 18 (FRS 18), this has been reclassified as 'grants and programme related costs'. The reclassification has no impact on the accounts or the balance sheet.

d) Summary of Restatement Impact to the 2002-03 Income and Expenditure Account

	Gross grant in aid from DETI £'000	Grants and programme related costs £'000	Asset development maintenance related costs £'000	Other admin expenses £'000	Notional cost of capital charge £'000	Notional cost reversal £'000
As previously reported	134,741	(100,834)	(1,799)	(8,594)	(5,517)	8,056
Application of grant in aid on a receivable basis (funding to be increased)	2,326	-	-	-	(69)	69
Understatement of notional cost	-	-	-	(192)	-	192
Reclassification	-	(1,231)	1,231	-	-	-
	137,067	(102,065)	568	(8,786)	(5,586)	8,317

This adjustment to DETI funding has no tax implications to Invest NI. As the impact of notional cost and notional capital cost is reversed in the same financial year, the overall impact of the above restatements is a reduction in the deficit from £4,433k to £2,107k for the year ended 31 March 2003, being increased gross grant in aid from DETI (which has been agreed with DETI).

e) Summary of Restatement Impact to the Balance Sheet as at 31 March 2003

	Debtors (amounts due in 1 year) £'000	General Reserve £'000
As previously reported	5,473	(48,290)
Application of grant in aid on a receivable basis	2,326	2,326
Year ended 31 March 2003 restated	7,799	(45,964)

f) Others

As 2002-03 was Invest NI's first year in operation, the above restatement has no impact to the opening balance as at 1 April 2002. The associated impact to the cash flow (Note 28) has been adjusted accordingly.

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

Grant in aid is represented by:	2004	2004	2003	2003
	£'000	£'000	Restated (Note 2) £'000	Restated (Note 2) £'000
Amount received		135,108		141,992
Add: utilisation of income surrenderable to DETI but retained:				
Income from operating activities (Note 4 (ii))	5,954		1,988	
Other operating income (Note 6 (ii))	442		463	
Total operating income	6,396		2,451	
Non operating income (Note 22 (i))	14,049		7,713	
		20,445		10,164
Gross funding		155,553		152,156
Less: capital funding transferred to government grant reserve (Note 22(i)):				
Capital expenditure spending (Note 15(ii))	5,199		4,225	
Interest element on ex LEDU loans (Note 17(i))	17		16	
Investment in loans (Note 17(i))	8,582		6,023	
Investment in shares (Note 17(i))	11,232		4,825	
Investment in venture capital fund (Note 17(i))	1,690		-	
		(26,720)		(15,089)
Total		128,833		137,067

4. INCOME FROM OPERATING ACTIVITIES

(i) Analysis	2004 £'000	2004 £'000	2003 £'000	2003 £'000
International Fund for Ireland		-		205
Contributions from other funding organisations		-		156
Grant clawback		5,932		899
Scientific services fees		312		287
Recoupment of design costs from client companies		-		211
Market access visits receipts and other related income		379		584
Recoupment of the related administrative costs from client companies and third parties		707		114
Recoupment from loan scheme closure		600		-
Management fee income:				
Start A Business Programme (SABp) (previously Northern Ireland Business)				
Start Programme (NIBSP)	106		106	
other	72		144	
decrease/(increase) in debt provision (note 28(v))	72		(72)	
Net management fee income		250		178
Consultancy and secondment fees		64		78
Others		326		110
Total		8,570		2,822

(ii) From the above	2004 £'000	2003 £'000
Operating income surrendered to DETI (note 28(iv(b)))	901	834
Operating income surrenderable to DETI but retained (note 3)	5,954	1,988
Operating income non surrenderable	1,715	-
Total	8,570	2,822

(iii) Invest NI is required to recover the full cost of the work carried out by the Scientific Services division. The actual cost recovery was calculated as follows:	2004 £'000	2003 £'000
Income		
Fees charged for work carried out for the private and public sectors	312	287
Other	-	15
Notional charges for work carried out	1,688	1,597
	2,000	1,899
Expenditure:		
Gross operating expenditure	(2,136)	(2,181)
Interest on capital	(52)	(117)
	(2,188)	(2,298)
Net deficit for the year	(188)	(399)
Cost recovery	91%	83%

This information is provided to meet DFP requirements on fees and charges disclosure and not for the purpose of Statement of Standard Accounting Practice (SSAP) 5.

5. PROFIT ON ASSETS DISPOSAL

	2004 £'000	2003 £'000
(Loss)/profit on disposal of tangible fixed assets (note 15(v))	(107)	284
(Loss)/profit on disposal of fixed investment (note 25(ii))	(244)	-
Total	(351)	284

6. OTHER OPERATING INCOME

(i) Analysis	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Loan interest	2,345		1,349	
Dividend	811		644	
Increase in debt provision in respect of loan interest and dividend (note 28(v))	(887)		(531)	
Dividend written off (note 28(v))	(76)		-	
Net loan interest and dividend income		2,193		1,462
Property rent				
- Environment & Heritage Service		442		463
- other		2,265		2,531
Other property income		106		196
Other income		-		32
Bank interest		1		1
Total		5,007		4,685

(ii) From the above	2004 £'000	2003 £'000
Other operating income surrendered to DETI (note 28 (iv(b)))	4,565	4,222
Other operating income surrenderable to DETI but retained (note 3)	442	463
Total	5,007	4,685

7. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis	2004	2003
	£'000	Restated (note 2)
		£'000
Industrial development grants	29,828	36,320
Research and development grants	13,478	14,720
Enterprise grants	6,246	9,669
Company development programme	10,139	10,434
Business support grants	2,213	3,603
Promotion and marketing support	8,405	5,585
Property support	2,201	1,841
Property development scheme	2,212	746
Third party grants	3,865	4,142
Tourism grants	428	2,279
Market access support	1,919	2,623
Construction service cost	1,513	1,068
Overseas operation support	2,088	1,731
Project consultancy and appraisal	1,948	2,474
Other*	6,900	4,830
Total	93,383	102,065

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

(ii) Segmental Analysis	2004	2003
	£'000	Restated (note 2)
		£'000
Innovation and Capability Group	27,815	32,106
Entrepreneurship and Enterprise Group	21,044	15,100
Business International Group**	41,426	52,584
Corporate Services Group	3,098	2,275
Total	93,383	102,065

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

8. ADMINISTRATIVE EXPENSES

Analysis of Administrative Expenditure:	2004 £'000	2003 Restated (note 2) £'000
Seconded and temporary staff costs (note 12(ii))	604	713
Other employee related costs	25	24
Travel and subsistence	1,123	1,090
Overseas offices costs	257	270
Equipment rental and maintenance	41	31
Vehicle costs	14	8
Telephone and mobile costs	502	281
Stationery and postage	243	238
Printing and publications	72	65
Training costs	354	140
Conference costs	77	81
Data communications	146	240
Computer maintenance and related costs	271	294
Advertising and recruitment costs	178	89
Office consumables and related costs	40	38
Legal and professional fees	274	751
Admin property maintenance and related expenses	239	227
Admin property rental	636	536
Light, heat and power	142	114
Rates	346	353
Security costs	135	112
Contract cleaning	193	190
Insurance and subscription	54	37
Canteen costs	81	75
Hospitality	28	32
Bank charges	20	18
Miscellaneous	5	8
Total before notional costs	6,100	6,055
Notional costs (note 9(i))	2,397	2,731
Total	8,497	8,786

9. NOTIONAL COSTS

	2004 £'000	2003 (Restated note 2) £'000
(i) Notional costs included in Administrative Expenses		
Finance	316	288
Personnel and training services	279	248
Network communication	-	134
Accommodation	1,325	1,642
External Audit	126	126
Internal Audit	208	56
Government Purchasing Agency	72	115
Valuation and Land Agency	71	75
Early Departure Cost	-	47
Total notional costs included in Administrative Expenses (note 8)	2,397	2,731
(ii) Notional costs of capital		
Interest on capital employed at 3.5% (2003: 6%)	3,694	5,586
(iii) Credit reversal of notional costs		
Notional costs	2,397	2,731
Interest on capital employed	3,694	5,586
Total	6,091	8,317

10. OTHER OPERATING COSTS

(i) Analysis	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Movement in provision and write off:				
Loan investment:				
increase in provision (note 22(iii))	1,401		344	
amount written off (notes 22(iii) & 25(ii))	11		-	
		1,412		344
Increase in provision for shares (note 22(iii))		1,692		5,052
Increase in provision for venture capital fund (note 22(iii))		187		-
Increases in other bad debts provisions:				
trade debtors	4,668		1,758	
amount transferred to DETI creditors (note 28 (iv))	(716)		-	
		3,952		1,758
Total		7,243		7,154

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

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

11. DEPRECIATION AND ASSET IMPAIRMENT

(i) Depreciation	2004 £'000	2003 £'000
Tangible fixed asset depreciation charge for the year (notes 15(i), 22(iii))	1,524	1,725
(ii) Asset impairment	2004 £'000	2003 £'000
Tangible fixed asset impairment charge for the year (note 22(iii))	8,625	8,370
(Decrease)/increase in provision for asset impairment	(1,057)	1,175
Total	7,568	9,545

12. EMPLOYEES INFORMATION

(i) The average number employed, including divisional directors but excluding staff on career break and students on work experience scheme, within each category of persons was:	2004 No	2003 No
Board Members	15	14
Senior Management Team	5	5
Staff (including Divisional Directors):		
Innovation and Capability Group	213	208
Entrepreneurship and Enterprise Group	175	155
Business International Group	92	90
Corporate Services Group	235	230
Total	720	688

(ii) An average of 38 (2003: 43) temporary staff and secondees are included in the above. The associated cost of £604k (2003: £713k), including non recoverable VAT, are reflected in other administrative expenses in Note 8.

(iii) The costs incurred in respect of permanent and long term contract employees, excluding board members were:	2004 £'000	2003 £'000
Wages and salaries	16,990	15,595
Social security costs	1,335	1,031
Pension scheme contribution	18,325	16,626
Early retirement cost	2,188	2,214
Early retirement cost	21	-
Total staff costs	20,534	18,840

(iv) 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 51 (2003: 44). These staff members are separately funded. The associated income or recoupment of costs (including management fee) is separately disclosed in 'Income from operating activities' in Note 4.

(v) Pension Costs

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

For 2003-04, employers' contributions of £2,188k (2003: £2,214k) were payable to the PCSPS(NI) at one of four rates in the range 12 to 18 % of pensionable pay, based on salary bands. It is anticipated that rates will remain the same next year, subject to revalorisation of the salary bands, but will change from 2005-06 as a result of the current actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% 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.

13. INFORMATION REGARDING THE BOARD MEMBERS AND SENIOR MANAGEMENT

(i) Remuneration of the Board Members of Invest NI as at 31 March 2004 was as follows:

Name and title	Age 31 March 2004	Remuneration 31 March 2004 £'000	Remuneration 31 March 2003 £'000
The Board			
Professor Fabian Monds (Chairman)	64	37	35
Mrs Rotha Johnston (Vice Chairman)	45	10	10
Mrs Deborah Boyd	44	10	10
Mr Frank Bunting	54	10	10
Professor Bernie Hannigan	45	10	10
Dr Patrick Haren	53	10	10
Mrs Debra Jenkins-Devine	38	10	10
Mr Gilbert Little	55	10	10
Mr Bill McGinnis	55	10	10
Dr Alan McClure	55	10	10
Mr Stephen Kingon	57	10	8
Mrs Rosemary Peters-Gallagher	44	10	10
Mr Derek Shaw (retired from office by rotation 31 March 2004)	63	10	10
Mrs Teresa Townsley (retired from office by rotation 31 March 2004)	47	10	10
Professor Roy Crawford (retired from office 31 December 2004)	55	10	10
Mr Owen Lamont (resigned 11 December 2002)	n/a	n/a	7

Remuneration

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

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

Pension

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

(ii) Remuneration of the Chief Executive and Senior Management of Invest NI was as follows:

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	Salary, including performance pay	Benefits in kind	Real increase in pension at age 60	Total accrued pension at age 60 at 31/03/04	CETV at 31 March 2003	CETV at 31 March 2004	Real increase in CETV after adjustment for inflation and changes in market investment factors	Employer contribution to partnership pension account including risk benefit cover
	£'000	rounded to nearest £100	£'000	£'000	nearest £'000	nearest £'000	nearest £'000	nearest £'000
Chief Executive: Mr L Morrison	132	nil	n/a	n/a	n/a	n/a	n/a	n/a
Divisional Managing Directors: Professor T Scott	75 - 80	nil	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20	205	233	17	-
Ms T Meharg	75 - 80	nil	0 - 2.5 plus 2.5 - 5 lump sum	10 - 15	149	171	15	-
Mr L Ross								

Consent for disclosure withheld

Salary

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

Mr. L Morrison's remuneration package contains a provision for a performance related bonus up to 15% of actual salary, to be determined according to the achievement of targets and performance indicators, which are set by the Board on an annual basis. For 2003-04, Mr. L Morrison was awarded a bonus of £12k, (2003: £12k) equivalent to 10% (2003: 10%) of gross salary.

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

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the Organisation's employees received any benefits in kind (2003: nil).

Pension

Mr. L Morrison is not a member of the PCSPS (NI). Invest NI makes a contribution equivalent to 19.5% (2004: £23k, 2003: £23k) of his remuneration in lieu of pension provision.

For other senior management team members, pension benefits are provided through the PCSPS (NI) arrangements.

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

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

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

Further details about the CSP arrangements can be found at the web site www.civilservicepensions-ni.gov.uk.

Columns 5 and 6 of the table (page 104) show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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

Ill-health Retirement

During the year 2003-04 and the previous financial year, there were no ill-health retirements.

14. TAXATION

(i) Taxation charge in the year

(a) Analysis of charge in year (estimate)	2004 £'000	2003 £'000
Current tax:		
UK corporation tax on taxable income for the current year	855	1,000
Prior year overstatement	(175)	-
Total current tax (note 14(b))	680	1,000

(b) Factors affecting tax charge

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

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

Negotiations are currently ongoing with the Inland Revenue to determine precisely what sources of income and activities undertaken by Invest NI will be subject to corporation tax. The provision for tax in the years 31 March 2004 and 2003 is an estimate of potential tax payable on these sources of income.

(c) Deferred tax

No provision for deferred tax has been made as at 31 March 2004 and 2003.

(ii) A discussion is ongoing with DETI in relation to the funding of the corporation tax payment.

15. TANGIBLE FIXED ASSETS

(i) Analysis	Land and Property	Plant and Machinery (including motor vehicles)	Fixtures, Fittings, Tools & Equipment	Asset in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost/Valuation					
At 1 April 2003	107,408	1,172	7,711	2,753	119,044
Additions	2,225	-	918	3,066	6,209
Disposals	(5,544)	(214)	(2,878)	-	(8,636)
Reclassification	1,519	-	(121)	(1,398)	-
Transfer from current asset (note 18(ii))	925	-	-	-	925
Transfer to current asset (note 18(ii))	(1,381)	-	-	-	(1,381)
Revaluation	3,638	(100)	654	(855)	3,337
Asset value written down/off	(2,117)	-	-	(139)	(2,256)
At 31 March 2004	106,673	858	6,284	3,427	117,242
Depreciation					
At 1 April 2003	3,128	786	5,332	-	9,246
Charge for year (note 11(i))	457	67	1,000	-	1,524
Disposals	(280)	(191)	(2,794)	-	(3,265)
Reclassification	26	-	(26)	-	-
Transfer from current asset (note 18(ii))	95	-	-	-	95
Transfer to current asset (note 18(ii))	(71)	-	-	-	(71)
Revaluation	(332)	(69)	460	-	59
At 31 March 2004	3,023	593	3,972	-	7,588
Net Book Value					
1 April 2003	104,280	386	2,379	2,753	109,798
31 March 2004	103,650	265	2,312	3,427	109,654

(ii) Additions are represented by	2004 £'000	2003 £'000
UK grants (notes 3 & 22(i))	5,199	4,225
EU grants (notes 22(i) & (iv))	1,010	3,934
Total	6,209	8,159

(iii) Analysis of land and property balance (net book value basis)	2004 Land £'000	2003 Land £'000	2004 Property £'000	2003 Property £'000	2004 Total £'000	2003 Total £'000
Administrative	2,055	666	1,455	3,475	3,510	4,141
Occupied	60,681	79,625	12,979	13,410	73,840	93,035
Unoccupied	22,055	2,959	4,245	4,145	26,300	7,104
Included in fixed assets	84,971	83,250	18,679	21,030	103,650	104,280
Surplus assets (note 18(ii))	1,110	660	200	170	1,310	830
Total	86,081	83,910	18,879	21,200	104,960	105,110

(iv) Land and property was re-valued by the Valuation and Lands Agency on 31 March 2004 and 31 March 2003 on the basis of open market value for existing use.

(v) The loss on disposal represents assets which were removed from the fixed asset register following a review of physical assets which was carried out in accordance with the organisation's capitalisation policy. The majority comprises items carried forward from the legacy agencies prior to the incorporation of Invest NI.

16. INVESTMENTS

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

Unlisted	2004 £'000	2003 £'000
Gross amount (note 22(ii))	200	200

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

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

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

	2004 £'000	2003 £'000
Turnover	2,617	2,705
Profit after tax	52	142
Net assets	900	848

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

Unlisted	2004 £'000
Gross amount	-

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.

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

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

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

17. FIXED ASSET INVESTMENTS

(i) Total Fixed Asset Investments

Gross amount	Venture Capital (note 25b(i)) £'000	Share Capital £'000	Loans £'000	Amortisation £'000	Total £'000
At 1 April 2003	-	40,935	35,220	16,798	92,953
Additions (notes 3 & 22(i))	1,690	11,232	8,582	-	21,504
Repayments	-	(574)	(6,598)	(1,613)	(8,785)
Disposal	-	(244)	-	-	(244)
Amount waived and written off (note (25(ii)))	-	-	(11)	-	(11)
Interest* (notes 3 & 22(i))	-	-	17	-	17
At 31 March 2004	1,690	51,349	37,210	15,185	105,434
Provision					
At 1 April 2003	-	32,189	21,711	5,842	59,742
Charge/(credit) for year	187	1,692	1,455	(54)	3,280
At 31 March 2004	187	33,881	23,166	5,788	63,022
Net balance					
1 April 2003	-	8,746	13,509	10,956	33,211
31 March 2004	1,503	17,468	14,044	9,397	42,412

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

(ii) Repayment Analysis of Fixed Asset Investments (net balance)

At 31 March 2004:	Loans £'000	Amortisation £'000	Total £'000
Amount due within 1 year	5,441	1,540	6,981
Amount due within 2 to 5 years	8,603	5,517	14,120
Amount due greater than 5 years	-	2,340	2,340
As at 31 March 2004	14,044	9,397	23,441
At 31 March 2003:	Loans £'000	Amortisation £'000	Total £'000
Amount due within 1 year	8,489	1,749	10,238
Amount due within 2 to 5 years	2,773	5,393	8,166
Amount due greater than 5 years	2,247	3,814	6,061
As at 31 March 2003	13,509	10,956	24,465

(iii) Loan Analysis (net balance)

At 31 March 2004:	Loans £'000	Amortisation £'000	Total £'000
Secured	11,239	9,397	20,636
Unsecured	2,805	-	2,805
Total	14,044	9,397	23,441
At 31 March 2003:	Loans £'000	Amortisation £'000	Total £'000
Secured	12,401	10,956	23,357
Unsecured	1,108	-	1,108
Total	13,509	10,956	24,465

(iv) Loans exceeding £100,000 each

During the year, Invest NI entered into 11 (2003: 10) loan agreements each exceeding £100,000 with 11 (2003: 10) different companies. Details are as follows:

	2004 Loans Amounts offered in year £'000	2004 Loans Paid in year £'000	2003 Loans Amounts offered in year £'000	2003 Loans Paid in year £'000
	110	110	130	130
	150	150	140	140
	170	170	150	150
	200	200	150	150
	300	300	200	150
	360	360	350	350
	622	622	426	426
	800	800	900	900
	1,525	1,000	1,000	1,000
	1,900	1,900	2,100	2,100
	2,000	2,000	-	-
Total	8,137	7,612	5,546	5,496

(v) Share investments exceeding £100,000 each

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

During the year, Invest NI invested and paid 20 (2003: 21) different companies a total of £11,232,276 (2003: £4,825,000) in the form of either ordinary or preference shares of which 15 transactions (2003: 10) are exceeding £100,000 each.

During the year, 250,000 preference shares of £1 each were converted into 250,000 ordinary shares of £0.01 each and 283,823 ordinary shares of £0.01 (new investment in 2003/04) were converted into 170,943 common shares of \$0.025 each. In the previous financial year, there was also a transaction which involved the conversion of 2,000,000 preference shares of £1 each into 2,000,000 ordinary shares of £1 each.

18. DEBTORS

(i) Analysis	2004 £'000	2003 Restated (note 2) £'000
Amount due within one year:		
Trade debtors	1,556	1,258
Other debtors		
EU	20	359
other	1,785	1,713
Amounts due from DETI	869	2,326
Prepayments	1,318	549
Accrued income		
loan interest and dividend	1,488	764
other	75	-
Other assets (note 18(ii))	1,310	830
	8,421	7,799
Amount due in more than 1 year:		
Other debtors	427	-
Total	8,848	7,799
(ii) Other assets comprise (net book value basis):	2004 £'000	2003 £'000
Surplus land and property (notes 15(i) & (iii))	1,310	830

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £'000	2003 £'000
Bank overdraft	-	2,533
Trade creditors and accruals	7,024	4,850
Accrued grant creditors	19,993	18,015
Corporation tax	230	1,000
Other taxes and social security	25	225
Other creditors	2,739	2,772
Amounts due to DETI		
income surrendered*	2,530	3,342
other	3,778	-
Deferred income	467	555
Total	36,786	33,292

* The income surrendered balance due to DETI of £2,530k differs from the figure of £3,091k recorded in DETI's books. The difference of £561k represents the net realisable value of a specific recoupment which can be retained by Invest NI following post year end approval by DETI and DFP. Therefore, it has not been classified as income surrendered to DETI and is a reconciling item between the two sets of books.

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Grants £'000 (note 21)	Others £'000	Total £'000
As at 1 April 2003	18,211	1,579	19,790
(Over)/under provision from previous year	(1,395)	(1,057)	(2,452)
Charge to Income and Expenditure account	11,721	8	11,729
Paid	(16,585)	-	(16,585)
As at 31 March 2004	11,952	530	12,482

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

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

Other provisions of £0.5m (2003: £1.6m) in both financial years comprise:

- £0.1m (2003: £0.1m) of estimated final payments (similar to retirement payments) to employees in an overseas office when employment is terminated in the future, as required by the local employment regulations; and
- £0.4m (2003: £1.5m) of provisions in respect of land and property purchases and vested by Invest NI.

21. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE

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

During the year, the estimation methodologies to calculate grant provisions and accruals have remained unchanged:

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

Given the complexity and diversity of grant types and variations in the estimation methodologies, the provision carries an element of uncertainty and the methodologies are reviewed on an on going basis.

22. GOVERNMENT GRANT RESERVE

(i) Analysis	Investment - unlisted £'000	Fixed investment £'000 UK Grants	Tangible fixed assets £'000 UK Grants	Tangible fixed assets £'000 EU Grants (note 22(iv))	Total £'000 All Grants
At 1 April 2003	200	33,211	107,256	3,372	144,039
Received in year					
UK grants (notes 3, 15(ii) & 17(i))	-	21,521	5,199	-	26,720
EU grants (note 15(ii))	-	-	-	1,010	1,010
Release to Income and Expenditure account (note 22(iii))	-	(3,291)	(9,256)	(893)	(13,440)
Revaluation surplus	-	-	9,647	-	9,647
Repayment, redemption and disposal proceeds (notes 23 & 3)	-	(8,785)	(5,264)	-	(14,049)
(Loss) on disposal (note 22(iii))	-	(244)	(107)	-	(351)
At 31 March 2004	200	42,412	107,475	3,489	153,576

(ii) The above balance is represented by:	2004 £'000	2003 £'000
Net book value of tangible fixed assets (note 15(i))	109,654	109,798
Net book value of other assets (note 18(ii))	1,310	830
Net book value of unlisted investment (note 16(i))	200	200
Net book value of fixed investment (note 17 (i))	42,412	33,211
Total	153,576	144,039

(iii) Application of Government Grant Reserve Release	2004 £'000	2003 £'000
Depreciation (note 11(i))	1,524	1,725
Asset impairment (note 11(ii))	8,625	8,370
Provision on loan (note 10(i))	1,412	344
Provision on shares (note 10(i))	1,692	5,052
Provision on venture capital fund (note 10(i))	187	-
Loss/(profit) on sale of fixed assets (note 5)	351	(284)
Total	13,791	15,207

(iv) Assets financed by EU Grants

EU grants and the related funding are re-routed through DETI to Invest NI. They are not reflected in the Income and Expenditure Account as funding received and receivable. When money is received / cost is incurred, it is reflected as an addition to fixed assets and EU Government Grant reserve. During the year, total asset expenditure of £1,010k (2003: £3,934k) relating to 3 (2003: 3) projects was funded by EU.

23. GENERAL RESERVE

	2004 £'000	2003 Restated (note 2) £'000
At 1 April - deficit	(45,964)	(51,570)
Net cost of operations - deficit	(8,625)	(2,107)
Transfer from government grant reserve (note 22(i))	14,049	7,713
At 31 March - deficit	(40,540)	(45,964)

24. FUTURE CAPITAL EXPENDITURE

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

	2004 £'000	2003 £'000
Contracted	5,030	7,014

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

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

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

a) Operating loan/investment grants

a) (i) Emerging Business Trust (EBT)

Description	2004 Losses £'000	2004 No. of cases	2003 Losses £'000	2003 No. of cases
Peace and Reconciliation Funding	7	2	16	1

EBT assists in the financing of emerging businesses from disadvantaged areas in Northern Ireland. Established in 1996, EBT received a Peace and Reconciliation grant of £500,000 from LEDU for the purpose of financing the issue of loans. The figures given above are in respect of the financial years ending 30 September 2003 and 2002 respectively.

a) (ii) West Belfast Enterprise Board Limited (WBEB)

Description	2004 Losses £'000	2004 No. of cases	2003 Losses £'000	2003 No. of cases
Business Development Fund	-	-	-	-
Peace and Reconciliation Funding	64	3	55	3

WBEB encourages business to locate in West Belfast by providing property, training and support to business in the West Belfast area. In 1988 a Business Development Loan Fund was established and applications to LEDU and the International Fund for Ireland resulted in grants of £200,000 from each organisation. In 1997 WBEB applied for Peace and Reconciliation funding to establish a new seedcorn loan fund and received a Peace and Reconciliation grant of £250,000 from LEDU. Subsequently an additional £250,000 for this new loan fund was received directly from EU Structural Funds. The figures given above are in respect of the financial years ending 31 December 2003 and 2002 respectively.

a) (iii) Aspire Micro Loans for Business Limited (Aspire)

Description	2004 Losses £'000	2004 No. of cases	2003 Losses £'000	2003 No. of cases
Peace and Reconciliation Funding	30	17	55	15

Aspire provides short term loans for working capital and equipment to micro businesses (1-10 employees). The company's focus is on the retail and service sectors. Established in 1999, Aspire applied for Peace and Reconciliation funding to establish a loan fund and received a Peace and Reconciliation grant of £550,000 from LEDU. The figures given above are for the financial years ending 31 March 2004 and 2003 respectively.

a) (iv) Other Organisations

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

b) Loan and Investment Fund

b) (i) NITECH Growth Fund Limited Partnership (NITECH)

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

The objectives of NITECH are primarily to:

- provide support and funding resources to assist in bringing research discoveries and early stage technologies to the point where they can be transformed into viable businesses through the formation of small medium enterprises (SME's) in the Northern Ireland region; and
- carry on the business of an investor by arranging purchases/sales, or through investing in manufacturing and tradable services based industrial SME's located in Northern Ireland.

Since its commencement towards the end of 2002-03, Invest NI has since made a capital loan contribution of £1.7m to the Fund (note 17(i)). At the balance sheet date, there have been no losses reported / incurred by the Fund. However, a provision of £0.2m has been made to reduce the gross contribution to its net realisable value.

b) (ii) Carbon Trust (CT)

The Action Energy Loan Scheme (AELS) is part of a Government backed initiative Energy Loan Programme, which is managed by CT.

In 2003-04, Invest NI made a contribution of £427k to AELS. Small and medium sized enterprises based in Northern Ireland who wish to invest in energy saving equipment, either to upgrade or replace existing facilities, may qualify for interest free loans of between £5k and £50k.

AELS commenced towards the end of 2002-03, and there have been no losses reported to date.

(ii) Other Losses

In 2002-03, there were no debts written off or other losses except for an amount of £261k relating to one client company in respect of rental income written off.

In 2003-04:

- a share disposal transaction below investment cost which lead to a loss of £244k; two associated amounts totalling £400k and £228k were also waived;
- amounts totalling £274k in respect of grants recoverable on closure or liquidation were waived prior to claims being pursued. There were 6 cases in total of which 1 case exceeded £100k at £133k;
- there were five other waivers totalling £117k, which includes amounts written off in respect of loans and dividends as reflected in the accounts.

All the cases recorded in 2003-04 were either approved by Invest NI in accordance with internal delegated limits and guidelines, or by DETI or DFP where appropriate. All of the above losses were notified to DETI and DFP.

During the year claims totalling £4,312k (2003: £1,279k) were made against 32 (2003: 14) companies which were in receivership, liquidation, administration or had ceased to trade. Any elements of these claims which are not met in due course will be noted as losses in future accounts.

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

(iii) Special Payment

During the year, there was one (2003: none) special payment of £673k to Roads Service of the Department of Regional Development (DRD) for access service to a business park. This expenditure is included in the Income and Expenditure account under 'asset development, maintenance and related costs'.

26. COMMITMENTS AND CONTINGENCIES

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

	2004 £'000	2003 £'000
Business International	135,895	129,576
Entrepreneurship and Enterprise	29,526	19,880
Business Improvement	27,953	19,556
Innovation and Capability	13,044	15,684
Tourism	1,079	1,091
	207,497	185,787

- b) Invest NI operates a Shortfall Guarantee Scheme. Under this scheme, a guarantee is provided as security for all or part of a client company's bank borrowings to finance the purchase of its premises. Invest NI had a maximum potential liability of £1.9m as at 31 March 2004 (2003: £2.4m). There were no payments made in relation to this in the year (2003: £nil). Historic information has shown that any payment is likely to be insignificant.
- c) In both financial years, Invest NI had potential liabilities in respect of land purchases and vested land.
- d) Other than mentioned in (b) above, no other guarantees have been given in respect of client companies at 31 March 2004 (2003: nil).
- e) Except for (b) and (c), 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 (2003: none).

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

	2004 £'000	2003 £'000
Within one year	-	-
In the second to fifth years	106	106
After five years	443	421
	549	527

The above commitments do not include the new headquarters PFI project. The contract has been signed after the balance sheet date. Invest NI is committed to the terms and conditions in the final contract.

27. FINANCIAL INSTRUMENTS

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

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

Liquidity Risk

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

Interest Rate Risk

Seventy two per cent (2003: 36 per cent) of Invest NI's financial assets and 100 per cent (2003: 100 per cent) of its financial liabilities carry nil or fixed rates of interest. As interest income is paid over to DETI and not retained by Invest NI movement in interest rates does not represent a significant risk to the operation of Invest NI.

Interest Rate Profile

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

Financial Liabilities

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

Financial Assets

The financial assets of Invest NI comprised:

Net book value:	2004 £'000	2003 £'000
Cash	1,190	149
Loans (note 17(i))	14,044	13,509
Amortisation (note 17(i))	9,397	10,956
Shares (note 17(i))	17,468	8,746
Venture capital fund (note 17(i))	1,503	-
Total	43,602	33,360

Currency (Sterling)	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
At 31 March 2004:	12,236	10,723	20,643	43,602
At 31 March 2003:	21,376	2,454	9,530	33,360

Foreign Currency Risk

Invest NI's exposure to foreign currency risk is not significant in both financial years 2004 and 2003.

Fair Values

Set out below is a comparison by category of book values and fair values of Invest NI's financial assets and liabilities at the year end:

Primary financial instruments	2004 Book value £'000	2004 Fair value £'000	2003 Book value £'000	2003 Fair value £'000	Basis of fair valuation Note below
Financial assets					
Loans	14,044	14,044	13,509	13,509	A
Amortisation	9,397	9,397	10,956	10,956	B
Shares	17,468	17,468	8,746	8,746	C
Venture capital	1,503	1,503	-	-	A
Financial liabilities					
Provisions	12,482	12,482	19,790	19,790	D

Notes:

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

28. CASH FLOW STATEMENT

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

	2004	2004	2003	2003
	£'000	£'000	Restated (note 2) £'000	Restated (note 2) £'000
Deficit for the year before credit reversal of notional costs		(14,716)		(10,424)
Adjustments for non-cash transactions				
Notional costs	2,397		2,731	
Notional cost of capital	3,694		5,587	
Depreciation	1,524		1,725	
Loss/(profit) on disposal of fixed assets	107		(284)	
Loss on disposal of fixed investment	244		-	
Asset impairment	8,625		8,370	
Total bad debt and provision movement (note 28(v))	8,134		7,757	
Grant provision charged to I&E account	10,326		14,903	
Other provision (release)/charged to I&E account	(1,049)		1,175	
Release of government grant reserve credit	(13,791)		(15,207)	
Total non-cash transactions movement		20,211		26,757
Adjustments for movement in working capital other than cash				
(i) (Increase)/decrease in debtors (excluding fixed assets held as current):				
Trade debtor (net of provision)	(4,250)		(51)	
Amounts due from DETI	1,457		(2,326)	
EU debtor	339		(359)	
Other debtors (amount due within and more than 1 year) (net of provision)	(427)		(1,714)	
Prepayment	(769)		314	
Accrued income - loan interest and dividend (net of provision)	(3,137)		(1,977)	
Accrued income - other	(75)		137	
Increase in debtors		(6,862)		(5,976)
(ii) Increase/(decrease) in creditors:				
Trade creditors and accruals	2,174		1,643	
Corporation tax	680		1,000	
Other taxes and social security	(200)		225	
Amounts due to DETI:				
income surrendered (note 28(iv))	4,393		5,056	
other	3,778		-	
Other creditors	(33)		2,346	
Deferred income	(88)		(53)	
Accrued grant creditors	1,978		(2,101)	
Decrease in creditors		12,682		8,116

Use of provisions				
Grant provision	(16,585)		(28,056)	
Other provision	-		(100)	
Total use of provisions		(16,585)		(28,156)
Net cash outflow from operating activities		(5,270)		(9,683)

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

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	3,574	(3,049)
Change in net funds resulting from cash flows - increase/(decrease)	3,574	(3,049)
Net funds at start of year - (deficit)/surplus	(2,384)	665
Net funds at end of year - surplus/(deficit)	1,190	(2,384)
Net funds comprise of:	2004 £'000	2003 £'000
Cash at bank and in hand	1,190	149
Bank overdraft	-	(2,533)
Net funds at end of year - surplus/(deficit)	1,190	(2,384)

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

(iv) Movement in DETI creditor in respect of income surrendered is detailed below:

a) Movement:	2004 £'000	2003 £'000
(Decrease)/increase in balance sheet total	(812)	2,604
Amount paid by Invest NI in year	5,205	2,452
Total movement	4,393	5,056
b) Represented by the following operating income surrendered to DETI:		
Income from operating activities (note 4(ii))	901	834
Other operating income (note 6 (ii))	4,565	4,222
Bad debt provision transferred (note 10(i))	(716)	-
Credit balance release to the Income & Expenditure account	(357)	-
Total	4,393	5,056

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

	2004 £'000	2003 £'000
(Decrease)/increase in provision against management fee (note 4(i))	(72)	72
Increase in provision against accrued loan interest and dividend income (note 6(i))	887	531
Increase in provision for loans, shares and trade debtors including amount waived/written off (note 10(i))	7,243	7,154
Amount written off in respect of accrued dividend (note 6(i))	76	-
Total charge	8,134	7,757

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

(i) Transactions with the Parent and other Government Departments

Invest NI is a NDPB sponsored by DETI. DETI is regarded as a related party. During the year, Invest NI has had various material transactions with DETI. In addition, Invest NI also transacts and conducts business with many UK Government Departments and their Agencies, primarily DFP, DRD, DOE, DEL and the local councils in Northern Ireland, the Inland Revenue and HM Customs & Excise.

(ii) Transactions involving Senior Management

There were no material transactions involving the Senior Management Team members during the year.

(iii) Transactions involving Board Members

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

a) Beneficial Interests

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

Grant assistance paid to the company:

Board Member	Company	Amount offered 2004 £'000	Amount paid 2004 £'000	Amount offered 2003 £'000	Amount paid 2003 £'000
Professor Fabian Monds	M S C S Limited	-	-	-	13
	Western Connect Limited	-	40	71	7
Dr Patrick Haren	Service & Systems	-	-	-	-
	Solutions Limited (SX3)	-	192	229	492
Mrs Debra Jenkins-Devine	Exus Energy Limited	177	56	-	-
	B9 Energy Biomass Limited	-	4	-	16
Mr Gilbert Little	Aepona Limited	372	224	-	169
Mr Bill McGinnis	The McAvoy Group Limited	685	488	15	225
	Memsis	140	65	N/a	N/a
Dr Alan McClure	Alpha Environmental	-	-	-	-
	Systems Limited	-	7	-	15
	Perfecseal Limited	n/a	n/a	4	259
	Precision Industrial	-	-	-	-
Mr Derek Shaw [#]	Services Limited	-	86	n/a	n/a
	Linden Foods Limited	-	71	-	277
Mrs Rotha Johnston	Variety Foods Limited	-	10	-	21
Mr Owen Lamont [#]	The Global E-mail	-	-	-	-
	Company Limited	n/a	n/a	-	355
Mrs Teresa Townsley * [#]	Emerging Business Trust	-	-	-	100
	Arcom Limited ^{^ †}	n/a	n/a	-	4
	Fusion Antibodies Limited [^]	6	21	-	119
	Genomic Mining Limited [^]	n/a	n/a	-	4
	International Net and	-	-	-	-
	Twine Limited [^]	-	-	-	6
Mrs Deborah Boyd	MTF Technology Limited	-	-	2	1
	Would-U-Like-Group	-	1	-	-

Investment in client companies:

Board Member	Company	Amount offered 2004 £'000	Amount paid 2004 £'000	Amount offered 2003 £'000	Amount paid 2003 £'000
Professor Fabian Monds	Western Connect Limited	-	-	100	100
Mr Owen Lamont [#]	The Global E-mail Company Limited	n/a	n/a	350	350
Mrs Debra Jenkins-Devine	Exus Energy Limited	80	80	-	-
Mr Gilbert Little	Aepona Limited	325	325	-	-

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

Board Member	Company	Amount paid 2004 £'000	Amount Paid 2003 £'000
Dr Patrick Haren	NIE Plc	694	371
	SX3	92	262
Mr Stephen Kingon	Pricewaterhousecoopers LLP (UK)**	1,439	644
Mr Bill McGinnis	Focus Management Consultants Limited	-	11
Dr Alan McClure	Precision Industrial Services Limited	18	N/a

^ connected via family relations

+ in liquidation

n/a no interest held at 31 March 2004. Payments made during the year are either nil or insignificant.

* Mrs. Teresa Townsley is a director of both Emerging Business Trust (EBT) and EBT Venture Fund Limited. She is also a partner in MTF Chartered Accountants who provide management services to these companies. At 31 March 2004, EBT Venture Fund Limited was a subsidiary of EBT. EBT Venture Fund Limited holds shares in Arcom Limited and Fusion Antibodies Limited.

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

Mrs. Teresa Townsley and Mr. Derek Shaw retired as Board Members of Invest NI by rotation on 31 March 2004. Professor Ray Crawford retired from office in December 2004. Mr. Owen Lamont resigned from office on 11 December 2002.

b) Non Beneficial interests

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

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

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

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

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

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

Sponsoring organisation	Programme/Scheme	Amount approved by Invest NI 2004 £'000	Amount approved by Invest NI 2003 £'000
International Fund for Ireland (IFI)	Radiane Scheme	2,300	1,618
European Commission - Peace II	Information Age Initiative	3,604	175
	Economic Revitalisation	901	n/a
	Research & Technological Development - Centres of Excellence	7,953	n/a

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

Community Business Start Up Programme (CBSUP)

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

During the year, Invest NI received total funding in relation to the CBSUP of £289,602 (2003: £383,202) with payment of £565,835 (2003: £168,547) (also represents estimated expenditure for both financial years), a balance of £61,570 (2003: Cr £214,663) is held in the books of Invest NI and included in the other debtors figure of £1.8m in Note 18 (2003: other creditors of £2.8m in note 19).

Start A Business Programme (SABp)

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

During the year, SABp received total cash funding of £2.2m (2003: £1.1m) from the local councils and £3.0m (2003: £1.8m) from Invest NI. With payments of £4.6m (2003: £2.7m) made in the year, a balance of £861,994 (2003: £273,961) is held in the books of Invest NI and included in the other creditors figure of £2.7m (2003: £2.8m) in Note 19.

Western Innovation Network (WIN)

During the year, Invest NI received total funding of £716,885 from the European Commission in relation to the new WIN project. There were no payments made and no expenditure incurred in the year. The balance of £716,885 is held in the books of Invest NI and included in the other creditors' figure of £2.7m in Note 19. The project is part funded by Invest NI.

Others (new in 2003/04)

Invest NI also manages the Business Improvement Agents and Broadband TV programmes (fully funded by DETI (Peace II)) and a Waste Management Programme (fully funded by the Environment & Heritage Service). At the end of the year, there was an outstanding balance of £19,548 relating to the earlier and £22,476 to the latter, which is included in the other debtors figure of £20k and £1.8m respectively in Note 18.

APPENDIX A

Share investment in client companies

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

Company	Type of shares	No of shares 2004	No of shares 2003
Aepona Limited**	£1 redeemable preference shares	325,000	-
Amphion Semi Conductor Limited**	Preferred ordinary shares	6,000,190	-
Anderson Manning Associates Limited	£1 redeemable preference shares	125,000	125,000
Adamsez (NI) Limited	£1 redeemable preference shares	150,000	150,000
A P Galgorm Limited (Adria Limited)	£1 "A" 11% cumulative redeemable preference shares	1,080,000	1,080,000
A P Galgorm Limited (Adria Limited)	£1 ordinary shares	270,000	270,000
Aerospace Metal Finishers Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Amacis Holdings Limited***	£1 redeemable preference shares	-	250,000
Amacis Holdings Limited***	Ordinary shares	250,000	-
Andronics Limited	£1 8.5% cumulative preference shares	225,000	225,000
Answercall Direct Limited**	Redeemable convertible preference shares	200,000	-
Antrim Hills Spring Water Co Limited	£1 redeemable preference shares	50,000	50,000
Arca Technologies Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Aromet Group Limited	£1 non cumulative convertible redeemable preference shares	30,000	30,000
Aromet Group Limited	£1 redeemable non cumulative preference shares	105,000	105,000
Authentica Limited	Redeemable preference shares	30,000	30,000
AXIS Three Limited*	Convertible redeemable preference shares	74,000	-
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Limited	£1 redeemable cumulative preference shares	500,000	500,000
Balcas Limited	£1 "C" preferred ordinary shares	1,500,000	1,500,000
Belleek Pottery Ltd**	Redeemable Cumulative preference shares	300,000	-
Electro Mechanical Solution Limited (Sanmina-SCI Enclosure Systems Limited)	£1 redeemable cumulative preference shares	-	50,000
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
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
William Clark & Sons Limited	£1 redeemable ordinary shares	750,000	750,000
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000	220,000
J P Corry Holdings Limited	£1 redeemable cumulative preference shares	225,000	225,000
Coulter Windows Ltd**	£1 5% cumulative preference shares	250,000	-

Company	Type of shares	No of shares 2004	No of shares 2003
Datactics*	£1 Preference Shares	80,000	-
Delta Print & Packaging Limited	£1 redeemable cumulative preference shares	187,500	250,000
DKM Graphics Limited	£1 redeemable non cumulative preference shares	-	100,000
Duromould Limited	£1 5.0% cumulative redeemable preference shares	50,000	50,000
Eventmap*	£1 4% redeemable cumulative preference shares	81,000	-
Exus Energy Limited*	£1 5.5% preference shares	80,000	-
Global Club Limited	£1 redeemable preference shares	100,000	100,000
Global Email company	£0.00001 "B" ordinary shares	57,173,148	57,173,148
The Grant Group	"B" £1 redeemable preference shares	100,000	100,000
Hartstone Group plc	10p Ordinary share	121,043	121,043
John England Textiles Limited	£1 redeemable preference shares	-	30,000
F M Environmental Limited	£1 redeemable preference shares	42,500	50,000
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Finlay BME Limited	Cumulative redeemable preference shares	250,000	250,000
Franklins International Limited (Franklins Textiles Limited)	£1 redeemable cumulative preference shares	200,000	300,000
Gendel Limited	Cumulative redeemable preference shares	378,000	378,000
Glenaden Shirts Limited	£1 redeemable preference shares	250,000	250,000
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Heartsine Technologies Limited**	Ordinary shares	142,857	-
IceMOS Technology Corporation (USA)*	Series "A1" preferred stock	2,500	-
IceMOS Technology Corporation (USA)**	Series "A2" preferred stock	9,997,500	-
In4mation Online Limited	£1 redeemable cumulative preference shares	50,000	50,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,001	200,001
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000	50,000
Lagan Technologies Limited	£1 preferred "A" ordinary shares	195,694	195,694
Lagan Technologies Limited	£1 redeemable non cumulative preference shares	250,000	250,000
Latens Systems Limited**	Ordinary shares	25,860	-
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000	45,000

Company	Type of shares	No of shares 2004	No of shares 2003
Linden Foods Limited	£1 redeemable cumulative preference shares	500,000	500,000
Linian Knitwear Limited	Ordinary shares	3,265	3,265
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000	25,000
Macon Engineering Limited	£1 redeemable preference shares	-	24,000
Maximum IP Limited	£1 5.5% cumulative redeemable preference shares	50,000	50,000
McAvoy Group**	£1 cumulative redeemable preference shares	350,000	-
Medevol Limited	3.0% cumulative redeemable preference shares	100,000	100,000
Meridio Holdings Limited	£0.025 "A" preferred ordinary shares	1,588,235	1,588,235
Mobile Cohesion Limited**	£1 redeemable cumulative preference shares	400,000	-
Moyola Precision Engineering Limited	£1 redeemable non cumulative preference shares	-	200,000
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	161,000	161,000
Newry Building Supplies Limited	£1 redeemable cumulative preference shares	80,000	80,000
Nisoft (UK) Limited	Cumulative redeemable preference shares	200,000	200,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000	50,000
Pressfold Limited	£1 redeemable non cumulative preference shares	80,000	80,000
Primus Holdings (USA)***	\$0.025 common stock	170,943	-
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
PWS Ireland Limited	£1 redeemable preference shares	20,000	20,000
Quality Additives Limited	£1 redeemable preference shares	60,000	60,000
Randex Laboratories Limited**	£1 5% cumulative redeemable preference shares	4,000,000	-
Ulster Engineering Limited	£1 redeemable preference shares	100,000	100,000
UPU Industries Limited	£1 redeemable cumulative preference shares	250,000	250,000
Unibase Cabinet Systems Ltd	£1 redeemable non cumulative preference shares	40,000	40,000
William Ross & Co. Limited	£1 "C" redeemable cumulative preference shares	100,000	100,000
Sarcon (no 150) Limited (Donaghadee Carpets)*	£0.01 "A" ordinary shares	500,000	-
Sarcon (no 150) Limited (Donaghadee Carpets)**	£1 preference shares	1,350,000	-
SMTEK Europe Limited**	£1 redeemable preference shares	200,000	-
Serpico Software Limited*	£1 10.0% cumulative redeemable preference shares	135,000	77,500
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000	75,000
Smartlight Devices Ireland Limited**	Preference shares	750,000	-
Smiley & Monroe Limited	£1 redeemable non cumulative preference shares	135,000	135,000
Specialist Joinery Fittings Limited	£1 redeemable non cumulative preference shares	80,000	80,000

Company	Type of shares	No of shares 2004	No of shares 2003
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preferences shares	330,000	330,000
Telestack Limited	£1 5.5% non cumulative preference shares	100,000	100,000
Tough Glass Limited	£1 redeemable preference shares	180,000	180,000
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
Tyrone Crystal Holdings Limited	£1 preferred "C" ordinary shares	-	244,339
Ulster Weavers Apparel Limited	5% redeemable preference shares	692,500	692,500
Ulster Development Capital	£1 ordinary shares	15,000	15,000
Western Connect Limited	5.5% cumulative redeemable preference shares	100,000	100,000
Woodlock Joinery Limited	£1 redeemable cumulative preference shares	200,000	200,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000

* Share investments 2003-2004, each £100,000 and below.

** Share investments 2003-2004, exceeding £100,000 each.

*** During the year, an investment exceeding £100,000 was made for 283,823 ordinary shares of £0.01 each. Subsequently, the ordinary shareholding was exchanged for 170,943 common shares of \$0.025 each, and the preference shares were converted into ordinary shares.

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

Company	Type of shares	No of shares 2004	No of shares 2003
Advance Precision Tooling Limited	£1 redeemable preference shares	40,000	40,000
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Aunt Mollies Foods Limited	Preference shares	75,000	75,000
Elizabeth Alexandra Limited	£1 redeemable cumulative preference shares	90,000	90,000
Avalanche Technology Holdings Limited	1p ordinary shares	500,000	500,000
Bespoke Shirt Company Limited	£1 redeemable cumulative preference shares	44,702	44,702
Broad Fittings Limited	£1 redeemable cumulative preference shares	125,000	125,000
John Compton (Glennane) Limited	£1 redeemable preference shares	50,000	50,000
DSQ Property Co. Limited	£1 "A" redeemable preference shares	17,757,000	17,757,000
The Data Warehousing Practice (NI) Limited	5.5% non cumulative redeemable preference shares	35,000	35,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000	150,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Elastic Olympian Limited	£1 "A" redeemable cumulative preference shares	70,000	70,000
Elastic Olympian Limited	£1 "C" redeemable cumulative preference shares	100,000	100,000
E-link Software Limited	£1 cumulative redeemable preference shares	60,000	60,000
Erinwood Manufacturing Limited	£1 "A" redeemable cumulative preference shares	10,000	10,000
Erinwood Manufacturing Limited	£1 redeemable non cumulative preference shares	70,000	70,000
John Henning	£1 "A" redeemable cumulative preference shares	149,000	149,000
Herdman Holdings Limited	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Limited	Ordinary shares	10,000	10,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000
Langford Joinery Limited	£1 "A" redeemable cumulative preference shares	130,000	130,000
Langford Joinery Limited	£1 "C" redeemable cumulative preference shares	90,000	90,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000
McDowell, JG	£1 ordinary shares	60,000	60,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Mopack Systems Limited	£1 redeemable non cumulative preference shares	70,000	70,000
Mineit Software Limited	£1 redeemable preference shares	250,000	250,000

Company	Type of shares	No of shares 2004	No of shares 2003
Northern Ireland Export Co. Ltd	£1 redeemable non cumulative preference shares	102,000	102,000
Northern Ireland Export Co. Ltd	Ordinary shares	98,000	98,000
Northland Computers services Ltd	£1 redeemable preference shares	100,000	100,000
North West Independent Clinic Ltd	£1 redeemable non cumulative preference shares	100,000	100,000
Oberon Enterprises Ltd	£1 redeemable non cumulative preference shares	90,000	90,000
PAM Electronic Ltd	Ordinary shares	10,000	10,000
Pacific Tooling Ltd	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick Ltd	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Ltd	£1 redeemable cumulative preference shares	45,000	45,000
Sarcon (No 19) Ltd (GK)	'B' redeemable cumulative preference shares	77,000	77,000
Sheelin Products Ltd	£1 redeemable preference shares	40,000	40,000
SMTEK International Inc (USA)	\$0.01 common stock	17,042	340,841
Softcom Ltd	£1 redeemable preference shares	50,000	50,000
The Shirtmakers Guild Ltd	£1 redeemable cumulative preference shares	150,000	150,000
Ulster Partitions Ltd	£1 redeemable non cumulative preference shares	35,000	35,000
United Fashion (Strelitz)	£1 'A' redeemable preference shares	250,000	250,000
Leaf Mecatronics Ltd	£1 'A' redeemable cumulative preference shares	210,000	210,000
Leaf Mecatronics Ltd	£1 redeemable preference shares	50,000	50,000
Waveline Ltd	£1 redeemable preference shares	100,000	100,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000

INVEST NORTHERN IRELAND APPENDIX B: QUALIFICATION OF 2003-2004 FINANCIAL STATEMENTS

Introduction

I qualified my opinion on Invest Northern Ireland's 2002-03 accounts as insufficient evidence was available to me on the recording, monitoring and use of funds by third party organisations (TPOs). Invest Northern Ireland (Invest NI) had inherited contracts with TPOs from the Local Enterprise Development Unit (LEDU) which were not supported by an adequate system of controls. My opinion on the 2003-04 accounts continues to be qualified in respect of this matter.

TPOs are private sector or voluntary bodies which Invest NI contracts to deliver initiatives by means of financial assistance, advice or other services to customers who otherwise would have received such assistance directly from Invest NI. TPOs include, for instance, local enterprise agencies delivering the business growth programmes, Enterprise NI managing the Start a Business Programme (previously known as "Northern Ireland Business Start Programme") and other entities managing loan or venture capital funds. Invest NI paid some £4 million to TPOs in 2003-04 (£6 million 2002-03). Many of these TPOs also receive funds from other sources such as the International Fund for Ireland and District Councils.

APPENDIX B

Qualification of 2003-04 Financial Statements

Introduction

1. I qualified my opinion on Invest Northern Ireland's 2002-03 accounts as insufficient evidence was available to me on the recording, monitoring and use of funds by third party organisations (TPOs). Invest Northern Ireland (Invest NI) had inherited contracts with TPOs from the Local Enterprise Development Unit (LEDU) which were not supported by an adequate system of controls. My opinion on the 2003-04 accounts continues to be qualified in respect of this matter.
2. TPOs are private sector or voluntary bodies which Invest NI contracts to deliver initiatives by means of financial assistance, advice or other services to customers who otherwise would have received such assistance directly from Invest NI. TPOs include, for instance, local enterprise agencies delivering the business growth programmes, Enterprise NI managing the Start a Business Programme (previously known as 'Northern Ireland Business Start Programme') and other entities managing loan or venture capital funds. Invest NI paid some £4m to TPOs in 2003-04 (£6m 2002-03). Many of these TPOs also receive funds from other sources such as the International Fund for Ireland and District Councils.

Review of contracts with third party organisations

3. In 2002 Invest NI commissioned consultants to conduct a review of the TPO contractual relationships inherited from LEDU. The main findings were that:
 - contracts were not clear as to the services required and the expected outputs were often omitted;
 - a number of contracts were let without any tendering process; and
 - there were no formal monitoring systems to provide Invest NI with assurance that TPOs were complying with the terms and conditions of the contracts.

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

4. These formal monitoring arrangements do not yet include the structured inspection programme of TPO books and records which I recommended in my report on the 2002-03 accounts. Therefore insufficient evidence is available to me to confirm that public funds issued to bodies have been used for the purpose intended by Parliament.
5. I asked Invest NI why the structured inspection had not yet been completed. Invest NI advised me that a formal ongoing inspection programme is now in place. The length of time taken to commission this inspection programme reflects the amount of work undertaken by Invest NI to capture and analyse all the relevant data in respect of its TPO relationships. Following a review by Invest NI of the extent of its contractual relationships in respect of 247 separate initiatives, some 49 were confirmed as TPOs. A further risk assessment exercise identified 28 organisations (accounting for 85 per cent of the TPO expenditure over the past 3 years) which warranted inspection. Of these 28 inspections, 22 are now substantially complete and it is anticipated that the remaining 6 will be completed in the next 2 months.
6. I will review the outcome of these inspections during my audit of the 2004-05 accounts.

Loan and venture capital funds

7. The Chief Executive refers in the Statement of Internal Control to action taken to investigate specific governance, contractual and monitoring weaknesses in particular contracts. In addition to a general review of TPO contracts inherited from LEDU, Invest NI, in January 2003, commissioned an investigation into the establishment and management of Emerging Business Trust (EBT Loan Fund) and EBT Venture Fund Limited (EBT Venture Fund). The Trust was established in 1996 with funds of public money on behalf of LEDU and the International Fund for Ireland. The Trust assists in the financing of emerging businesses from disadvantaged areas in Northern Ireland.
8. In my report on the 2002-03 accounts (issued in July 2004) I noted that the Invest NI investigation was still in progress and significant governance and regularity issues including LEDU's handling of potential conflicts of interest were still being explored.
9. I received a final report from Invest NI into the establishment and management of EBT on 4 April 2005. I asked Invest NI why the investigation which was commissioned almost two and a half years ago has taken so long to complete. Invest NI advised me this investigation has covered a wide range of issues some of which are very technical going back many years.
10. Both EBT Loan Fund and EBT Venture Fund have ceased to trade and both companies went into creditors voluntary liquidation on 11 April 2005. Invest NI is now taking all necessary steps to maximise the recovery of funding previously provided.
11. I am preparing a separate report on the matters arising out of Invest NI's own investigation into the EBT Loan Fund and the EBT Venture Fund.

APPENDIX C

Land acquisition costs associated with the expansion of Granville Industrial Estate

Introduction

1. This report deals with the purchase of 50 acres of land, at a total cost of £2,323,143, to enable the expansion of Invest Northern Ireland's (Invest NI's) Granville Industrial Estate in Dungannon. In particular, the report examines the contribution of £673,143 by Invest NI towards the cost of 6 acres of land, purchased by the Department for Regional Development's (DRD's) Roads Service, to facilitate access to Invest NI's expanded industrial estate by improving the A4/A45 Granville Road junction.
2. The report also examines issues relating to the former Industrial Development Board's (IDB's) proposed expansion of Granville Industrial Estate, in particular deficiencies in its economic appraisal of the project, its failure to adhere to contractual and payment procedures in relation to land acquisition, deficiencies in its record keeping and the lack of progress on development at Granville to date.

Lands Acquisition Costs

3. Roads Service is the only public body in Northern Ireland which has the authority to acquire land, compulsorily or by agreement, to carry out road works. The amount of compensation payable to landowners in such acquisitions is determined by the Valuation and Lands Agency (VLA), an agency of the Department of Finance and Personnel (DFP). Where the road works form part of Road Service's work programme, the compensation amount determined by VLA is normally based on the normal market value of the land, for example the development (commercial, industrial, residential) or agricultural value.
4. Where road works are not on Road Service's work programme, but are necessary in the interests of road safety and traffic management as a result of the development of land by a third party developer (in this case IDB/Invest NI), DRD told me that it is well established planning policy that the developer is required to fund the road improvements. This is regulated through DOE Planning Service's Area Plan and Development Control process, and applies equally to public and private sector development. One of the consequences of this process is that where the developer has to acquire additional land to facilitate the road improvements, this land is often regarded as "key" land, ie land which the developer must have to enable the development to proceed, with the potential for a significantly higher price.
5. On its formation on 1 April 2002, Invest NI inherited responsibility for the acquisition and development of land for industrial purposes from IDB. In 1998 IDB had decided to extend its serviced land availability at the existing Granville Industrial Estate in Dungannon through the purchase of 44 acres, comprising 2 sites, of adjacent industrial zoned land at Cormullagh (the Cormullagh lands).
6. IDB's evaluation of the proposed development was undertaken in parallel with the preparation of the Draft Dungannon Area Plan 2010, prepared by the Department of the Environment's (DOE's) Planning Service. The Area Plan contained a Roads Service stipulation that any development of the Cormullagh lands would require a new slip road at the A4/A45 Granville Road junction, some 0.5 miles away from the Granville site, to provide a safe and convenient access from the development onto the A4 trunk road. This would necessitate the purchase of 6 acres of land, comprising 3 sites (the junction lands), adjacent to the existing road junction. The junction lands had been valued at £20,000 by VLA for agricultural purposes. However, the linkage between development at Cormullagh and the junction upgrade in the Area Plan meant that the junction lands would be regarded as key land, with the potential for a significantly higher cost of acquisition.
7. On 6 February 2001, Roads Service copied to IDB an extract from its November 1998 report on "A4 Dungannon-Ballygawley Options" which examined the adequacy of the A4/A45 Granville Road junction. The report stated that while traffic volumes at the road junction would exceed recommended levels for this type of junction in around 2 years time, the situation was relieved by the existing road layout. The report concluded that the junction should, therefore, be retained but that traffic volumes should be monitored with a view to upgrading the junction if the need arose.

8. Roads Service subsequently wrote to IDB, on 19 February 2001, confirming that it had statutory authority to acquire the junction lands to complete the road junction improvement works required to facilitate development at Cormullagh. However, Roads Service stated that while it had identified the A4/A45 junction upgrade as a "desirable" scheme that may be required in the future, in view of the low accident record and the number of other higher priority schemes, it did not form part of the Roads Service work programme at that time. Roads Service would, however, consider advancing the proposed scheme onto its work programme provided that IDB agreed to contribute towards construction costs. In addition, IDB would have to pay any additional costs of acquiring the junction lands arising from the key land issue.
9. In March 2002 IDB paid £1,630,000 for the 44 acres of land at Cormullagh (see paragraphs 15 to 17 below). Following protracted negotiations between Invest NI, VLA, DRD and the junction landowners, in August 2002 Roads Service instructed VLA to enter into negotiations with the landowners to agree a price for the junction lands. In January 2004 Roads Service paid the landowners £693,143 for the junction lands, of which Invest NI contributed £673,143 in respect of the additional key land costs arising, with Roads Service capping its contribution at £20,000 based on the agricultural value of the land estimated by VLA.
10. It is DRD's understanding that the key land issue arose in this case because of the linkage between development at Cormullagh and the Granville Road junction upgrade in the Draft Dungannon Area Plan 2010. This resulted in the junction lands attracting significantly higher acquisition costs which, in this instance, were borne by Invest NI. The junction lands, given an estimated agricultural value of £3,333 per acre by VLA, ultimately attracted a price of £115,524 per acre as against the cost of the Cormullagh lands, which were industrial zoned, of £37,045 per acre.
11. DRD informed me that many public and private sector projects including schools, industrial development, offices and hospitals attract significant volumes of additional traffic. These require road improvement works to be carried out, and that these improvements relate to road safety and traffic management factors deemed necessary in the public interest. However, the Department told me that it is Roads Service policy not to acquire land for road schemes which are not on its work programme unless there is a statutory requirement to do so.

Deficiencies in Economic Appraisal

12. IDB's economic appraisal of the proposed land acquisition and development at Granville was submitted to DFP for approval on 1 March 2001, and approved by DFP on 6 March 2001. However, despite the fact that IDB had been aware of the potential for greatly increased acquisition costs in relation to the junction lands, no mention of this, nor an estimate of the potential costs, were included in the economic appraisal. In addition, although the project costs noted in the appraisal included IDB's contribution towards the road improvement construction costs, this was not separately disclosed in the cost breakdown but was included under "Site Development" costs. The economic appraisal did not, therefore, make any direct reference to the key land issue or the requirement to carry out the road improvements, an essential element of the overall project.
13. The cost of acquiring the junction lands did eventually exceed their nominal value by £673,143, an increase of some 16 per cent over and above the estimated total project cost submitted to and approved by DFP. This was not brought to DFP's attention by Invest NI.

Failure to Follow Administrative Procedures and Deficiencies in Record Keeping

INITIAL NEGOTIATIONS

14. Although it is not possible to be precise about the timing due to an inadequate paper trail, in late 2000/early 2001 IDB proposed that the principal Cormullagh landowner, acting as an agent for IDB, would acquire the junction lands from the three landowners involved and transfer them into public ownership at the same time as the transfer of the Cormullagh lands. This had been in an attempt to minimise the potential key land costs, estimated by VLA at between £180,000 and £500,000. However the agent reported that the best price he could negotiate for the junction lands was £345,000, and the proposal was not taken forward.

REVIVED NEGOTIATIONS

15. On 18 June 2001 VLA wrote to IDB stating that they were unable to recommend that the purchase of the Cormullagh lands proceed. This was due to the remaining uncertainty surrounding the key land issue and the unknown but potentially significant costs in relation to the junction lands. Following further negotiations with the agent, in December 2001 VLA negotiated a deal whereby IDB would purchase both the Cormullagh and junction lands for the sum of £1,825,000. However, as set out below this package negotiated by VLA was subsequently disaggregated in to separate elements by IDB without VLAs knowledge. Under this arrangement the agent would acquire the junction lands at a much lower price of £150,000 and £1,630,000 would be payable to the Cormullagh landowners for the Cormullagh lands. A total of £195,000 was payable to the agent in respect of the junction lands, ie £50,000 for each of the three sites plus £45,000 to the agent.

THE CONTRACTS

16. The Departmental Solicitors Office (DSO) of the Department of Finance and Personnel subsequently drew up three contracts between IDB and the Cormullagh landowners, one each in respect of the two sites at Cormullagh, and one in respect of the junction lands. DSO had built conditionality into the contract for the junction lands so that should one of the junction landowners fail to meet their obligations the purchase of the junction lands by IDB would fall through. However the solicitors were not notified of the VLA advice to purchase all the lands as one package. On the basis of IDBs disaggregated approach no conditionality had been incorporated between the contracts for the purchase of the Cormullagh and junction lands. This resulted in three independent contracts. Failure to incorporate conditionality would result in IDB being locked into the contracts in respect of Cormullagh should the junction lands contract fall through. The three contracts were signed by a senior manager in IDB on 5 March 2002 and forwarded to the Cormullagh landowners for countersigning on 7 March 2002.

THE PAYMENTS

17. On 25 March 2002, just prior to the financial year end, a middle manager in IDB authorised the relevant payments, totalling £1,825,000, to the respective solicitors acting for the Cormullagh landowners. This was despite being advised by DSO and IDB legal staff that making the payments would be a risky course of action as important information remained outstanding, most significantly:
 - the contract relating to one of the Cormullagh sites had not been signed and returned to DSO by the Cormullagh landowners; and
 - although two of the three contracts had been executed, formal transfer of ownership documents relating to the contracts had not yet been received by DSO.

The payments were, therefore, in direct breach of IDB's contractual and payment procedures for land acquisition which required that payment should only be made once DSO had advised that transfer documents had been signed by the vendors. Furthermore, the middle manager instructed that the payment of £1,825,000 be made without seeking higher approval from a senior member of staff. This was explained in terms of his direct line manager being on holiday and the next manager in line having recently retired. The full amount was transferred to solicitors acting for the Cormullagh landowners later that day.

COLLAPSE OF THE DEAL

18. Following the Easter break Invest NI, which had come into operation on 1 April 2002, was informed that one of the junction landowners had refused to sell his site with the result that the contract for the purchase of the junction lands had fallen through. Consequently, Invest NI had to seek a refund of the £195,000 paid. As the contracts for the purchase of the Cormullagh and junction lands had not been conditional on one another, Invest NI had a legal obligation to proceed with the purchase of the Cormullagh lands under the remaining two contracts. Invest NI now faced the potential for having to pay significantly higher prices for the junction lands to facilitate development at Cormullagh, the very position which the deal had been designed to avoid and a situation which VLA had stated it was not prepared to recommend. As noted at paragraph 9 above, in January 2004 Invest NI paid a total of £673,143 towards the cost of acquiring the junction lands, with Roads Service paying the remaining balance of £20,000.

COULD THE LAND HAVE BEEN VESTED?

19. I asked DRD whether the junction lands could have been vested. The Department confirmed that there is no impediment to vesting in this type of case and said that VLA staff when conducting negotiations on behalf of Roads Service are aware of when Roads Service can utilise its vesting powers and deploys this information as appropriate in negotiations. DRD also explained that had the land been vested the level of compensation if not agreed with VLA would have been settled on appeal to the Lands Tribunal and on consideration of all the pertinent facts the key land issues would again have come to the fore.

20. DRD said that the use of vesting powers would not necessarily produce a more favourable/lower level of compensation for government bodies. The Department emphasised that the primary purpose in the use of vesting powers is to secure clear title to the land, the process of determining the proper value of the land is separate from the method of acquisition.

21. In October 2001 Roads Service wrote to IDB stating that its preference was that the land should be acquired by agreement but that it was willing to use vesting powers if necessary on the understanding that Roads Service would not be required to contribute towards any land costs related to key land. At that stage IDB was of the view that vesting was not required as the land could be procured at a reasonable price (£195,000 see paragraph 15). However insufficient consideration appears to have been given by IDB to asking Roads to apply the vesting option once it became clear that there was no possibility of securing a deal on these terms.

22. VLA told me that the land was eventually acquired with vesting powers in the background and that there was no guarantee that use of vesting would have produced lower acquisition costs. In VLAs view at least one of the junction land owners would have formally objected to the vesting order and the consequent delay would have been unacceptable to IDB.

23. I do not find the above arguments entirely convincing. Vesting of land is intended to allow the purchase of land for the wider public good at the appropriate and fair market value. In my view more emphasis was given to the IDB requirement to complete the deal before the end of the financial year (paragraph 26) than to value for money considerations.

24. I am surprised that the vesting option was not re-visited in the latter stages of negotiations. In my view the probability of IDB securing a better deal on the junction lands would have been enhanced had the potential for exercising vesting powers been deployed in negotiations.

DEFICIENCIES IN RECORDS

25. During my examination of this project my staff also noted that there were serious deficiencies in the order and completeness of the former IDB's and Invest NI's records. The rationale underlying key decisions was not always fully documented, with significant periods of time for which my staff could find no papers on file. In particular, there was an absence of a paper trail on the negotiations and decision process leading up to IDB's offer to purchase the junction lands from the principal Cormullagh landowner, with a period of two months immediately preceding the issue of IDB's letter of offer to the agent for which no papers were available. In light of the circumstances surrounding the purchase of the Cormullagh lands described above, it was not clear whether the papers had not been filed in the first instance, or whether they might have been removed from the file at a later date.

ACTION TAKEN BY INVEST NI

26. Invest NI told me that the member of staff involved in negotiating the arrangement with the Cormullagh landowners, and making the payments in breach of IDB contractual and payment procedures, was interviewed in relation to his actions. The investigating officer concluded that the irregular processes involved in the land acquisition were the direct result of an error of judgement by the middle manager and a desire to make the payments before the financial year end, that he had not been engaged in any fraudulent activity with the property developer concerned and that low level disciplinary action was appropriate in this case. The middle manager was subsequently issued a formal reprimand.

27. I asked Invest NI what detailed investigations it had carried out to satisfy itself that there was no possibility of fraudulent activity in this case. Invest NI informed me that whilst it is agreed that there was a serious breach of control the action taken to investigate the transaction did not result in any suspicion of either fraud or collusion. Both the individual and his line manager were interviewed at the time to determine the basis on which decisions were made, and to ascertain whether or not there were grounds for a more far reaching investigation. No such grounds emerged from the interviews. Had standard procedures been applied this would have ensured this irregularity could not have arisen. However to provide additional assurance a review of similar transactions completed around the same time as Granville and involving the individual who was subsequently disciplined is to be undertaken. I have asked Invest NI to inform me of the outcome of this work.

LACK OF DEVELOPMENT OF CORMULLAGH AND JUNCTION LANDS

28. Invest NI/IDB and Roads Service have paid a total of £2,323,143 in respect of the acquisition of the Cormullagh and junction lands, purchased in March 2002 and January 2004 respectively. However, no development work has been undertaken by Invest NI at the Cormullagh site to date.

29. Invest NI told me that at the time of the acquisition of the land at Cormullagh there had been several expressions of interest in potential properties on the vacant land on the existing Granville site. However, the economic situation has changed significantly in the last few years and none of the interested parties progressed to implement their expansion plans. No other expressions of interest in land in the existing Invest NI estate have subsequently materialised, although Invest NI advise me that some interest has been shown recently.

CONCLUSIONS

30. In my view there is a need for a more joined up approach between public bodies in circumstances where public sector development projects require road improvements in the interests of road safety and traffic management. While I recognise that landowners need to be treated fairly it seems to me that there is significant potential for better value for money for the taxpayer in these types of land deals. I recommend that DFP take the lead in exploring with all the key players including DRD Roads Service, DOE planning Service and its own Valuation and Lands Agency, what improvements might be made to the existing arrangements.
31. On projects involving a large number of advisors, it is essential that roles and responsibilities are clearly defined and an appropriate management framework put in place to facilitate communication and co-ordination of effort. In this case, which involved DRD Roads Service, DOE Planning Service, DSO and VLA, poor communication and co-ordination by IDB led to a wide misunderstanding of the nature of the deal and the failure to make the contracts for the purchase of the Cormullagh and junction lands conditional on one another.
32. Public bodies need to be alert to the risks involved in deals involving external agents acting on their behalf. In cases such as this, where the agent was selling his own land to IDB, but also negotiating the purchase of the junction lands on IDB's behalf, it is important to recognise that there is limited or no degree of independence on which IDB can rely.
33. The professional advisors in this case (VLA) were not kept informed of significant amendments to the structure of the deal. In complex cases such as this professional advice should always be sought and acted upon at critical stages of the process.
34. Invest NI must ensure that there is strict adherence to established contractual and payment procedures. In this case, payment of £1,825,000 was rushed through at the end of the 2001-02 financial year against legal advice, and before contractual obligations had been met, leaving IDB in a weak bargaining position in relation to its subsequent purchase of the junction lands. This was indicative of the failure of IDB to put in place arrangements for the proper control and supervision of staff at a time when senior officials had retired or were on leave.
35. Key decisions and judgements should always be fully documented. In this case the rationale for major decisions was not always clear, and there was no proper paper trail on the offer to purchase the junction lands from the agent.
36. I am surprised that the vesting option was not re-visited in the latter stages of negotiations. In my view the probability of IDB securing a better deal on the junction lands would have been enhanced had the potential for exercising vesting powers been deployed in negotiations.
37. I am concerned that the most fundamental risk factor associated with this deal, ie the uncertainty as to the price of the junction land, of which IDB was fully aware, was not included in the economic appraisal submitted to DFP for approval. It is also surprising that Invest NI failed to notify DFP of the substantial additional costs of £673,143 associated with the project once they had become known.
38. I also note that despite £2,323,143 of public funds having been expended in acquiring the Cormullagh and junction lands, no development has been carried out at either site to date.

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

Invest NI's Equality Team

Tel: (028) 9069 8315

Textphone: (028) 9055 2100

Email: equality@investni.com

Goodwood House
44-58 May Street
Belfast BT1 4NN
T: 028 9023 9090
F: 028 9049 0490

17 Antrim Road
Lisburn BT28 3AL
T: 028 9023 9090
F: 028 9049 0490

Upper Galwally
Belfast BT8 6TB
T: 028 9023 9090
F: 028 9049 0490
www.investni.com