

INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

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

Innovators through the ages

Sir James Murray
1829 - Inventor of
Milk of Magnesia

Samuel Davidson
1903 - Pioneer of
Air Conditioning

Professor Frank Pantridge CBE
1966 - Creator of the
Portable Cardiac Defibrillator

John Dunlop
1888 - Creator of
the Pneumatic Tyre

Sir Harry Ferguson
1914 - Inventor of the
Modern Tractor

William Wright OBE
1946 - Pioneer of Low Floor Buses
and Co-founder of The Wright Group

William Thomson (Lord Kelvin)
1866 - Pioneer of Modern Physics and
Director of Atlantic Telegraph Co.

Dr James Drumm
1930 - Creator of the
Rechargeable Battery

Sir James Martin
1945 - Inventor of the
Modern Day Ejector Seat

Thomas Andrews
1912 - Designer of the Titanic

Success through innovation

Throughout the years, Northern Ireland has been at the forefront of innovation and technology, displaying excellence, ingenuity and a strong determination to succeed. We can all be proud of our Northern Irish roots and the people who have made a real difference to commerce, industry and our economy.

We look forward to supporting, encouraging and guiding new innovators from Northern Ireland who possess the potential and foresight to make a huge impact, not just here, but in the rest of world.

Lord Ballyedmond OBE

1968 - Pioneer of Drug Production Processes and Founder of Norbrook Laboratories Ltd



Dr Martin Naughton

1973 - Global Domestic Heating Appliance Entrepreneur and Founder of Glen Dimplex



Dr Billy Hastings OBE

1968 - Tourism Entrepreneur and Founder of the Hastings Hotels Group



Maureen Wheeler

1972 - Co-founder and Director of Lonely Planet Travel Guides



Dr Hugh Cormican

1989 - Creator of Advanced Scientific Cameras and Co-founder of Andor Technology



Dr Peter Fitzgerald

1982 - Pioneer of Biochip Diagnostic Technology and Founder of Randox Laboratories



David Perry

1993 - Computer Gaming Expert and Founder of Shiny Entertainment



Nicky Kinnaird

1993 - Founder of SpaceNK Apothecary



Sir Allen McClay

2002 - Worldwide Pharmaceutical Entrepreneur and Founder of Almac Group



Contents

01	Introduction and Statutory Background	6
02	Mission Statement and Objectives	8
03	Chairman's Introduction	10
04	Chief Executive's Overview	14
05	Key Achievements	18
06	Board and Executive 2006-07	22
07	Organisation Structure	28
08	Remuneration Report	30
09	Management Commentary	36
10	Corporate Governance Statement	40

Accounts

11	Statement of Accounting Officer's Responsibilities	44
12	Statement on Internal Control	46
13	The Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly	50
14	Income and Expenditure Account	54
15	Statement of Recognised Gains and Losses	56
16	Balance Sheet	58
17	Cash Flow Statement	60
18	Notes to the Accounts	62
19	Appendices	104

Appendix A - Share Investments in Client Companies

Appendix B - The Report of the Comptroller and
Auditor General to the Northern Ireland Assembly

01

Introduction and Statutory Background

 1829



Sir James Murray

Inventor of Milk of Magnesia

Born in Londonderry, Sir James Murray was appointed apothecary at Belfast's Dispensary and Fever Hospital at the age of 19. A year later he set up on his own and in 1829 used a fluid magnesia preparation he had designed to treat the Lord Lieutenant of Ireland, the Marquis of Anglesey. This was so successful that he was knighted and appointed resident physician to Anglesey and two subsequent Lords Lieutenants. His fluid magnesia product, patented two years after his death, is still sold worldwide under the name of Milk Of Magnesia.

Introduction

The Board presents its annual report and the audited accounts for the year ended 31 March 2007.

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

The accounting policies adopted in the preparation of these accounts are detailed in note 1 to the accounts, which includes the accounting treatment in relation to the pension scheme. Further information on the pension scheme is also included in note 8(iv) to the accounts and in the Remuneration report.

Statutory Background

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

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

02

Mission Statement and Objectives

1866



William Thomson (Lord Kelvin)

Pioneer of Modern Physics and Director of Atlantic Telegraph Co.

Born in Belfast in 1824, William Thomson, later to become Lord Kelvin, was one of the most eminent scientists of the 19th Century. As a Director of the Atlantic Telegraph Company he became even more famous for his role in laying the first telegraph cable along the full length of the 3000 mile seabed between Europe and North America. Completed in 1866 it was described as "the most wonderful achievement of this victorious century," opening up global communications.

Invest NI's mission is:

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

Invest NI's objectives are to achieve:

- improved competitiveness, increased skill levels and greater entrepreneurship amongst client companies;
- a more positive attitude towards enterprise that stimulates increased and better quality business starts;
- increased levels of research and development (R&D), innovation and commercialisation of research;
- a more internationally focused economy with increased value-added activities stimulating increased export sales; and
- levels of new inward investment and reinvestment proportionally greater than the UK average.

We focus our resources on helping our clients to be:

- entrepreneurial;
- innovative; and
- international.

03

Chairman's Introduction

 1888



John Dunlop

Creator of the Pneumatic Tyre

While watching his son ride a tricycle, John Boyd Dunlop noticed his discomfort when he rode over cobbled ground. He knew the tricycle's solid rubber tyres were to blame. He wrapped the wheels in thin rubber sheets, glued them together, inflated them with a pump for a cushioning effect and created the first commercially viable pneumatic tyre.

I am privileged to introduce my second Annual Report since I became Chairman of Invest NI and the fifth since the creation of the Agency in 2002.

The global economic environment is becoming increasingly competitive. The dramatic growth of China, India and the EU's new members sets the benchmark by which low cost locations are now being measured. Consequently, Northern Ireland's future prosperity depends upon our ability to create and sustain a high value-added, internationally competitive, export-led economy.

Invest NI aims to stimulate wealth creation for the Northern Ireland economy by supporting competitive, entrepreneurial and innovative businesses to compete in international markets. In addition, we aim to achieve this with the most efficient use of our resources. When we apply these criteria to both the Northern Ireland indigenous business sector and foreign direct investment, it is clear that we must be both selective and rigorous in the organisations we support and in the programmes we create to nurture and accelerate the outcomes of that support.

Our criteria will embrace indigenous businesses that are willing and capable of working with us, and which currently or within three years will have annual sales exceeding £100,000 and external sales greater than 25 per cent of turnover, or £250,000 per annum. The majority of our current client base of 2,200 are indigenous small and medium sized enterprises who meet the above criteria.

However, this represents less than 4 per cent of Northern Ireland's VAT registered businesses and consequently we would wish to develop a higher number of indigenous businesses with

the potential to be competitive in international markets but recognise that our long tradition of low levels of business formation and growth will not be overcome overnight.

Foreign direct investment is a key ingredient of our economic growth and prosperity. Despite the historic difficulties, Northern Ireland has consistently proven itself a profitable and welcoming location for those industries willing to look beyond the headlines and our performance in 2006-07, in which we attracted 28 first time and reinvestments from overseas-owned companies, is the best annual performance in this area of our operations since the establishment of the agency. With the welcome restoration of the devolved institutions on 8 May 2007, we may now devote our collective influence and energies to demonstrate to world business leaders that Northern Ireland is a preferred location where foreign direct investment is welcome, profitable and safe.

Since Invest NI was established, the total planned investment from both indigenous and overseas undertakings equates to £1,930 per head of population in Northern Ireland, with investors pledging to invest £4.40 for every £1 of assistance offered by Invest NI.

Global competition and the future needs of investors will determine the economic agenda going forward. Despite our past achievements we cannot afford to be complacent and we must continue to raise our game if we are to remain relevant and meet the current and future challenges.

Northern Ireland wage bills are still amongst the lowest in the UK, our investment in research and development and innovation are poor by comparison with any European neighbours and our gross value-added per capita falls well behind other advanced European and North American countries. In order to address these issues we require a step change in our economic performance. We need a new vision of a better future and bold and determined strategies to underpin it.

To realise that future we must create world-class research in our universities, innovation and process excellence in our companies, export growth in our businesses and increased investment from both indigenous and foreign owned organisations.

As highlighted earlier, Northern Ireland is facing significant challenges at the present time. The Board and the staff of Invest NI recognise that how we face these challenges will determine our future prosperity. While Invest NI can contribute to meeting these challenges, we consider that the commitment and partnership of the politicians, business, our social partners and academia will be essential if they are to be fully overcome.

This was a good year for Invest NI in terms of outcomes. However next year needs to be better and the year after better still if we are to continue to contribute effectively to addressing Northern Ireland's economic challenges.

Stephen Kingon



Stephen Kingon, Chairman, Invest NI pictured with Bro McFerran, Managing Director of Northbrook Technology at the announcement of a £23.5m expansion for the company.

“To realise that future we must create world-class research in our universities, innovation and process excellence in our companies, export growth in our businesses and increased investment from both indigenous and foreign owned organisations.”

Stephen Kingon

04

Chief Executive's Overview

1903



Samuel Davidson

Pioneer of Air Conditioning

Local engineer, Samuel Cleland Davidson of Sirocco Works invented advanced heating and ventilation systems - initially for ships. In 1903 he unveiled the world's first air conditioning system for human comfort (as opposed to industrial uses). The building to benefit was the Royal Victoria Hospital in Belfast, the first air conditioned building in the world.

Over the past year we have continued to support the growth plans of our clients and performed very strongly in the areas of R&D, exports and new inward investment, all of which are priorities for our economy's development.

Some £100 million was offered in support of projects whose sponsors plan to invest £450 million and which should generate £123 million of new wages and salaries annually throughout Northern Ireland. Again, the vast majority of individual offers were made to locally-owned companies. Their aggregate value was £53 million, against a total investment commitment of £221 million. Forty-seven million pounds was offered to foreign-owned clients in support of £228 million investment commitments.

Invest NI focuses its limited resources on clients who can deliver most to the Northern Ireland economy and for whom we can make the most difference. These 2,200 clients account for approximately 4 per cent of our VAT registered businesses in Northern Ireland but for some 90 per cent of exports, 96 per cent of R&D spend and a disproportionate share of value-added; this exceeds the average company value-added by around 60 per cent.

Our efforts to stimulate investment in R&D and in the broader aspects of innovation resulted in the vast majority of our targets being met or exceeded. Both the Compete and Start programmes performed very well, as more companies engaged in R&D for the first time. The high level of requests for technical support, intellectual property searches and ICT advice offers evidence that our clients are seeking to move up the value chain.

Each Invest NI client company employee generates annual sales of more than £120,000, compared

with the Department of Trade and Industry's 2005 estimate for the NI business base of £88,000. Our clients are increasingly adopting an international focus and last year £290 million of new export orders were won as a result of participation in our extensive range of trade activities. Two hundred and fifty-six client employees have benefited from focused sales and marketing training under our Passport to Export initiative, and others from a comprehensive programme of trade missions and exhibitions to explore new market opportunities.

We also helped 93 companies to explore overseas business alliances. Consequently, businesses in the IT, Engineering, Environmental, Training and Textiles sectors secured partnerships in the USA, China, Taiwan, South Korea and India, among other countries.

Despite tougher competition for foreign direct investment, 2006-07 was Invest NI's most successful year, a total of 28 new overseas-owned projects being secured. These are expected to create 3,497 new jobs and to safeguard 199 existing jobs.

Of the 28 projects, 17 were first time internationally mobile investments that are promoting 2,559 new jobs. They represent planned investment of £128 million by major international corporations including Axa, Imagine Telecom and Firstsource Solutions and are supported by Invest NI assistance of some £27 million. Seventy-six per cent of first-time inward investments are to be located in new Targeting Social Need (nTSN) areas.

Eleven externally owned clients, including Citi, Fujitsu, Teleperformance and Bombardier, committed to expand their existing Northern Ireland operations and were offered almost £10 million of Invest NI assistance towards total planned investment of nearly £48 million.

In addition to having become a leading software development centre in European terms, Northern Ireland has emerged as the premier UK base for Indian business-processing specialists requiring a near-shore location. We also have a credible and growing reputation for global financial services. ICT, Financial Services and Business Services will continue to be priority sectors for new inward investment, particularly from the US, Europe and Asia Pacific. India has emerged as a key market where opportunities for both further inward investment and trade exist.

The quality of investment and reinvestment which we are attracting to Northern Ireland indicates growing investor confidence. As part of our product development strategy we have been working closely with the Department for Employment and Learning in short and medium term skills development. We have generated considerable momentum and Invest NI has now attracted total new inward investment of almost £1.1 billion from 166 projects. This has contributed to a total of more than £2.6 billion which our clients have committed to invest in the local economy since 2002.

Our activities last year included 3,037 offers of assistance to new business starts, of which 83 had the capacity to sell in external markets from an early stage, including 15 with global market potential. Direct support for locally focused business continued to deliver high outputs, 2,954 offers having been made through the Start a Business Programme and

16 through the Social Enterprise Programme. While much remains to be done in the field of entrepreneurship culture change, we remain well placed to meet our Corporate Plan target of 10,000 new business starts in the period 2005 to 2008. To accelerate further the rate of new business starts will require a sustained and increased focus on enterprise by the education system. This is an area where the business community can play a leadership role in curriculum adjustments and career guidance.

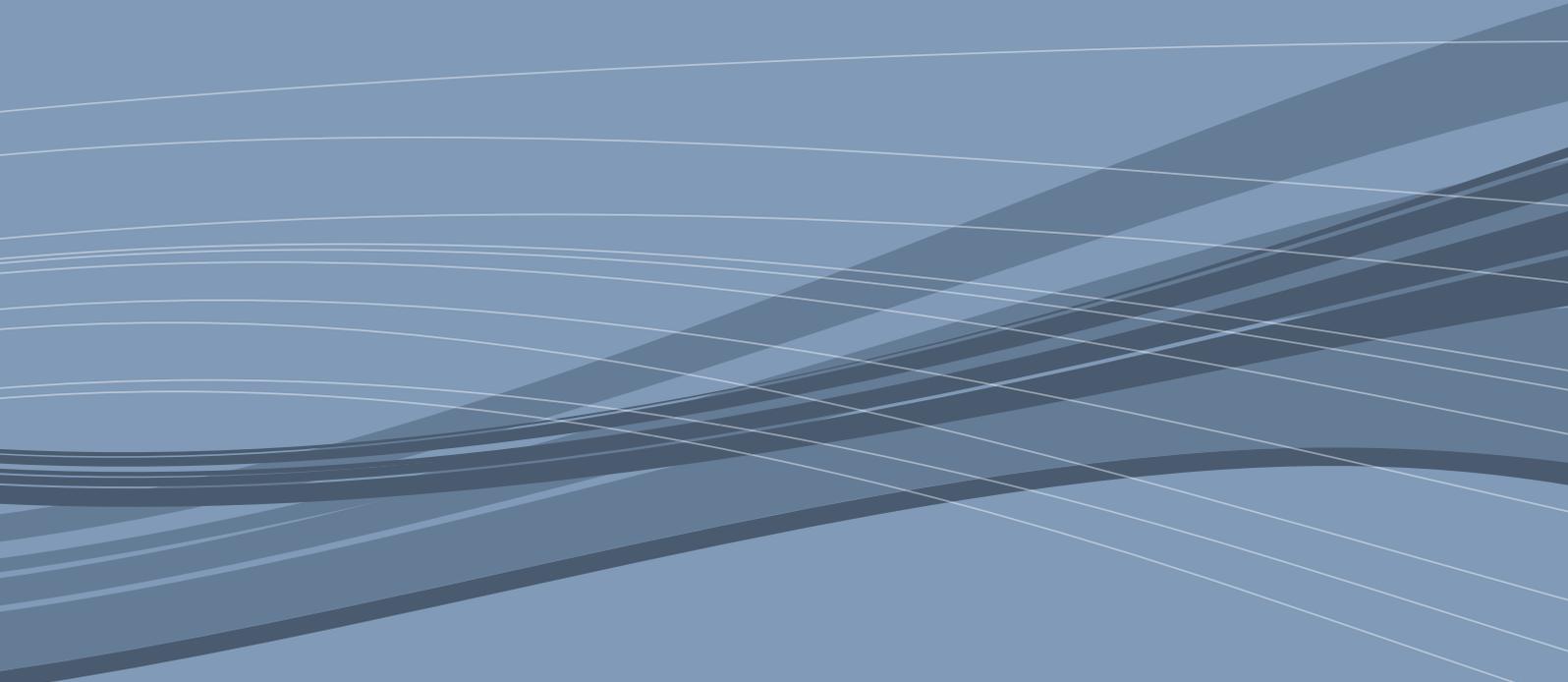
Our clients need the most appropriate property solutions and we have invested a further £4 million to develop site infrastructure and to support their property needs. During 2006-07 sales of surplus sites covering more than 200 acres generated over £15 million in cash for the Northern Ireland bloc.

The return of devolved government is very welcome. While it does not, in itself, provide an automatic passport to business success, our new political dispensation has been warmly received overseas, especially in North America. We need to capitalise on the goodwill generated and maximise the enthusiastic support we have already received from local Ministers, particularly in relation to winning new investment and promoting international sales. Certainly, the advent of social and political stability has improved the Northern Ireland business proposition, reducing perceived risk and allowing investors to focus on the very strong talent, educational, infrastructural, regulatory, macro-economic and time zone assets that the region can offer businesses with global ambitions.

Leslie Morrison

“Our clients are increasingly adopting an international focus and last year £290 million of new export orders were won as a result of participation in our extensive range of trade activities.”

Leslie Morrison



05

Key Achievements

● 1912



Thomas Andrews
Designer of the Titanic

A Harland & Wolff shipbuilder at the age of 16, Thomas Andrews studied ship design after work and became Managing Director of the company in 1907. As Chief Designer for the White Star Line fleet he set a new standard in luxury and elegance at sea with the Titanic, billed as the Ship of Dreams. He was aboard the ship's ill fated maiden voyage in 1914.

The key operational targets of the 2006-07 Operating Plan and the year end achievements are listed below:

Being Entrepreneurial

Activity	2006-07 Operating target	Year End achievement
Stimulating growth and capability development projects in locally owned and externally owned companies	£129.2 million indigenous investment	£155.3 million
	£64.9 million annual salaries (indigenous)	£52.6 million
	£156 million external investment*	£175.8 million
	£65.2 million annual salaries (external)**	£70.6 million
Improving management and workforce capability	1,000 Business Improvement Interventions	1,076
	75 BiTP projects	76
Encouraging collaboration between companies	10 supplier and supply chain projects	15
	40 'Business to Business Bridge' projects	21
	3 Collaborative projects	9
Assisting business start-ups	3,500 Local start-ups	2,954
	70 External starts	68
	13 Global starts	15
'Go for It' campaign	1 Enterprise Show	1
	1,000 attendees	382
Female entrepreneurship	4,000 participants in women's' networks	4,195
	47 per cent of start-ups to be female	44 per cent
Youth entrepreneurship	7,000 young people to be given advice through LiveWIRE	11,161
	4,500 registrations	4,608
	200 young entrepreneurs to be supported through Prince's Trust	201
Entrepreneurship in Education	70,000 students to participate in entrepreneurship programmes	55,000
Social entrepreneurship	40 start-ups	16

*First time investment by externally owned companies plus reinvestments by externally owned companies.

**Annual salaries from first time investment projects and reinvestment projects.

Being Innovative

Activity	2006-07 Operating target	Year End achievement
Stimulating investment in innovation and R&D	£25 million private sector investment	£26.5 million
	90 new companies to engage in R&D	94
	2 NITech projects	4
	4 Proof of Concept projects	Launch of new scheme delayed until 2007-08
Establish university spin-outs	Establish 6 university-derived businesses	Establishment delayed due to difficulties with technology transfer structures
Assisting knowledge transfer	30 Knowledge Transfer Partnerships	31
	2 technology missions	2
	16 technology opportunities studies	14
Enhancing R&D support infrastructure	Complement of 400 additional researchers to be maintained in established R&D centres	400
	Establish 1 new Centre of Research Excellence	1
Promoting use of industrial design	35 participants on Design Development programme	35
Providing technical support and promoting use of new technology	400 technical assistance requests	665
	2,400 business information enquiries	2,562
	350 intellectual property searches for companies	418
	550 companies to improve their use of ICT	592

Being International

Activity	2006-07 Operating target	Year End achievement
Attracting new inward investments	2,400 visits to companies	2,728
	130 inward visits	143
	15 new inward investment projects	17
	2,400 new jobs	2,559
	£36 million additional annual wages	£48.4m
Increasing exports	250 key sales personnel to improve sales and marketing skills	256
	150 new first time exporters	221
	300 existing exporters to enter new markets	442
	75 companies to explore overseas business alliances	93
Supporting tourism accommodation	16 projects	17 (includes 10 MIS)

06

Board and Executive 2006-07

● 1914



Sir Harry Ferguson

Inventor of the Modern Tractor

From his car business in Belfast, Dromore born Henry George (Harry) Ferguson started selling American tractors, but found them too cumbersome. So he designed his own version. He built a new plough coupled to the tractor in three-point linkage, so that both formed a single unit. This Ferguson System, patented in 1926, was to revolutionise farming. Harry was also the first man in Ireland to make a powered flight. In 1909 he flew 130 yards in a monoplane he'd built from plans in a magazine.

Board Members



Stephen Kingon

Chairman

(appointed 1 January 2006)

Stephen, who recently retired as Managing Partner of PricewaterhouseCoopers, in Northern Ireland,

is Chairman of the Centre for Competitiveness in Northern Ireland. He is a member of the Economic Development Forum, which advises Ministers on issues relating to the development and future competitiveness of the Northern Ireland economy. He co-chairs the North/South Roundtable Group, which seeks to improve the competitiveness of the Island economy. Stephen was appointed a non-executive Director of Allied Irish Banks in September 2007 and was also appointed to the Advisory Board of BT Ireland Ltd.

Stephen is a fellow of the Institute of Chartered Accountants in Ireland and of the Institute of Business and Management Consultants. He is a past President of the Northern Ireland Chamber of Commerce and Industry, and past Chairman of: Business in the Community in Northern Ireland; the Ulster Society of Chartered Accountants; and the Institute of Management Consultancy in Northern Ireland.



Rotha Johnston

Deputy Chairman

Rotha has interests in a number of businesses engaged in property investment. Prior to this she was a shareholder and

director of Variety Foods Ltd, a foodservice company supplying the Irish market, which was sold in 2005. She was previously a Council Member of the Northern Ireland Economic Council and a Board Member of the Labour Relations Agency and also worked in both economic development and the textiles sector. She is also a Director of AIB UK plc.



Deborah Boyd

Deborah is the CEO and shareholder in the Re3 (Ireland) Group Ltd, an all Ireland resource recycling and recovery company. She is also a Director and

Shareholder of TWS (Environmental Systems) Ireland Ltd and the Wilson System Steam Treatment Technology Company and Director of the Would-u-Like Group Ltd, a waste management consultancy business.

Deborah was the Chairperson of the Waste Management Advisory Board NI at the Department of the Environment for five years. She has been a panel member of the Industrial and Fair Employment Tribunal for nearly 20 years. She is a member of the Confederation of British Industry and is a founding member of the Irish Business and Employers Confederation/ Confederation of British Industry Joint Council where she sits on the Joint Council Steering Group.



John Brady
(appointed to the
Board on 1 April 2006)

John is currently a non-executive director of a number of companies, including Greene King plc.

He is also an Advisory Board member of a private equity company. He worked for McKinsey & Co for over 20 years and was a director for 10 years - 80 per cent of his clients were international. John has wide experience of the fast changing global business scene, particularly in the areas of marketing, corporate governance and risk management. He has served as an Advisory Council member of the Imperial College Management School.



Frank Bunting
Frank is currently Northern Secretary to the Irish National Teachers Organisation, Honorary Secretary of the Northern Ireland Teachers' Council

and member of the Irish Congress of Trade Unions Northern Ireland Committee. He was formerly a member of the Department of Enterprise, Trade and Investment's Economic Development Forum and a Steering Group Member for Strategy 2010.



Professor Bernie Hannigan

Bernie is currently Pro Vice Chancellor for Research at the University of Ulster. She is a Fellow of the Institute of Biomedical Science and has over 100 scientific and academic publications. She is also a Director

of Diabetica Ltd (a university campus company).



Patrick Haren

Patrick is Deputy Chairman of Viridian Group PLC, whose major subsidiary is Northern Ireland Electricity. He was formerly a member of the Department of

Enterprise, Trade and Investment's Economic Development Forum and a Steering Group Member for Strategy 2010. As Chairman of the NI Growth Challenge and the NI Quality Centre he initiated their merger under the new Centre for Competitiveness.



Dr Bryan Keating
(appointed to the
Board on 1 April 2006)

Bryan has been a company director for over 25 years. He is currently a director of three private companies

and a number of public sector organisations. In total over the last 15 years he has been chairman or a non-executive director of seven high tech companies and six public companies, (QUBIS, University Challenge Fund Investment Committee, Investment Belfast, halo the NI Business Angel Network, Momentum and the NI Centre for Entrepreneurship). As an Angel Investor he has extensive experience of both corporate and venture capital issues. He is a visiting professor at the University of Ulster and received the Queen's Award for Enterprise Promotion 2006.



Gilbert Little

Gilbert is founder and shareholder of a number of companies, all of which are engaged in the telecommunications/software sector. Two of

these companies, Aldiscon and Apion, were sold in 1997 and 1999 respectively to multinational companies. Current ventures include software development, turnkey contracting, network planning and operations in the wireless/internet sector. He is an engineer and barrister with approximately 25 years' experience in international business.



Bill McGinnis

Bill is Chairman of the McAvoy Group Limited and was previously Chairman and Managing Director of Sperrin Metal Products Limited. He is an

Ambassador of the Prince's Trust and is a past President of the Northern Ireland Chamber of Commerce and Industry.



Rosemary Peters-Gallagher

Rosemary is a Partner in Moore Stephens Chartered Accountants and Registered Auditors and Business Advisors. The practice has a network of five offices

employing 150 staff throughout Northern Ireland and is a member firm of Moore Stephens International. She is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Directors, serving on the Professional Development Committee of the latter. She is also a Member of the Council and Court of the University of Ulster where she is Chairman of the Audit Committee. She is a panel member of the Appropriate Authority, which deals with the administration of criminal legal aid in Northern Ireland. She is also a non-executive director of the Northern Health and Social Services Board and chairs the Audit Committee.



Ed Vernon

(appointed to the Board on 1 April 2006)

Ed Vernon was previously Head of Corporate Development at British Telecom Northern Ireland.

Prior to that he was founder and Managing Director of BIC Systems, a leading indigenous technology solutions business which was sold to British Telecom Northern Ireland in 2004. He is a former Chairman of the NI Software Industry Federation and was involved in a fundamental review of strategy for the software and technology sector. He is a Foundation Board member of Queen's University, Belfast, is Chair of the Matrix ICT Panel and a member of the Institute of Directors Northern Ireland Committee. Mr Vernon has received a number of business awards, including entry into Invest NI's inaugural Hall of Fame which was designed to celebrate the best of local entrepreneurship and promote enterprise through the showcasing of role models.



Debra Jenkins
(retired from office
31 March 2007)

Debra is a founding member and Chief Executive Officer of Exus Energy, a renewable energy technology company.

Prior to this she was employed by Du Pont (UK) Ltd as a Senior Engineer working in the UK and France. She is a Fellow of the Institute of Chemical Engineers and a council member of trade organisation British Biogen.



Dr Alan McClure
(retired from office
31 March 2007)

Alan was founder Chairman of Ilex Urban Regeneration Company, which oversees the social and economic

regeneration of the Derry City Council area. A former Chairman of the Northern Ireland Institute of Directors and President of Londonderry Chamber of Commerce, he is also a Londonderry Port & Harbour Commissioner and non-executive director of the Bank of Ireland, Bristol & West and the Northern Ireland Forensic Science Ministerial Advisory Board.

Chief Executive and Senior Management



Leslie Morrison
Chief Executive

Leslie has been Chief Executive of Invest NI since its formation in April 2002.

Prior to this, he had a long career with JP Morgan.

His most recent position with the company was as a Managing Director at Head Office in New York, where he ran JP Morgan's business with global mining clients, the Canadian oil and gas industry and certain US industrials. In addition to mergers and acquisitions execution and marketing, Leslie has broad experience in equity and debt capital markets, financial derivatives and credit products. His early career was as an investment analyst and equity portfolio manager with the Airways Pension Fund. Leslie was educated at Queen's University, Belfast, where he graduated in modern languages in 1971. He is an Affiliate of the Institute of Investment Management and Research.



Tracy Meharg
Managing Director,
Innovation and
Capability Development

Tracy heads up Invest NI's Innovation and Capability Development Group and has

played a central role in creating a strong and focused direction for Invest NI's work in this key area, which covers support for a wide range of business operations from product development through to international trading.

She has substantial experience of local economic development at a strategic level having previously worked in the Industrial Development Board heading up its Information and Communication Technologies Division. Before joining IDB, Tracy worked in a number of marketing and public relations roles.

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



Colin Lewis
Managing Director,
Corporate Services

Colin has responsibility for finance and accountancy services, human resources, strategy management and

planning, communications and marketing, corporate finance and appraisal services and property services.

An Arts graduate from Queen's University, Belfast, Colin worked for KPMG Chartered Accountants and Management Consultants for 10 years where he specialised in the area of corporate recovery and insolvency. He is a Fellow of the Institute of Chartered Accountants in Ireland.



Jeremy Fitch
Managing Director,
Client Group and
Business International

Jeremy has responsibility for inward investment and growth of existing clients

in the ICT, electronics, tradeable services, engineering, transport, construction and tourism sectors. A first class honours and International MBA graduate from the University of Ulster, Jeremy previously worked for Marks & Spencer plc and KPMG Chartered Accountants. In 1992 he joined the Industrial Development Board which was subsumed into Invest NI in 2002. He is a Fellow of the Institute of Chartered Accountants in Ireland.



Ian Murphy
Managing Director,
Client Group and
Entrepreneurship

Ian has responsibility for the promotion of a culture of entrepreneurship both

with individuals and companies across Northern Ireland. He is passionate about entrepreneurship and finding ways to help businesses grow and therefore the Group's focus is on helping companies increase exports, innovation and add value.

An economics graduate from Queen's University, Belfast, Ian spent 10 years working as a chartered accountant in practice and then industry with Young's Seafoods and Redland Brick. Since joining Invest NI he has worked with a number of teams across key sectors of Northern Ireland including life sciences, food, software and ICT to find ways of assisting company growth and economic development.

07

Organisation Structure

● 1930



Dr James Drumm

Creator of the Rechargeable Battery

The world's first nickel-zinc rechargeable battery was invented by Co. Down scientist Dr James Drumm. Patented as the 'Drumm Traction Battery' it had the ability to discharge and recharge rapidly. After being tested on a train from Dublin to Bray it powered the train successfully from station to station between 1932 and 1948.



* Appointed on 1 March 2007

08

Remuneration Report

● 1945



Sir James Martin

Inventor of the Modern Day Ejector Seat

Trained as an engineer, James Martin from Crossgar, County Down, joined forces with Captain Valentine Baker to form Martin Baker Aircraft Company Ltd. The ejector seat design of an explosive charge which catapulted the seat into the air was created upon commission by the Air Ministry. The company is now the largest supplier of ejector seats worldwide, saving almost 7,000 lives to date.

Chairman and Board members

The Chairman and Board members are appointed in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments for Northern Ireland. The Chairman and Board members are appointed for a fixed period of up to three years. Thereafter they may be reappointed in accordance with the Code of Practice.

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

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

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

	Salary 2006-07 £'000	Benefits in kind 2006-07 £	Salary 2005-06 £'000	Benefits in kind 2005-06 £
Stephen Kingon (Chairman from 1 January 2006)	39	-	18	-
Fabian Monds (Chairman to 31 December 2005)	-	-	29	-
Rotha Johnston	11	-	11	-
Deborah Boyd	11	-	11	-
Frank Bunting	11	-	11	-
Bernie Hannigan	11	-	11	-
Patrick Haren	11	-	11	-
Debra Jenkins	11	-	11	-
Gilbert Little	11	-	11	-
Bill McGinnis	11	-	11	-
Alan McClure	11	-	11	-
Rosemary Peters-Gallagher	11	-	11	-
John Brady	11	-	-	-
Bryan Keating	11	-	-	-
Ed Vernon	11	-	-	-

The salary of Chairman Stephen Kingon, is paid directly to his employer as a reimbursement of salary costs incurred.

The Chief Executive and the Senior Management Team

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

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

The Chief Executive's remuneration package contains a provision for a performance related bonus up to 15 per cent of salary, to be determined according to the achievement of targets and performance indicators, which are set by the Board on an annual basis. Performance against these targets is assessed each year by the Remuneration Committee which makes a recommendation, ultimately for Ministerial approval, on the amount of bonus to be paid.

The Remuneration Committee is chaired by Stephen Kingon. Committee members include Rotha Johnston, Patrick Haren, Bernie Hannigan and Gilbert Little. The Chief Executive is not a member of the Civil Service Pension Scheme and Invest NI makes a contribution equivalent to 19.5 per cent of his annual salary in lieu of pension provision.

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

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

	Salary 2006-07 £'000	Benefits in kind 2006-07 £	Salary 2005-06 £'000	Benefits in kind 2005-06 £
Chief Executive:				
Leslie Morrison	160 - 165	-	160 - 165	-
Managing Director:				
Tracy Meharg	90 - 95	-	80 - 85	-
Colin Lewis	85 - 90	-	80 - 85	-
Jeremy Fitch	85 - 90	-	65 - 70	-
Ian Murphy	65 - 70	-	n/a	-
Terri Scott (resigned 31 March 2006)	-	-	80 - 85	-
Leslie Ross (retired 30 September 2005)	-	-	60 - 65	-

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by Invest NI during the year and thus reflected in these accounts.

Included in the Chief Executive's remuneration is £25,000 (2006: £25,000) of contribution in lieu of pension provision, and a performance related bonus of £8,000 (2006: £11,000).

Ian Murphy was appointed as a Managing Director on 1 June 2006. Prior to his appointment, Ian was Director of Invest NI's International Information, Communication and Technology (IICT) Division. The salary disclosed in the above relates to 10 months from the date of his appointment to 31 March 2007, and the full year equivalent salary is in the £75,000 to £80,000 range.

Leslie Ross retired on 30 September 2005. The salary disclosed for 2005-06 relates to the six month period to the date of his retirement. The full year equivalent salary was in the £90,000 to £95,000 range. Details of subsequent service contracts with Leslie Ross are disclosed in note 31 'Related Party Transactions'.

Benefits in kind

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

Pension

With the exception of the Chief Executive, pension benefits for other Senior Management Team members are provided through the Principal Civil Service Pension scheme (Northern Ireland) (PCSPSNI). From 1 October 2002, members of PCSPSNI may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee.

The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Pension details of the Senior Management Team as at 31 March 2007 are as follows (the information in the table below has been subject to audit):

	Real increase in pension and related lump sum at age 60 £'000	Accrued pension at age 60 at 31.03.07 and related lump sum £'000	CETV at 31.03.07 £'000	CETV at 31.03.06 £'000	Real increase in CETV £'000
Tracy Meharg	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20 plus 55 - 60 lump sum	289	222	13
Colin Lewis	0 - 2.5 plus 2.5 - 5 lump sum	10 - 15 plus 40 - 45 lump sum	241	172	17
Jeremy Fitch	2.5 - 5 plus 5 - 10 lump sum	10 - 15 plus 45 - 50 lump sum	203	136	38
Ian Murphy	5 - 10 plus 15 - 20 lump sum	20 - 25 plus 70 - 75 lump sum	401	297	77

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a

scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the

individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV reflects the increase in CETV effectively bound by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and user common market valuation factors for the start and end of the period.



Leslie Morrison
Accounting Officer

Date: 31 August 2007

09

Management Commentary

 1946



William Wright OBE

Pioneer of Low Floor Buses and Co-founder of The Wright Group

Based in Ballymena, The Wright Group is the UK's leading independent bus supplier, and one of Europe's leading bus builders. The firm designed and developed the rapid transit vehicle 'StreetCar' now successfully operating in the UK market and soon to be in use in the US. In 2006 the Mayor of London officially unveiled the Wrightbus Gemini HEV, the first high capacity vehicle fitted with hybrid technology to go into operation in London.

Statutory background, business activities and key performance indicators

Invest NI is an NDPB sponsored by DETI. The statutory background, organisation's aims and objectives are described on pages 6 to 9. The 'Chairman's Introduction' and 'Chief Executive's Overview' highlight the main trends and factors which have influenced the development and performance of the organisation in the year and going forward. Specific Acts and policies governing Invest NI are described in the Corporate Governance Statement. In addition, the key performance targets and achievements are described in the 'Key Achievements' section.

Key financial highlights for the year:

- Programme expenditure was £135.8 million against an allocated budget of £136.3 million, a 99.6 per cent achievement against target.
- 99 per cent of administration expenditure against a budget of £25.5 million was utilised.
- Receipts generated in the year totalled £32.1 million against an initial target of £10.1 million. These receipts related to the disposal of fixed assets and investments, and to the clawback of grant monies.
- The additional gross receipts generated above target, amounted to £22 million. This enabled funds to be released for financial planning purposes in the wider public sector.
- In addition to the budgeted receipts outlined above, Invest NI generates income relating to property rental, dividends, and loan interest. Along with VAT repayments, this was repaid to Central Government in 2006-07 and totalled £7.6 million.

Financial statements

Income and Expenditure Account

The income figures in the accounts have been restated to incorporate revised DFP guidance. The 'Grant in aid from DETI' figure represents the net cash funding from DETI and has been removed from the Income and Expenditure Account. Further details are provided in note 2 to the accounts. The income reported in the 2006-07 accounts, restated for the previous year, relates to grant clawback, EU funding, loan interest, dividends, rent and other sundry items.

In 2006-07, DFP changed the budgeting principle relating to EU receipts used for funding the core programme expenditure. The administration of EU claims has been delegated by DETI to Invest NI from 1 April 2006. This has resulted in the recognition of EU receipts as income in support of the related expenditure incurred.

On this basis, total income of £11.9 million has been reported for the year, a decrease of £0.1 million (1 per cent) on the previous year.

In addition, a profit of £9.3 million on fixed assets and investment disposal has been reported for the year. Whilst profit on investment disposal accounted for only 2 per cent of the total book profits, the significant increase on the previous year's restated profit of £1.2 million is due to higher sales volume with an improved property market resulting in market price exceeding the carrying book values of the related assets inherited by Invest NI on incorporation. The prior year figure has been restated on dissolution of the government grant reserve, replacing it with a revaluation reserve. The change in the accounting treatment has necessitated a revision to the profit or loss on disposal's calculation.

The total expenditure for the year, excluding Corporation Tax, has decreased by 13 per cent from £185.9 million to £161.4 million. This is primarily due to a reduction in grant and other programme related expenditure. This, however, is not an indication of a reduction in the organisation's activity level. The recognition of grant expenditure in the accounts is dependent on the drawdown of grant assistance by client companies which in turn is dependent upon progress against plan, and other market led factors. The decrease in expenditure is largely a timing issue, and this has necessitated a re-profiling of budget from 2006-07 into the 2007-08 financial year. Also, the improved property market had resulted in a reduction in asset impairment by some £5.4 million.

Balance Sheet

Total fixed assets including investments at the year end was £167.5 million, an increase of £23.1 million (15.9 per cent) on the previous year. This was primarily due to an increase in the value of land and property holdings of £27.8 million. There was a corresponding reduction of £4.7 million in investments, linked to the repayment of loans and shares and movement in provisions.

Total creditors have increased to £55.3 million at the year end compared to £46.7 million in 2005-06. The timing of grant claims and payments has resulted in the increase in the accrued grant creditor. These liabilities will be met primarily from future DETI funding. Amount due to DETI in respect of EU receipts surrendered has also contributed to the increase in creditors.

Revaluation and general reserve balances at the year end have increased from £90.1 million to £105.9 million largely reflecting the increase in the value of fixed assets.

Other financial considerations

During the year work has been continuing within the context of the 2007 Comprehensive Spending Review to determine the organisation's spending plans for 2008-09, 2009-10, and 2010-11. Invest NI has submitted budget requests to facilitate the delivery of government economic development objectives, whilst demonstrating operational efficiencies and other value for money considerations.

Prompt payment policy

Invest NI is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. Regular reviews conducted to measure how promptly Invest NI pays its bills found that 97 per cent (2006: 97 per cent) of bills were paid within this standard.

Employee development and communication

Invest NI is committed to the development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. In particular, active involvement and communication with employees is conducted both directly and through the recognised Trade Union (NIPSA) in all relevant matters. The organisation is also committed to the continuing development of its staff and to maximising their contribution to the continuous improvement of service delivery.

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

Environmental, social and community responsibility

Invest NI is committed to the promotion of environmental, social and community responsibility. A number of successful programmes and initiatives were undertaken in the year which effectively promoted awareness of these areas. These included the online information resource and the work done to stimulate entrepreneurial and innovative activities, all of which have been described in greater detail in the 'Chief Executive's Overview' and the 'Key Achievements' section. As in previous years, the organisation continues to implement DETI's new Targeting Social Need (nTSN) action plan.

Post balance sheet events

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

Since the balance sheet date a number of client companies have made announcements concerning their activities. Several companies have announced expansion plans but a number of client companies in specific sectors are affected by the state of the global economy and changes in market demand. Invest NI continues to work closely with client companies to provide the appropriate support, particularly for those experiencing difficult trading conditions. The impact of the performance of these companies on Invest NI may subsequently be reflected in future accounts, depending on the particular circumstances in each company concerned.

Auditors

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

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



Leslie Morrison
Accounting Officer

Date: 31 August 2007

10

Corporate Governance Statement

1966



Professor Frank Pantridge CBE

Creator of the Portable Cardiac Defibrillator

A Cardiologist at the Royal Victoria Hospital and born in Hillsborough, Co. Down, Frank Pantridge's ingenious idea meant that life saving equipment was no longer confined to hospitals. His portable defibrillator meant that CPR could be administered pre-hospital and also in ambulances, ships and planes where the patient could be treated more quickly.

The Combined Code

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

Invest NI is an NDPB set up under the Industrial Development Act (Northern Ireland) 2002, and is sponsored by DETI. Under the provisions of the Act, Invest NI is responsible for the delivery of programmes and activities designed to meet the economic development policy objectives established by DETI. Invest NI is responsible for reporting on its activities to the Minister for Enterprise, Trade and Investment. Invest NI is required to comply with stringent requirements relating to all key areas of its functions and activities as determined by the 2002 Act, Government Accounting Northern Ireland (GANI), Human Rights and Employment law, the Equality provisions of the Northern Ireland Act 2000, the Freedom of Information Act and the Data Protection Act.

Responsibilities of the Board and Chairman

Invest NI has an executive Board comprising a Chairman and not fewer than 10 or more than 20 other members, appointed by DETI. DETI ensures that each member appointed to the Board has experience relevant to the discharge of the functions of Invest NI, and that as far as is practical they are representative of the community

in Northern Ireland. The Board meetings are held monthly and attended by the Chief Executive and Managing Directors.

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

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

Board committees

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

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

Board Audit Committee

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

Internal Audit Committee

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

Remuneration and Performance Committee

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

Finance Control Committee

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

Risk management

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

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

Code of Ethics and Conduct

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

Management of conflicts of interest

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

Relationships with arms length bodies

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

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

Fraud prevention

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

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

Equality

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

11

Statement of Accounting Officer's Responsibilities

● 1968



Dr Billy Hastings OBE

Tourism Entrepreneur and Founder of the Hastings Hotels Group

The Hastings Hotels group is Northern Ireland's premier hotel range and rivals the very best hotels in the world. Local businessman Billy Hastings built up his hotel business at the height of the troubles and worked tirelessly to create and market a very different Northern Ireland to business and leisure visitors, knowing it would be a major contributor to the local economy.

Under the Industrial Development Act (Northern Ireland) 2002, DETI (with approval from DFP) has directed Invest NI to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accrual basis and must give a true and fair view of Invest NI's state of affairs at the year end of its income and expenditure, total recognised gains and losses, balance sheet and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

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

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

Leslie Morrison
Accounting Officer

12

Statement on Internal Control

 1968



Lord Ballyedmond

Pioneer of Drug Production Processes and Founder of Norbrook Laboratories Ltd

Pharmaceutical giant, Norbrook Laboratories in Newry was founded by Lord Ballyedmond. The company is the world's largest producer of sterile veterinary injectables and is responsible for many patented global breakthroughs with its on-site R&D division and the ability to market over 800 formulated and licensed veterinary, chemical and medical products to around 110 countries on every continent.

Scope of responsibility

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

Invest NI is an NDPB sponsored by DETI. The Board of Invest NI has corporate responsibility for ensuring that Invest NI fulfils the aims and objectives set by DETI and for promoting the efficient and effective use of resources by the organisation. I, as Accounting Officer, in agreement with DETI, establish the organisation's corporate and business plans in light of the Department's wider strategic aims.

I advise the Board on Invest NI's operating and financial performance compared with its aims and objectives and ensure that its governance responsibilities can be discharged in accordance with established criteria. The inter-relationship between Invest NI and DETI is codified in formal documents, such as the Management Statement and Financial Memorandum, in addition to being informed by relevant Dear Accounting Officer letters.

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Invest NI policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in Invest NI for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, and accords with DFP guidance.

Capacity to handle risk

Invest NI has an established Board Audit Committee and Internal Audit Committee comprised of representatives from Invest NI's Senior Management Team, its Board, and DETI. Representatives from the Internal Audit Service (IAS) attend both these Committees and the Northern Ireland Audit Office (NIAO) representatives attend the Board Audit Committee. The Board Audit Committee, on behalf of the Board, provides leadership on the risk management and governance process. The Corporate and Group Risk Registers, with allocated risk owners, are regularly reviewed by management and updated and reported on at the end of each quarter.

Reflecting increasing emphasis on a proper corporate governance framework, key procedures are continually reviewed and revised in order to strengthen and improve controls. Appropriate guidance and delegated limits are established to promote control and consistency in decision making across Invest NI's activities. Risk owners and staff are kept informed of new guidance or requirements on an ongoing basis, as appropriate.

The risk and control framework

The Board Audit Committee and the Internal Audit Committee meet on a quarterly basis to review and advise on the risk management, control and governance arrangements. These include audit issues arising during the period, key projects, ongoing operational matters and investigations. Regular reports are sent to the sponsoring Department, DETI, for monitoring. In addition, risk management is increasingly integrated into the corporate planning and decision making processes of the organisation. During the year, internal assurance statements were submitted to DETI each quarter, providing an account of the internal control matters arising in each of the reporting periods. Through these processes, the Board and Senior Management Team demonstrate that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

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

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by

the work of the internal auditors and the executive managers within Invest NI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Since the incorporation of Invest NI, IAS has conducted at least one audit (and follow up work), or a review on a thematic basis, of all systems and procedures identified as high priority. The IAS programme of audits undertaken in 2006-07 represented the fourth year of an agreed four year Audit Strategy. In 2007-08, the Audit Committees and IAS will work together to re-assess and establish the audit strategy and framework for the coming years.

Key aspects of the IAS audit programme for 2006-07 included Invest NI's risk-management processes, payroll, activities associated with a number of initiatives within the Innovation and Capability Development Group and annual compliance reviews. As part of a DETI led TSO inspection programme being carried out by consultants, IAS has quality assured a number of reports relating to Invest NI's sponsor control arrangements.

In addition, IAS, in conjunction with the Invest NI Financial Management Team, conducted reviews of a number of Invest NI's key overseas offices covering operations in the Far East, Middle East, and North American regions. These reviews represented phase one of a three year rolling programme of visits.

The results of the 2006-07 audits were mainly satisfactory, reflecting the continuous improvement of operational and financial controls across the organisation. However IAS has provided a limited overall opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control, and governance processes.

Significant internal control problems

The limited IAS opinion relates to incomplete remedial work surrounding compliance with European Commission (EC) regulations. While IAS has acknowledged that progress had been made in previous years, the remedial work is still incomplete and therefore some potential residual financial risk remains. The completion date for this work has been rescheduled to 2007-08. A Project Board was established to plan, monitor and control activity aimed at addressing all the outstanding EC compliance issues. Additional resources have also been allocated to the EC Compliance Unit. I am content that the ongoing monitoring work is sufficient to meet the EC requirements.

In February 2006, officials from DETI and Invest NI provided evidence to the Committee of Public Accounts on an NIAO report entitled "Governance Issues in the Department of Enterprise, Trade and Investment's Former Local Enterprise Development Unit: In Relation to the Establishment and Oversight of the Emerging Business Trust Loan and Venture Funds." Reference was made, in the NIAO report and in the PAC hearing, to investigations being carried out by Invest NI and DETI into 3 bodies, established between 1990 and 1998. These investigations are still in progress.



Leslie Morrison
Accounting Officer

Date: 31 August 2007

13

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

 1972



Maureen Wheeler

Co-founder and Director of Lonely Planet Travel Guides

After co-writing her first travel guide, 'Across Asia on the Cheap', Belfast born Maureen Wheeler launched Lonely Planet. Five hundred titles have since been published and it is one of the most respected and influential travel guides in the world, covering every country with over 80 million books sold worldwide. With offices in Melbourne, Oakland and London, it has 500 employees and 300 on-the-road authors.

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2007 under the Industrial Development (Northern Ireland) Act 2002. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder. I report

to you whether, in my opinion, certain information given in the Annual Report, which comprises the Introduction and Statutory Background, Mission Statement and Objectives, Chairman's Introduction, Chief Executive's Overview, Key Achievements, Board and Executives, Organisation Structure, the unaudited part of the Remuneration Report, Management Commentary and Corporate Governance Statement, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Invest Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Invest Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Development (Northern Ireland) Act 2002

and directions made thereunder by the Department of Enterprise, Trade and Investment, of the state of Invest Northern Ireland's affairs as at 31 March 2007 and of its net expenditure, cash flows and recognised gains and losses for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and the Department of Enterprise, Trade and Investment directions made thereunder; and
- information given within the Annual Report, which comprises the Introduction and Statutory Background, Mission Statement and Objectives, Chairman's Introduction, Chief Executive's Overview, Key Achievements, Board and Executives, Organisation Structure, the unaudited part of the Remuneration Report, Management Commentary and Corporate Governance Statement, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Parliament and the financial transactions conform to the authorities which govern them.

Emphasis of matter: material uncertainty on provisions

Without qualifying my opinion, I draw attention to notes 18 and 19 to the financial statements. This refers to the existence of significant uncertainty over the adequacy or excessiveness of the provision on unsubmitted grant claims of £19.1 million. Details of the circumstances

relating to the uncertainty over the accuracy of this provision are described in the Statement of Internal Control. The ultimate outcome of the matter cannot presently be accurately determined.

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



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

Date: 3 September 2007

14

Income and Expenditure Account

For the year ended 31 March 2007

 1973



Dr Martin Naughton

Global Domestic Heating Appliance Entrepreneur and Founder of Glen Dimplex

Executive Chairman of The Glen Dimplex Group, Dr Martin Naughton has catapulted his business from a small plant in Newry to the largest Domestic Heating Appliance manufacturer in the world. The group now has 26 companies around the world with 9,000 staff and annual sales of approximately €2 billion, making Dr Martin Naughton one of the world's most successful entrepreneurs.

Income and Expenditure Account

For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000 Restated (note 2)
INCOME			
Income from operating activities			
Non surrenderable income	4	531	569
Income surrenderable to DETI but retained	5	11,367	11,460
Income surrendered to DETI	6	-	-
Profit on fixed asset and investment disposals		9,316	1,162
Total income		21,214	13,191
EXPENDITURE			
Grants and programme related costs			
grants and programme related costs	7	(116,897)	(138,221)
asset development, maintenance and related costs		(3,027)	(1,074)
Administrative expenses			
staff costs	8	(20,570)	(21,436)
other	9	(11,033)	(7,315)
notional costs	10	(473)	(1,856)
Debt provisions and charges	11	(4,292)	(5,350)
Depreciation		(1,339)	(1,406)
Asset impairment		(304)	(5,709)
Notional cost of capital	10	(3,431)	(3,585)
Total expenditure		(161,366)	(185,952)
Net expenditure before taxation		(140,152)	(172,761)
Tax on ordinary activities	12	(770)	(800)
Net expenditure after taxation		(140,922)	(173,561)
Credit reversal of notional costs	10	3,904	5,441
Net expenditure for the financial year	21	(137,018)	(168,120)

All activities derive from continuing operations. Notes 1 to 33 form part of these accounts.

15

Statement of Recognised Gains and Losses

For the year ended 31 March 2007



1982



Dr Peter Fitzgerald

Pioneer of Biochip Diagnostic Technology and Founder of Randox Laboratories

Dr Fitzgerald's excellent academic background has led to the publication of 40 scientific papers on a variety of subjects in diagnostics, 47 patents and a Royal Academy of Engineering McRobert Award for Innovation in Engineering for the revolutionary Biochip Array Technology.

The company currently employs 700 staff, including 185 Scientists and Engineers in Research and Development.

Statement of Recognised Gains and Losses

For the year ended 31 March 2007

	2007 £'000	2006 £'000 Restated (note 2)
Net gain on revaluation of tangible fixed assets (note 20)	30,772	9,476
Total recognised gains relating to the year	30,772	9,476

16

Balance Sheet

Year ended 31 March 2007

1989



Dr Hugh Cormican

Creator of Advanced Scientific Cameras and Co-founder of Andor Technology

As a Physics student at Queen's University, Hugh Cormican discovered that the cameras he was using for his research weren't good enough. So he, along with fellow student Donal Denvir, developed a specialist high performance camera. They set up Andor Technology and targeted researchers and major universities across the world. The company is now a global market leader in scientific imaging and spectroscopy.

Balance Sheet

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000 Restated (note 2)
Fixed Assets			
Tangible fixed assets	13	128,230	100,460
Investments	14	200	200
Fixed investments	15	39,095	43,806
		167,525	144,466
Current Assets			
Debtors	16	17,836	17,959
Cash at bank and in hand		103	242
		17,939	18,201
Creditors:			
amounts falling due within 1 year	17	(55,350)	(46,728)
Net Current Liabilities		(37,411)	(28,527)
Total Assets less Current Liabilities		130,114	115,939
Creditors:			
amounts falling due after more than 1 year			
Provision for liabilities and charges	18	(24,202)	(25,820)
		105,912	90,119
Reserves			
Revaluation reserve	20	51,133	23,527
General reserve	21	54,779	66,592
		105,912	90,119

Approved by the Board and signed on its behalf by:



Leslie Morrison
Accounting Officer

Date: 31 August 2007

17

Cash Flow Statement

Year ended 31 March 2007

 1993



Nicky Kinnaird

Founder of SpaceNK Apothecary

The Belfast businesswoman launched her first lifestyle store in Covent Garden, London. The original innovation behind the brand developed was to offer exclusive and effective skin care, hair care and cosmetic products from the leading international specialists. The successful chain now carries over 60 selected and edited brands which are available online and in 54 stores across Ireland, the UK and the USA.

Cash Flow Statement

Year ended 31 March 2007

	2007 £'000	2007 £'000	2006 £'000 Restated (note 2)	2006 £'000 Restated (note 2)
Net cash outflow from operating activities		(134,934)		(141,004)
Returns on investments and servicing of finance				
Loan interest received	806		748	
Dividend received	959		729	
Net cash inflow from returns on investments and servicing of finance		1,765		1,477
Taxation				
Corporation tax paid		(800)		(1,151)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(3,177)		(3,525)	
Receipts from sales of tangible fixed assets	14,837		9,991	
Share repayment received	1,858		1,995	
Loan repayment received	5,188		4,015	
Amortisation repayment received	1,729		839	
Investment in venture capital fund	(132)		(181)	
Investment in share capital of client companies	(558)		(2,625)	
Loans made to client companies	(3,809)		(1,828)	
Net cash inflow from capital expenditure and investment		15,936		8,681
Cash outflow before financing		(118,033)		(131,997)
Financing				
Financing from DETI	125,206		139,468	
Consolidated fund payments to DETI	(7,594)		(4,791)	
Net cash inflow from financing		117,612		134,677
(Decrease)/increase in cash		(421)		2,680

The cash flow statement should be read in conjunction with note 22.

18

Notes to the Accounts

Year ended 31 March 2007

○ 1993



David Perry

Computer Gaming Expert and Founder of Shiny Entertainment

From developing professional games for key publishers like Sega and Virgin Games, Lisburn born David Perry set up his own gaming business, Shiny Entertainment. He devised and produced many award winning titles for the worldwide gaming industry including the cult series, Earthworm Jim. In April 2002, Shiny became a wholly owned subsidiary of Atari Inc. in a \$47 million deal.

1. ACCOUNTING POLICIES

Statement of accounting policies

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

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

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

Accounting conventions

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

Consolidation

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

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

Tangible fixed assets

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

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

Depreciation

Freehold land and assets in the course of construction are not depreciated. Depreciation is provided on a straight line basis in order to write off the valuation of other assets, less estimated residual value, of each asset over its expected useful life, or lease period if shorter. The base useful lives of assets, which are reviewed regularly, are as follows:

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

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

Assets in the course of construction

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

Revaluation of land and buildings

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

benefits is charged to the Income and Expenditure account regardless of any such previous surplus.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the Income and Expenditure account.

Other investments

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

Investments are held as part of the overall financial assistance to client companies. Invest NI does not hold the right to exercise a dominant influence over the undertaking of the client companies and has limited voting rights. For these reasons, although holdings in certain client companies exceed 20 per cent of their share capital, it is considered not appropriate to deal with them as if they were associated or related companies, as required by the Companies (Northern Ireland) Order 1986. Details of their reserves and profit and loss are disclosed only if they are deemed material in the context of these accounts.

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

Investments in subsidiaries

Investments in subsidiaries are valued at cost less impairment.

Debtors

Provision is made where necessary for debts which are considered doubtful. Debts can only be written off when non recovery is considered certain and after the approval of senior management in accordance with the internal delegation limits.

Taxation (including Value Added Tax)

As Invest NI does not have Crown exemption it is liable to Corporation Tax on certain sources of income earned in any year. The precise areas of activity which are subject to Corporation Tax are currently being agreed with HM Revenue and Customs.

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

Provisions

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

Pensions

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

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

Early departure costs

Invest NI is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early. Invest NI recognises in full for this cost when the early retirement programme has been committed.

For employees directly employed by DETI who are seconded to Invest NI, early departure costs are charged to the Income and Expenditure account when incurred.

Financing from DETI

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

Income

Income from operating activities represents:

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

- other income receivable, principally, fees and charges for services provided, clawback and other recoveries; and
- loan interest, share dividend and property rent receivable.

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

i) income that cannot be retained and must be surrendered to DETI

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

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

Invest NI generates income which it is permitted to keep and use up to an agreed budget level thus reducing the gross funding received from DETI. Any income above the budget level is treated as 'Excess receipts' and it is paid over to DETI (same treatment as income surrendered).

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

The majority of this income represents programme contributions received for and recovery of costs of certain expenditure for which Invest NI has a net budget agreed with DETI.

Grant expenditure

The expenditure comprises grants payable to companies sponsored by Invest NI under the terms and conditions of financial

assistance agreements. Grants payable are accounted for in the period in which the recipient carries out the activity which creates an entitlement to the grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made.

Programme expenditure

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

Administration expenditure

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

Leases

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

Notional charges

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

Capital charge

A non cash capital charge, reflecting the cost of capital utilised by Invest NI, is included in operating costs and calculated using the average method. The charge is calculated at the Government's standard rate of 3.5 per cent (2006: 3.5 per cent) in real terms on assets less liabilities.

2. RESTATEMENT OF COMPARATIVES

(i) Funding from DETI

In 2005-06, funding received from DETI was treated as 'grant in aid' income on the face of the Income and Expenditure account. This comprised of funding received in cash terms (after adjusting for capital funding transferred to the government grant reserve) and income that was surrenderable to DETI but was retained by Invest NI for utilisation.

In 2006-07, under revised guidance issued by DFP, funding from the controlling Department is to be treated as financing and credited to the general reserve as opposed to the Income and Expenditure Account.

The change in accounting policy has also led to the dissolution of the government grant reserve (GGR) and replacement with revaluation reserve (RR). Although the overall Balance Sheet position reported for 2005-06 of £90,119,000 is unaffected, this has resulted in further changes in the Income and Expenditure account as follows:

- reversal of government grant reserve credits previously released;
- restatement of profit and loss (P/L) on asset disposal; and
- restatement of asset depreciation and impairment.

A summary of the restatement impact to the 2005-06 Income and Expenditure account (I&E) is as follows:

	DETI Funding £'000	GGR Credit £'000	Depreciation £'000	Impairment £'000	P/L on disposal £'000	I&E account £'000
As previously reported	131,876	10,651	(1,381)	(6,321)*	(173)	(27,515)
Impact of change in DETI funding treatment:						
Financing from DETI transferred to general reserve	(131,876)					(131,876)
Impact of dissolution of GGR and replacement with RR:						
Reversal of GGR credit		(10,651)				(10,651)
Adjustment to depreciation			(25)			(25)
Reduction in asset impairment				612		612
Adjustment to profit on asset disposals					1,411	1,411
Reversal of proceeds debited to general reserve					(76)	(76)
Restated amount	-	-	(1,406)	(5,709)	1,162	(168,120)

*note 2(iii)

A summary of the restatement impact to reserves in the 2005-06 Balance Sheet is as follows:

	GGR £'000	RR £'000	General Reserve £'000
As previously reported	149,841		(59,722)
Financing from DETI credited to general reserve	-	-	131,876**
Change in net expenditure transferred from I&E	-	-	(140,605)
Reversal of proceeds transferred from general reserve	-	-	76
Impact of change in GGR dissolution:			
Restatement of 2005-06 opening reserves	(146,404)	-	146,404
Reversal of proceeds previously transferred from GGR	16,916	-	(16,916)
Reversal of assets transferred to other Government Department from GGR	2,113	-	(2,113)
Reversal of GGR credit release	10,651	-	-
Reversal of capital spend and investment credited to GGR	(7,592)	-	7,592**
Adjustment to revaluation gain	(212)	-	-
Adjustment to valuation reserve release on disposal	(1,810)	-	-
Adjustment to valuation reserve release on asset transfer	24	-	-
Dissolution of GGR and balance transferred to RR	(23,527)	23,527	-
Restated amount	-	23,527	66,592

**total DETI funding £139,468,000

(ii) Cash flow statement and statement of recognised gains and losses

As a result of the changes stated in note 2(i), the Cash flow statement has been restated accordingly.

As the full cost recovery financial objective is not applicable to Invest NI, a Statement of recognised gains and losses has been prepared for the current and the previous year (incorporating restated revaluation gain figure) instead of a Statement of total recognised gains and losses.

(iii) Asset development, maintenance and related costs

In 2006-07, vesting expenditure is reflected in asset development, maintenance and related costs. In accordance with Financial Reporting Standard 18 (FRS 18) requirements and for consistency purposes, prior year comparatives have been restated accordingly as follows:

	Asset Development, Maintenance and related costs £'000	Asset impairment £'000
As previously reported	709	6,686
Amount reclassified	365	(365)
Restated amount	1,074	6,321*

*note 2(i)

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

(iv) Commitments under leases and PFI contract

On grounds of consistency and comparability, the 2005-06 comparatives for leases have been restated to reflect overseas lease commitments. The Private Finance Initiative (PFI) commitment comparatives have also been restated to reflect the updated contracted sums and exclude estimated inflationary impact previously incorporated in the figures.

3. CORE PROGRAMMES FUNDED BY EU RECEIPTS

The issuance of DAO (DFP) 16/06 during 2006-07 has resulted in a change in the budgeting treatment in relation to EU receipts from 1 April 2006. As there have been no changes to the accounting guidance in relation to the recognition of EU receipts and related programme expenditure, this is therefore not regarded as a change in accounting policy.

In the main, all EU receipts relating to pre 31 March 2006 core programme expenditure are subject to the 2005-06 rules and must be surrendered to the Consolidated Fund. Receipts due from the EU relating to 2006-07 are to be treated as accruing resources in support of expenditure incurred, i.e. budgeted receipts or income surrenderable but retained.

Prior to the change, DETI funding was used to fund Invest NI programmes, including EU related expenditure; and EU receipts were dealt with at Departmental level. The above requirement has resulted in the following impact to the accounts:

- A net EU creditor balance of £4,247,000 was transferred from DETI's book to Invest NI on 1 April 2006 through the general reserve. This represents the net amount (after provision) due to the Consolidated Fund in relation to programme claims submitted to the EU to 31 March 2006;
- EU receipts relating to core programme expenditure pre 1 April 2006 are to be recognised in Invest NI's book as 'Income Surrendered to DETI'; and
- EU receipts relating to core programme expenditure post 1 April 2006 are to be recognised in Invest NI's book as 'Income Surrenderable but Retained'.

The above has also resulted in an increase in the Debtor and Creditor balance. In March 2007, DETI advised Invest NI that the opening EU creditor balance had been received by DFP and centrally allocated to the Consolidated Fund. Following this, Invest NI has performed a book adjustment through general reserve to eliminate the related balance.

4. NON SURRENDERABLE INCOME

	2007 £'000	2006 £'000
Recoupment of programme expenditure and related costs from client companies and third parties	440	410
Other	91	159
	531	569

5. INCOME SURRENDERABLE TO DETI BUT RETAINED

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Grant clawback	8,062		15,440	
Property rent income (Lisburn site)	-		371	
Other including market access visits and property receipts	-		454	
		8,062		16,265
Core programme receipts from EU (note 3)		3,305		-
Gross income surrenderable		11,367		16,265
Less: Excess receipts transferred to income surrendered (note 6)		-		(4,805)
		11,367		11,460

6. INCOME SURRENDERED TO DETI

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Property rent	1,595		1,764	
decrease in provision	132		33	
		1,727		1,797
Loan interest	1,475		1,238	
amount written off	(612)		(143)	
increase in provision	(124)		(382)	
		739		713
Amortisation loan interest	463		524	
increase in provision	(238)		(225)	
		225		299
Dividend	804		1,065	
amount written off	(218)		(511)	
increase in provision	(59)		(175)	
		527		379
Other share income		121		392
Other property income		243		480
VAT repayment		772		3,013
Bank interest		6		20
Other income including programme expenditure clawback		304		78
Total excluding excess receipts		4,664		7,171
Excess receipts (note 5)	-		4,805	
Less: provision (note 11)	-		(2,545)	
		-		2,260
Total excluding EU receipts		4,664		9,431
Core programme receipts from EU (note 3)	8,320		-	
increase in provision	(3,511)		-	
	4,809		-	
EU balance provision adjustment* (notes 17(ii), 21)	232		-	
		5,041		
Total including EU receipts		9,705		9,431
Amount transferred to DETI creditor		(9,705)		(9,431)
		-		-

*in respect of opening EU balance transferred from DETI

7. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis:

	2007 £'000	2006 £'000
Industrial development grants	44,165	63,078
Research and development programme including grants	18,888	20,225
Enterprise grants	7,712	11,868
Company development programme	12,064	13,172
Business support grants	3,682	4,244
Promotion and marketing support	4,707	4,412
Property support	3,488	2,205
Property development scheme	1,124	1,257
Third party grants	9,078	6,633
Tourism grants	3,354	1,308
Market access support	1,252	1,116
Overseas operation support	2,118	2,204
Project consultancy and appraisal	1,304	1,333
Board related expenditure	228	224
Other*	3,733	4,942
	116,897	138,221

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

(ii) Segmental analysis:

	2007 £'000	2006 £'000
Innovation and Capability Development	36,235	40,239
Client Group and Entrepreneurship	30,128	31,037
Client Group and Business International	41,500	59,748
Corporate Services Group (including Board related costs)	9,034	7,197
	116,897	138,221

8. STAFF COSTS AND EMPLOYEE INFORMATION

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

	2007 No	2006 No
Chief Executive and Managing Directors	5	5
Innovation and Capability Development	179	186
Client Group and Entrepreneurship	134	132
Client Group and Business International	89	94
Corporate Services Group	172	200
Total	579	617

The above includes civil servants seconded from DETI and an average of 18 (2006: 20) temporary staff and external secondees.

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

	2007 £'000	2006 £'000
Salaries and wages	16,483	17,309
Social security costs	1,351	1,386
	17,834	18,695
Pension scheme contribution	2,942	3,042
Early retirement cost	7	22
Total costs in respect of permanent and long term contract employees*	20,783	21,759
Less: recoveries in respect of outward secondments and others	(112)	(237)
Less: staff costs treated as programme expenditure (note 8(iii))	(621)	(594)
	20,050	20,928
External secondees and temporary staff costs including irrecoverable VAT	520	508
Total administrative staff costs	20,570	21,436

*including civil servants seconded from DETI

(iii) Contracted and programme related staff

In addition to the previous, Invest NI engages a varying number of contracted staff, in its overseas offices and to deliver specific programmes in Northern Ireland. The average number of such staff is 35 (2006: 35). These staff members are separately funded, except for direct recoveries reflected in the above. The associated recoupment of admin costs or expenditure is either separately disclosed in note 4 'Non surrenderable income' or reflected in note 7 'Grants and programme related costs'.

(iv) Pension Costs

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but Invest NI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2006-07, employers' contributions of £2,942,000 (2006: £3,042,000) were payable to the PCSPS (NI) at 1 of 4 rates in the range 16.5 to 23.5 per cent (2006: 16.5 to 23.5 per cent) of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions were paid to 1 or more of a panel of 4 appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Two (2006: 3) staff members retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £2,000 (2006: £2,000).

The early retirement cost of £7,000 (2006: £22,000) represents the recharge of employer pension contribution costs, from DETI, in relation to 1 (2006: 2) civil servant who retired early.

9. ADMINISTRATIVE EXPENSES

	2007 £'000	2006 £'000
Travel and subsistence	783	704
Overseas offices costs	174	187
Equipment rental and maintenance	6	12
Vehicle costs	8	4
Telephone, mobile costs and data communications	483	506
Stationery and postage	82	115
Printing and publications	20	39
Training and conference costs	296	353
Computer maintenance and related costs	551	567
Advertising and recruitment costs	251	235
Office consumables and related costs	59	60
Legal and professional fees	184	107
Headquarters PFI service and related charges	5,091	2,240
Other admin property rental, maintenance and related expenses	2,222	1,187
Light, heat and power	23	88
Rates	609	482
Security costs	9	150
Contract cleaning	11	114
Insurance and subscription	24	15
Canteen costs	1	64
Hospitality	83	47
Other employee related costs	14	17
Bank charges	13	16
Miscellaneous including exchange difference	36	6
Total administrative expenditure excluding notional costs	11,033	7,315
Other administrative expenditure	5,942	5,075
Headquarters PFI service and related charges	5,091	2,240
Total administrative expenditure excluding notional costs	11,033	7,315
Notional administrative costs (note 10(i))	473	1,856
Total administrative expenditure including notional costs	11,506	9,171

10. NOTIONAL COSTS

	2007 £'000	2006 £'000
(i) Notional administrative costs		
Personnel and training services	14	16
Accommodation	-	1,394
External Audit	116	124
Internal Audit	242	242
Property and Land Services	101	80
	473	1,856
(ii) Credit reversal of notional costs		
Notional administrative costs	473	1,856
Interest on capital employed at 3.5% (2006: 3.5%)	3,431	3,585
	3,904	5,441

11. DEBT PROVISIONS AND CHARGES

Movement in provision and write off:	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Increase in provision for venture capital fund*		236		49
Share investment:				
(decrease) in provision for shares*	(943)		(16,918)	
amount written off*	1,123		19,742	
		180		2,824
Loan investment:				
(decrease) in provision*	(660)		(13,156)	
amount written off *	1,160		13,214	
		500		58
Amortisation:				
(decrease) in amortisation provision*		(288)		(155)
		628		2,776
Provision on core programme receipts from EU		742		-
Increase in other bad debts provisions (note 22(ii))	2,922		5,119	
Less: amount transferred to income surrendered in respect of excess receipts (note 6)	-		(2,545)	
		2,922		2,574
		4,292		5,350

*note 15(i)

The majority of the debt provisions relate to grant clawback and other recoveries due from client companies. The loans and shares written off in 2005-06 relate primarily to transactions prior to Invest NI's incorporation, in particular investments made by a predecessor legacy agency in the 70s and 80s.

12. TAXATION

(i) Taxation charge in the year

Analysis of charge in year (estimate)	2007 £'000	2006 £'000
Current tax:		
UK Corporation Tax on taxable income for the current year	770	800

(ii) Factors affecting tax charge

Invest NI does not have Crown exemption in relation to Corporation Tax and therefore is subject to Corporation Tax in relation to:

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

Negotiations are ongoing with HM Revenue and Customs (HMRC) to determine precisely what sources of income and activities undertaken by Invest NI will be subject to Corporation Tax. The provision for tax in the years 31 March 2007 and 2006 is an estimate of potential tax payable on these sources of income.

(iii) Deferred tax

No provision for deferred tax has been made as at 31 March 2007 and for previous financial years.

13. TANGIBLE FIXED ASSETS

(i) Total tangible fixed assets

	Land & Property £'000	Plant & Machinery (including motor vehicles) £'000	Computer Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost / Valuation:					
At 1 April 2006	102,258	36	3,075	371	105,740
Additions*	1,738	-	1,384	6	3,128
Disposals	(9,694)	-	-	(11)	(9,705)
Transfer from current asset**	5,607	-	-	-	5,607
Transfer to current asset**	(622)	-	-	-	(622)
Revaluation gain (note 20)	30,772	-	-	-	30,772
Amount written down / indexation	(201)	1	(293)	8	(485)
Adjustment***	(337)	-	-	-	(337)
At 31 March 2007	129,521	37	4,166	374	134,098
Depreciation:					
At 1 April 2006	3,465	36	1,630	149	5,280
Charge for year	355	-	949	35	1,339
Disposals	(407)	-	-	(11)	(418)
Transfer from current asset**	232	-	-	-	232
Transfer to current asset**	(47)	-	-	-	(47)
Backlog / Indexation	-	1	(183)	1	(181)
Adjustment***	(337)	-	-	-	(337)
At 31 March 2007	3,261	37	2,396	174	5,868
Net Book Value:					
1 April 2006	98,793	-	1,445	222	100,460
31 March 2007	126,260	-	1,770	200	128,230

*Additions are funded by financing received from DETI.

**note 16

***A book entry of £337,000 has been made to re-align the cost / valuation and accumulated depreciation balances. This adjustment does not have any impact on the net book value reported.

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

	2007 Land £'000	2007 Property £'000	2007 Total £'000	2006 Land £'000	2006 Property £'000	2006 Total £'000
Administrative	75	265	340	65	140	205
Occupied	84,032	14,008	98,040	61,925	10,493	72,418
Unoccupied	26,205	1,675	27,880	21,153	5,017	26,170
Included in fixed assets	110,312	15,948	126,260	83,143	15,650	98,793
Included in current assets	475	100	575	4,550	825	5,375
	110,787	16,048	126,835	87,693	16,475	104,168

Land and property was re-valued by Property and Land Services (previously known as the 'Valuation and Lands Agency') on 31 March 2007, and in previous financial years, on the basis of open market value for existing use.

With the exception of assets held by Invest NI for its own use, the majority of the land and property portfolio are used to facilitate the region's long term strategic economic development. In accordance with the organisation's accounting policy, land and buildings which are identified for disposal within the next year are classified as 'Current Assets' (note 16).

A recent review of Invest NI's Property Solutions Unit indicated that the current land and property holdings reflect past priorities and market conditions. The review recommended a change in strategic direction (including the need to dispose of those holdings which no longer meet the revised strategy) and a focus on demand led acquisitions. As a part of its response to this review, Invest NI has developed and agreed an Acquisition and Disposal Strategy. Work has started during the year on detailing the exact land which is to be acquired and exact land and buildings to be disposed of and spans over a number of years. As a result, any assets which may form part of the future disposal programme, remain classified within 'Fixed Assets' in the note above.

14. INVESTMENTS

Unlisted (Gross amount)	2007 £'000	2006 £'000
Northern Ireland Public Sector Enterprises Limited (NI-CO)	200	200
Air Route Development (NI) Limited (ARD)	-	-
	200	200

Northern Ireland Public Sector Enterprises Limited (NI-CO)

Invest NI holds 100 per cent of the ordinary share capital of NI-CO, which comprises 200,000 ordinary shares of £1 each. NI-CO is incorporated in Northern Ireland and its principal activities are the marketing and selling of Northern Ireland public sector services and expertise on a worldwide basis.

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

	2007 £'000	2006 £'000
Turnover	8,428	3,325
Profit after tax	159	62
Net assets	1,137	977
Capital commitments	-	-
Financial commitments	-	-
Contingent liabilities	-	-

Air Route Development (NI) Limited (ARD)

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

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

	2007 £'000	2006 £'000
Income	-	-
Net expenditure before and after tax	857	1,529
Net assets	-	-
Capital commitments	-	-
Financial commitments	768	2,043
Contingent liabilities	-	-

The 2006 comparatives for ARD have been restated to incorporate the latest DFP reporting requirement by presenting DETI funding (2007: £857,000, 2006: £1,529,000) as financing through the general reserve, as opposed to recognising it as grant in aid income in the Income and Expenditure account. However, this restatement has no impact to the overall balance sheet position reported.

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

15. FIXED INVESTMENTS

(i) Total fixed asset investments

	Venture capital £'000	Share Capital £'000	Loans £'000	Amortisation £'000	Total £'000
Gross amount:					
At 1 April 2006	3,830	35,563	28,000	11,190	78,583
Additions	132	558	3,809	-	4,499
Repayments	-	(1,687)	(5,188)	(1,707)	(8,582)
Amount waived and written off (note 11)	-	(1,123)	(1,160)	-	(2,283)
At 31 March 2007	3,962	33,311	25,461	9,483	72,217
Provision:					
At 1 April 2006	926	19,261	9,012	5,578	34,777
Charge/(credit) for year (note 11)	236	(943)	(660)	(288)	(1,655)
At 31 March 2007	1,162	18,318	8,352	5,290	33,122
Net balance:					
1 April 2006	2,904	16,302	18,988	5,612	43,806
31 March 2007	2,800	14,993	17,109	4,193	39,095

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

	2007 Loans £'000	2007 Amortisation £'000	2007 Total £'000	2006 Loans £'000	2006 Amortisation £'000	2006 Total £'000
Amount due:						
Within 1 year	8,072	838	8,910	5,353	1,049	6,402
Within 2 to 5 years	3,251	2,356	5,607	10,230	3,291	13,521
Greater than 5 years	5,786	999	6,785	3,405	1,272	4,677
	17,109	4,193	21,302	18,988	5,612	24,600
Secured	12,026	4,193	16,219	14,760	5,612	20,372
Unsecured	5,083	-	5,083	4,228	-	4,228
	17,109	4,193	21,302	18,988	5,612	24,600

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

During the year, Invest NI invested and paid 13 (2006: 14) different companies a total of £3,809,000 (2006: £1,828,000) in the form of repayable loans, of which 1 transaction (2006: 1) exceeds £250,000.

Invest NI received 46 loan principal repayments totalling £5,188,000 (2006: 47 repayments totalling £4,015,000), of which 3 loan repayments exceeded £250,000 each (2006: 5).

(iv) Action Energy Loan Scheme (AELS)

During the year, Invest NI contributed £2,605,000 (2006: £490,000) to AELS. At the year end, a cumulative contribution of £3,821,000 (2006: £1,216,000) to AELS is included in the loan balance. AELS is a Government backed initiative providing energy loans. The Scheme is managed by the Carbon Trust. Small and medium sized enterprises (SMEs) based in Northern Ireland who wish to invest in energy saving equipment, either to upgrade or replace existing facilities, may qualify for interest free loans of between £5,000 and £50,000.

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

During the year, Invest NI invested and paid 6 (2006: 13) different companies a total of £558,000 (2006: £2,625,000) in the form of either ordinary or preference shares of which no transactions (2006: 2) exceeded £250,000 each.

Invest NI received 9 share capital repayments totalling £1,687,000 (2006: 15 share repayments totalling £1,995,000), of which 2 share repayments exceeded £250,000 each (2006: 1).

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

(vi) Amortisation

Invest NI received 5 amortisation principal repayments totalling £1,707,000 (2006: 6 repayments totalling £839,000), of which 2 repayments exceeded £250,000 each (2006: None).

(vii) Venture capital investment

NITECH Growth Fund Limited Partnership (NITECH)

Invest NI is the primary partner of the NITECH Growth Fund. The Fund is managed by Clarendon Fund Managers Limited and Angle Technology Limited and the principal place of business is in Belfast. The partnership has a term of 10 years of which just less than six years remain from the year end. The objectives of NITECH are primarily to carry on the business of an investor, provide support and funding resources to assist in bringing research discoveries and early stage technologies to the point where they can be transformed into viable businesses through the formation of SMEs in the Northern Ireland region.

During the year, Invest NI made a gross contribution of £132,000 (2006: £150,000) to NITECH. At the balance sheet date, Invest NI has made a cumulative capital loan contribution of £2,463,000 (2006: £2,331,000 cumulative) to the Fund. Also, a cumulative provision of £763,000 (2006: £732,000 cumulative) has been made to reduce the gross amount invested to its net realisable value.

Crescent Capital II (CC)

Invest NI is a partner of Crescent Capital II LP, a Limited Partnership registered with the Registrar of Limited Partnerships under the Limited Partnership Act 1907 on 31 March 2004. Its principal place of business is in Belfast and it is managed by Crescent Capital II GP Limited. The partnership has a term of 10 years of which 7 years remain from the year end. The purpose of the partnership is to carry on the business of an investor by arranging purchases/sales, or through investing in manufacturing and tradable services based industrial SMEs located in Northern Ireland.

During the year, no contribution (2006: £600,000) was paid to CC. At the balance sheet date, Invest NI has made a cumulative capital loan contribution of £1,499,000 (2006: £1,499,000) to CC. Also, a cumulative provision of £399,000 (2006: £194,000) has been made to reduce the gross amount invested to its net realisable value.

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

16. DEBTORS

	2007 £'000	2006 £'000
Amounts due within 1 year:		
Trade debtors	4,708	2,752
Other debtors	3,366	6,397
EU debtors	5,957	-
Amounts due from DETI	-	13
Prepayments	845	630
Accrued income		
loan interest and dividend	2,342	2,636
other	43	156
Other assets (net book value)		
land and property held as current (note 13)	575	5,375
	17,836	17,959

17. CREDITORS

(i) Amounts due within 1 year:	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Bank overdraft (note 22(iii))		2,568		2,286
Trade creditors and accruals		8,750		4,886
Accrued grant creditors		31,674		29,804
Corporation tax		9		39
Other taxes and social security		1		12
Other creditors		1,705		905
Deferred income		254		286
Amounts due to DETI (note 17(ii))				
other income surrendered	5,580		8,510	
EU receipts surrendered	4,809		-	
		10,389		8,510
		55,350		46,728

(ii) Movement in DETI creditor balance in respect of total income surrendered:	2007 £'000	2007 £'000	2006 £'000	2006 £'000
At 1 April		8,510		3,870
Other income surrendered (note 6)		4,664		9,431
EU receipts surrendered (note 6)		4,809		-
EU receipts balance transferred from DETI (note 3)	4,247		-	
Provision adjustment (note 6)	232		-	
	4,479		-	
Amount allocated to Consolidated Fund through general reserve (notes 3, 21)	(4,479)		-	
		-		-
Amount paid by Invest NI		(7,594)		(4,791)
At 31 March		10,389		8,510

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Grants (note 19) £'000	Land and Property £'000	Others £'000	Total £'000
At 1 April 2006	24,059	703	1,058	25,820
Charge to Income and Expenditure account	16,337	3,347	4	19,688
Release of provisions not required	(272)	-	-	(272)
Utilised in year	(16,820)	-	-	(16,820)
Amount transferred to accrued grant creditors	(4,214)	-	-	(4,214)
At 31 March 2007	19,090	4,050	1,062	24,202

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

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

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

19. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE

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

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

The estimation methodology to calculate grant provisions takes into consideration the following factors:

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

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

20. REVALUATION RESERVE

	2007 £'000	2006 £'000 Restated (note 2)
At 1 April	23,527	17,395
Revaluation gain (note 13)	30,772	9,476
Release on disposal	(3,166)	(1,810)
Release on transfer to other Government Department	-	(1,534)
At 31 March	51,133	23,527

21. GENERAL RESERVE

	2007 £'000	2007 £'000	2006 £'000 Restated (note 2)	2006 £'000 Restated (note 2)
At 1 April		66,592		97,357
Net expenditure for the financial year		(137,018)		(168,120)
Financing received from DETI		125,205*		139,468
Fixed assets transferred to other Government Department		-		(2,113)
EU receipts balance transferred from DETI (notes 3, 17(ii))	4,247		-	
Provision adjustment (notes 6, 17(ii))	232		-	
	4,479		-	
Amount allocated to Consolidated Fund via general reserve (notes 3, 17(ii))	(4,479)		-	
		-		-
At 31 March		54,779		66,592

*Due to a funding adjustment in Invest NI's books in respect of a previous year ring-fenced project, the amount received from DETI above is £55,000 less than the figure disclosed in DETI's 2006-07 books.

22. CASH FLOW STATEMENT

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

	2007 £'000	2007 £'000	2006 £'000 Restated (note 2)	2006 £'000 Restated (note 2)
Net expenditure after taxation		(140,922)		(173,561)
Adjustments for non cash transactions				
Notional costs	473		1,856	
Notional cost of capital	3,431		3,585	
Depreciation	1,339		1,406	
Profit on disposal of fixed assets and investment	(9,316)		(1,162)	
Asset impairment	304		5,709	
Total bad debt and provision movement (note 22(ii))	5,543		9,331	
Grant provision charged	11,851		30,387	
Land & property and other provision charged	3,351		1,167	
Total non cash transactions movement		16,976		52,279
Adjustments for movement in working capital other than cash:				
(a) (Increase)/decrease in debtors (excluding fixed assets held as current):				
Trade debtor (net of provision)	(4,470)		(4,545)	
Other debtors	3,031		(4,568)	
EU debtor	(6,699)		-	
Amounts due from DETI	13		56	
Prepayment	(215)		224	
Accrued loan interest and dividend income (net of provision)	(2,722)		(2,753)	
Other accrued income	113		15	
Increase in debtors		(10,949)		(11,571)

Continued on page 90

Continuation from page 89

	2007 £'000	2007 £'000	2006 £'000 Restated (note 2)	2006 £'000 Restated (note 2)
(b) Increase/(decrease) in creditors:				
Trade creditors and accruals	3,911		(227)	
Accrued grant creditors	1,870		9,099	
Corporation tax	770		800	
Other taxes and social security	(11)		12	
Amounts due to DETI (note 17(ii)):				
income surrendered	4,664		9,431	
programme receipts from EU	4,809		-	
Other creditors	800		(993)	
Deferred income	(32)		(332)	
Decrease in creditors		16,781		17,790
Use of provisions				
Grant provision	(16,820)		(25,941)	
Other provision	-		-	
Total use of provisions		(16,820)		(25,941)
Net cash outflow from operating activities		(134,934)		(141,004)

(ii) Analysis of bad debt provision charge:

	2007 £'000	2006 £'000
Increase in provision against accrued loan interest and dividend income including write off (note 6)	1,251	1,436
Increase in provision for loans and shares including amount waived / written off (note 11)	628	2,776
Provision on core programme receipts from EU (note 11)	742	-
Increase in other debts provisions prior to excess transfer (note 11)	2,922	5,119
	5,543	9,331

(iii) Reconciliation of net cash flow to movement in net funds:

	2007 £'000	2006 £'000
(Decrease)/Increase in cash in the year	(421)	2,680
Change in net funds resulting from cash flows - (decrease)/increase	(421)	2,680
Net funds at start of year - (deficit)	(2,044)	(4,724)
Net funds at end of year - (deficit)	(2,465)	(2,044)
Net funds comprise of:		
Cash at bank and in hand	103	242
Bank overdraft (note 17(i))	(2,568)	(2,286)
Net funds at end of year - (deficit)	(2,465)	(2,044)

23. FINANCIAL INSTRUMENTS

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

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

Liquidity risk

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

Interest rate risk

87 (2006: 80) per cent of Invest NI's financial assets and 100 (2006: 100) per cent of its financial liabilities carry nil or fixed rates of interest. As interest income is paid over to DETI and not retained by Invest NI, movement in interest rates does not represent a significant risk to the organisation's operation.

Interest rate profile

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

Financial liabilities

Invest NI's financial liability consists of a book bank overdraft which is not subject to interest. If an actual bank overdraft arose, it would be subject to interest at commercial rates.

Financial assets

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

	2007 £'000	2006 £'000
Cash	103	242
Venture capital investments	2,800	2,904
Shares	14,993	16,302
Loans	17,109	18,988
Amortisation	4,193	5,612
	39,198	44,048

Currency (Sterling)	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
At 31 March 2007:	5,116	11,820	22,262	39,198
At 31 March 2006:	9,004	13,517	21,527	44,048

Foreign currency risk

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

Fair values

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

	2007 Book value £'000	2007 Fair value £'000	2006 Book value £'000	2006 Fair value £'000	Basis of fair valuation Notes
Financial assets					
Venture capital investments	2,800	2,800	2,904	2,904	A
Shares	14,993	14,993	16,302	16,302	B
Loans	17,109	17,109	18,988	18,988	A
Amortisation	4,193	4,193	5,612	5,612	C
Financial liabilities					
Provisions	24,202	24,202	25,820	25,820	D

Notes:

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

24. CAPITAL COMMITMENTS

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

	2007 £'000	2006 £'000
Contracted	213	891

25. COMMITMENTS UNDER LEASES

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

	2007 £'000	2006 £'000 Restated (noted 2)
Within 1 year	139	31
In the second to fifth years	496	559
After 5 years	677	632
	1,312	1,222

26. OTHER FINANCIAL COMMITMENTS

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

Segmental analysis:	2007 £'000	2006 £'000
Innovation and Capability Development	44,860	42,270
Client Group and Entrepreneurship	14,672	17,143
Client Group and Business International	71,977	79,698
Corporate Services	-	1,257
	131,509	140,368

27. COMMITMENTS UNDER PFI CONTRACT

The contract for the Bedford Square headquarters Private Finance Initiative (PFI) project was signed in November 2004. Invest NI is committed to the terms and conditions in the final contract. The contract is on a 25 year basis from October 2005. The service charge payable by Invest NI includes unitary charges for facility (property and car parking), reprographic and catering. The Bedford Square headquarters is not an asset of Invest NI and it is an off balance sheet property.

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

	2007 £'000	2006 £'000 Restated (note 2)
Within 1 year	4,636	4,568
In the second to fifth years	17,283	17,643
After 5 years	79,283	83,559
	101,202	105,770

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

28. CONTINGENT LIABILITIES

- Invest NI operates a Shortfall Guarantee Scheme. Under this scheme, a guarantee is provided as security for all or part of a client company's bank borrowings to finance the purchase of its premises. Invest NI had a maximum potential liability of £0.4 million as at 31 March 2007 (2006: £1.2 million). There were no payments made in relation to this in the year (2006: nil). Historic information has shown that any payment is likely to be insignificant.
- No other guarantees have been given in respect of client companies at 31 March 2007 (2006: nil).
- There are potential liabilities in respect of a number of land and property transactions previously undertaken (purchases and vesting claims).
- Invest NI receives EU grants and administers programmes that are funded by EU financial assistance, including those inherited from the previous legacy agencies. Therefore Invest NI is bound by the appropriate EC regulations and requirements. Invest NI has a potential liability to repay EU grants if the relevant EC regulations and requirements are not met or complied with. At the end of the financial year, the maximum amount of potential liability is not quantifiable but the inherent risks remains as Invest NI has continued to carry out the administrative role.

- While progress has been made with establishing the organisation's Corporation Tax position, there could be potential Corporation Tax liability payable pending the finalisation of a number of tax treatments with HMRC. The provision for Corporation Tax in these accounts is therefore a best estimate based on recent discussions with the authority.
- Invest NI does not have any other contingent liabilities which are required to be disclosed under Financial Reporting Standard 12 or for parliamentary reporting and accounting purposes (2006: none).

29. CONTINGENT ASSETS

- In relation to fixed investments and recovery of financial assistance previously paid, Invest NI may be entitled to additional income which is not currently recognised in these accounts. The crystallisation of these transactions is contingent upon subsequent events. Due to their uncertain nature, these entitlements are disclosed as contingent.
- Ongoing discussions have been held with HMRC in respect of Invest NI's VAT position. However, the VAT treatment for a number of specific activities has not yet been finalised. At the year end, there may potentially be input VAT recoverable relating to the financial years 2005-06 and 2006-07. Although it is considered to be potentially receivable, on grounds of uncertainty, the amount has not been reflected in these accounts but it is disclosed as a contingent asset.

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

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

(i) Operating loan / investment grants

	2007 Losses £'000	2007 Number of cases	2006 Losses £'000	2006 Number of cases
The Prince's Trust	29	13	7	10
Women in Enterprise	7	5	8	4

In addition, there are a number of other organisations operating loan and investment grants who have received support from LEDU (pre 1 April 2002) and Invest NI alongside funding from government departments, the International Fund for Ireland, and Peace and Reconciliation (Peace I & II). These organisations include: West Belfast Enterprise Board Limited (WBEB); Aspire Micro Loans for Business Limited (Aspire); Enterprise Northern Ireland Limited - Small Business Loan Fund (ENI); Ulster Community Investment Trust Limited (UCIT); Northern Ireland Film and Television Commission (NIFTC).

For WBEB, Aspire, UCIT and NIFTC, there have been no losses reported in the current and previous financial years. However, there are potential losses in the ENI loan fund in respect of irrecoverable debts. Also, Emerging Business Trust received financial support from LEDU and went into creditor's voluntary liquidation in 2004-05. The final position of the potential losses in the ENI loan fund and EBT has not yet been established at the date of these accounts.

NITECH and Crescent Capital II received operating loans and grants assistance from Invest NI. Whilst a provision on investments is reported in their accounts, no actual amount has been written off. NITECH also recorded a bad debt provision of nil (2006: £20,000).

(ii) Other losses

Waiver / Write off	2007 Losses £'000	2007 Number of cases >£250k	2007 Number of cases <£250k	2006 Losses £'000	2006 Number of cases >£250k	2006 Number of cases <£250k
Others:						
Grants recoverable	5,195	5	32	5,985	3	64
Others including investments and accrued income	3,918	7	10	3,870	5	23

All the waiver or write off cases were either approved by Invest NI in accordance with internal delegated limits, or by DETI or DFP where appropriate. In 2005-06, an amount was written off in respect of the De Lorean debtor totalling £59,495,000, which existed prior to Invest NI's incorporation.

At the balance sheet date, there are 18 cases of potential losses totalling £20,013,000 which are under management review. The review process is ongoing and approvals for waivers have not yet been sought. However, these cases have been notified to DETI and DFP as potential losses. Since the year end, following the Department's approval, a further 11 cases totalling £583,000 were waived.

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

(iii) Constructive losses

	2007 Losses £'000	2007 Number of cases >£250k	2007 Number of cases <£250k	2006 Losses £'000	2006 Number of cases >£250k	2006 Number of cases <£250k
Total	651	-	5	237	-	4

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

(iv) Special payment

There was 1 special payment (2006: 1) made during the year totalling £12,000 (2006: £13,000), relating to the settlement of a legal claim.

31. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments

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

	2007 £'000	2006 £'000
Debtors (amounts due within 1 year (note 16)): Balances with other central government bodies	-	13
Creditors (amounts due within 1 year (note 17)): Balances with other central government bodies	10,389	8,510

In addition, Invest NI has had various transactions with other government departments and their agencies, and other central government bodies. Most of these transactions have been with DFP (including Pension Branch), Department for Regional Development (DRD), Department for Social Development (DSD), Department of the Environment (DOE), Department for Employment and Learning (DEL), local councils in Northern Ireland and HMRC. There were no material outstanding balances with these bodies and local authorities, HSS Trust, public corporations or trading funds.

Register of interests

The Chairman, Board members, Chief Executive and Senior Management Team are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgment. The register of interests is available for public inspection by contacting the Strategic Management and Planning Team, Invest NI, Bedford Square, Bedford Street, Belfast, BT2 7ES.

Transactions involving Chief Executive and Senior Management Team

During the year, Invest NI has entered into a service contract totalling £14,000 (2006: £20,000) with Leslie Ross, a Managing Director who retired in 2005-06. This contract was awarded through an open tender managed by the Central Procurement Directorate (CPD) for the provision of services in implementing Invest NI European Aerospace strategy. It is for the period of 1 year with an option to extend for a further period of 1 year.

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

Transactions involving Board Members

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

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

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

- Chairman Stephen Kingon is the Managing Partner of PricewaterhouseCoopers LLP (PWC) in Northern Ireland. The company was paid £317,000 (2006: £537,000) by Invest NI for various professional engagements. The fee for Mr. Kingon's services as Chairman and a Board member was also paid to PWC.
- Stephen Kingon is Chairman of Centre for Competitiveness, which was paid £461,000 (2006: £344,000) for services provided. There were no financial assistance payments (2006: £227,000) or new financial assistance package (2006: £49,000) offered by Invest NI during the year.
- Bill McGinnis is Chairman and a Director of the McAvoy Group, which received £110,000 (2006: £256,000) of financial assistance payments from Invest NI and offered a new financial assistance package totalling £213,000 (2006: nil).
- Stephen Kingon and Bill McGinnis are Ambassadors for the Prince's Trust, which received £789,000 (2006: £586,000) of financial assistance payments from Invest NI.

- Patrick Haren is a Director of Northern Ireland Electricity Plc (NIE) which was paid £505,000 (2006: £297,000) by Invest NI for electricity supply, provision of new cable infrastructure and related services.
- Gilbert Little is an Executive Director and Chairman of Aepona Telecoms Limited, which received £171,000 (2006: £234,000) of financial assistance payments. During the year, there was no financial assistance package (2006: £250,000) offered by Invest NI.
- Alan McClure is Chairman of Alpha Environmental Systems Limited, Precision Industrial Services Limited, NU Print Trimmings Limited and Sepha Holdings Limited. These companies received £45,000 (2006: £77,000), £2,000 (2006: £45,000), £148,000 (2006: £73,000) and £26,000 (2006: £31,000) of financial assistance payments respectively. Also, NU Print Trimmings Limited and Sepha Holdings Limited received new financial assistance packages totalling £150,000 (2006: nil) and £30,000 (2006: nil) respectively. There was no financial assistance package offered to Precision Industrial Services Limited (2006: £61,000) in the year.
- Bernie Hannigan is a Director of Northern Ireland Science Park (Holdings) Limited, UUSPR Limited and UU Tech Limited, which was paid £5,000 (2006: nil), £3,000 (2006: £6,000) and £1,000 (2006: nil) respectively for services provided to Invest NI. She is also a Director of Greenshoots Newry Limited, which received a new financial assistance package totalling £100,000 (2006: nil) in the year.
- Bernie Hannigan is a Pro Vice-Chancellor (Research and Innovation) of University of Ulster. Rosemary Peters-Gallagher is a member of council and court of the University. This academic body received £2,700,000 (2006: £1,813,000) of financial assistance payments and paid £2,000 (2006: £14,000) for services provided to Invest NI. New financial assistance packages totalling £7,243,000 (2006: £674,000) were offered by Invest NI.
- Ed Vernon is a Board Member of Queen's University Foundation. Bernie Hannigan is also connected to the University via family relations. This academic body received £5,286,000 (2006: £3,478,000) of financial assistance payments from Invest NI and paid £16,000 (2006: £21,000) for services provided to Invest NI. The University also received £730,000 (2006: £1,739,000) of new financial assistance packages during the year.
- Rosemary Peters-Gallagher is connected to the Northern Bank via family relations. This financial institution received £63,000 (2006: nil) of financial assistance payments from Invest NI.
- Bryan Keating is a Non Executive Director and Shareholder of Andor Technology Plc, which received financial assistance payments of £154,000 (2006: £185,000) and offered new financial packages totalling £62,000 (2006: nil).
- Bryan Keating is a Non Executive Chairman of Mail Distiller Limited and a Non Executive Director of Investment Belfast, which received £2,000 (2006: £93,000) and £48,000 (2006: £81,000) of financial assistance payments from Invest NI respectively. Each company was offered a new financial assistance package totalling £25,000 (2006: nil) and nil (2006: £70,000) in the year.
- Bryan Keating is a Shareholder in Datactics Limited, which received £10,000 (2006: £1,000) of financial assistance payments from Invest NI.

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

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

(i) Programmes which Invest NI manages and approves expenditure

During the year Invest NI acted as a managing agent for a number of programmes, with no balances held in the books of Invest NI. The programmes approved by Invest NI were the Radiane Scheme (2007: £58,000, 2006: £277,000), Information Age Initiative (2007: £1,714,000, 2006: £1,812,000) and Centres of Excellence (2007: nil, 2006: £4,230,000).

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

Programme funded by DARD

European Seafood Exhibition: No funding was received in the year (2006: £85,000). There are no amounts due from DARD at the year end (2006: nil).

Programmes funded by DEL

Community Business Start-Up Programme: Invest NI received £563,000 in the year (2006: £461,000), and the amount due from DEL at the year end is £193,000 (2006: £490,000).

Investing in Women Programme: Invest NI received £73,000 in the year (2006: £533,000). The amount due from DEL at the year end is £4,000 (2006: nil).

Programme funded by DOE

Waste Management Programme: Invest NI received £182,000 in the year (2006: £29,000). There are no amounts due from DOE at the year end (2006: nil).

Programme partially funded by the local councils

Start a Business Programme: Invest NI received £220,000 in the year (2006: £106,000). The balance of advanced councils funding at the year end is £12,000 (2006: £208,000 debtor).

Programme partially funded by NIE

SME Energy Efficiency Grant Scheme: Invest NI received £25,000 in the year (2006: nil). The balance of advanced NIE funding at the year end is £6,000 (2006: nil).

Programmes partially funded by EU (non core EU programmes)

Western Innovation Network Programme: Invest NI received £426,000 in the year (2006: nil). The balance of advanced EU funding at the year end is £486,000 (2006: £346,000).

Innovation Relay Centre: Invest NI received £57,000 in the year (2006: £101,000). The amount due from the EU at the year end is £40,000 (2006: £27,000).

Era-net Programmes: Invest NI received £13,000 (2006: £76,000). The balance of advanced EU funding at the year end is £5,000 (2006: £29,000 creditor).

Interreg III, North West Business and Technologies Zone at Skeoge: Invest NI received £433,000 in the year (2006: £649,000). There are no amounts due from the EU at the year end (2006: £158,000).

Interreg III, Timber Quay, Londonderry:
Invest NI received £727,000 in the year
(2006: nil). There are no amounts due
from the EU at the year end (2006: nil).

European Information Centre: Invest NI
received £18,000 in the year (2006: £5,000).

33. INVEST NI OFFICE NETWORK

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

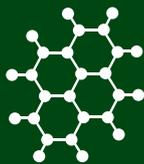
The activities of the overseas offices are to
support a wide range of Invest NI's economic
development objectives, by promoting
Northern Ireland as a prime location for
investment and developing trade opportunities
for Northern Ireland's companies. These overseas
offices (including NITDCs) have the status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

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

19

Appendices

 2002



Sir Allen McClay

Worldwide Pharmaceutical Entrepreneur and Founder of Almac Group

Sir Allen McClay founded the Almac Group, which is now firmly established as a world leader in the provision of integrated pharmaceutical development services. Headquartered in Craigavon, the company now employs over 2,000 highly skilled individuals globally. Almac is at the forefront of scientific research and development in a number of areas, including drug discovery and cancer diagnostics, putting Northern Ireland firmly on the global map in the fight against illness, particularly cancer.

Appendix A - Share Investments in Client Companies

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

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Activity Breaks	£1 cumulative redeemable preference shares	150,000	150,000
Aepona Limited	£1 redeemable preference shares	325,000	325,000
Adamsez (NI) Limited	£1 redeemable preference shares	-	100,000
Anderson Manning Associates Limited	£1 5.5 per cent non cumulative redeemable preference shares	150,000	150,000
Aerospace Metal Finishers Limited	£1 5.5 per cent non cumulative redeemable preference shares	250,000	250,000
Alta Systems Limited	£17 per cent convertible cumulative redeemable preference shares	100,000	100,000
Amacis Holdings Limited	£0.01 ordinary shares	-	250,000
Andronics Limited	£1 8.5 per cent cumulative preference shares	225,000	225,000
Andronics Limited	£1 ordinary shares	375,000	375,000
Aromet Group Limited	£1 redeemable non cumulative preference shares	-	34,500
ART Technology Group	Common stock	235,783	235,783
Authentica Limited	Redeemable preference shares	30,000	30,000
Avalon Instruments	£1 preference shares	-	150,000
AXIS Three Limited	'A' ordinary shares	34,405	34,405
AXIS Three Limited	Ordinary shares	81,364	81,364
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Limited	£1 redeemable cumulative preference shares	500,000	500,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Balcas Limited	£1 "C" preferred ordinary shares	1,250,000	1,500,000
Belleek Pottery Limited	Redeemable cumulative preference shares	300,000	300,000
Biznet Solutions Limited	£1 8 per cent redeemable cumulative preference shares	75,000	75,000
Bluechip Technologies Holdings Limited	£1 6 per cent redeemable cumulative preference shares	65,000	65,000
Causeway Data Communications Limited	5.5 per cent non cumulative redeemable preference shares	25,000	25,000
Chieftain Trailers Limited	5.5 per cent non cumulative redeemable preference shares	150,000	150,000
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000	220,000
Conexant*	\$0.01 common stock	60,716	-
Country Inns (Ulster) Limited	£1 8 per cent "A" redeemable cumulative preference shares	250,000	250,000
Cunningham Stone Limited	£1 8 per cent redeemable cumulative preference shares	140,000	140,000
D Hopkins and Sons Limited	Ordinary shares	13,400	13,400
D Hopkins and Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Datactics Limited	£1 redeemable cumulative preference shares	100,000	100,000
Delta Print and Packaging Limited	£1 redeemable cumulative preference shares	187,000	187,500
Dunsilly Hotel	£1 6 per cent redeemable cumulative preference shares	100,000	100,000
Duromould Limited	£1 5 per cent redeemable cumulative preference shares	50,000	50,000
Eventmap Limited	£1 4 per cent redeemable cumulative preference shares	81,000	81,000
Embedded Monitoring Systems Limited	£1 7.5 per cent convertible redeemable cumulative preference shares	75,000	75,000
Finisco Limited	£1 7.5 per cent redeemable cumulative preference shares	76,000	76,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Fighting Bull Technologies Limited	£1 7.5 per cent convertible redeemable cumulative preference shares	200,000	200,000
Fighting Bull Technologies Limited*	£1 ordinary shares	1,000	500
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Fintec Crushing and Screening Limited	£1 redeemable cumulative preference shares	150,000	250,000
Global Email Company Limited	£0.00001 "B" ordinary shares	57,173,148	57,173,148
Gendel Limited	Redeemable cumulative preference shares	378,000	378,000
Gendel Limited	£0.0211 preferred ordinary shares	2,365,577	2,365,577
Glenaden Shirts Limited	£1 cumulative redeemable preference shares	250,000	250,000
Glenaden Shirts Limited*	£1 8 per cent non cumulative redeemable preference shares	100,000	-
Hartstone Group plc	£0.10 Ordinary share	121,043	121,043
Heartsine Technologies Limited	Series D preferred stock	232,192	232,192
Heartsine Technologies Limited	Common stock	293,141	293,141
IceMOS Technology Corporation (USA)	Series A1 preferred stock	2,500	2,500
IceMOS Technology Corporation (USA)	Series A2 preferred stock	9,997,500	9,997,500
IceMOS Technology Corporation (USA)	\$0.01 Series "B" convertible preferred stock	5,000,000	5,000,000
Iconi Software Limited*	£1 10 per cent cumulative redeemable preference shares	56,500	25,000
International Net and Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
Irish Polymers Limited*	£1 5 per cent cumulative redeemable preference shares	100,000	-
Kelman Limited	150,000 cumulative redeemable preference shares	150,000	150,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Killyhevlin Hotel	£1 redeemable cumulative preference shares	245,000	245,000
Lagan Technologies Limited	£1 preferred "A" ordinary shares	-	195,694
Lagan Technologies Limited	£1 preferred "B" ordinary shares	-	167,316
Lagan Technologies Limited	£1 redeemable non cumulative preference shares	250,000	250,000
Latens Systems Limited	Ordinary shares	25,806	25,806
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Linden Foods Limited	£1 redeemable cumulative preference shares	500,000	500,000
Manor House Country Hotel	£1 3 per cent redeemable cumulative preference shares	220,000	220,000
McAvoy Group Limited	£1 cumulative redeemable preference shares	350,000	350,000
McCleery Technical Yarns Limited	£1 5 per cent "A" cumulative redeemable preference shares	50,000	50,000
Medevol Limited	Ordinary 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	400,000
MRB Creative Limited	10 per cent cumulative redeemable preference shares	63,300	63,300
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	161,000	161,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000	50,000
Pressfold Limited	£1 redeemable non cumulative preference shares	80,000	80,000
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Quantum Hosiery Limited (Previously Adria Limited)	£1 "A" 11 per cent cumulative redeemable preference shares	424,736	424,736

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Radox Laboratories Limited	£1 5 per cent cumulative redeemable preference shares	4,000,000	4,000,000
Reflex Mouldings Limited*	£1 cumulative redeemable preference shares	200,000	-
Sensor Technology and Devices Limited	Ordinary shares	100,000	100,000
Serpico Software Limited	£1 10 per cent cumulative redeemable preference shares	135,000	135,000
Smiley and Monroe Limited	£1 redeemable non cumulative preference shares	-	129,000
SMTEK International Inc. (USA)	\$0.01 common stock	17,042	17,042
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000	330,000
Telestack Limited	£1 5.5 per cent non cumulative preference shares	100,000	100,000
The Grant Group	"B" £1 redeemable preference shares	100,000	100,000
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000	25,000
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000	75,000
Tough Glass Limited	£1 redeemable non cumulative preference shares	180,000	180,000
Trace Assured Limited	£1 7 per cent "A" cumulative redeemable preference shares	50,000	50,000
Trace Assured Limited	£1 7 per cent "B" cumulative redeemable preference shares	540,000	540,000
Trace Assured Limited	£1 ordinary shares	7,000	7,000
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000	75,000
Tudor Journals Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Ulster Development Capital	£1 ordinary shares	15,000	15,000
Ulster Engineering Limited	£1 redeemable non cumulative preference shares	100,000	100,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Unibase Cabinet Systems Limited	£1 redeemable non cumulative preference shares	40,000	40,000
Valence Technology Inc. (USA)	\$0.001 common stock	-	474,019
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
Western Connect Limited	5.5 per cent cumulative redeemable preference shares	100,000	100,000
William Clark and Sons Limited	£1 redeemable ordinary shares	750,000	750,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000
Woodlock Joinery Limited	£1 redeemable cumulative preference shares	175,000	200,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000

* Share investment 2006-07, each £250,000 and below

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

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Answercall Direct Limited	£1 5 per cent redeemable preference shares	200,000	200,000
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Arca Technologies Limited	£1 5.5 per cent non cumulative redeemable preference shares	250,000	250,000
British Textiles Manufacturing Company Limited	£1 5 per cent redeemable cumulative preference shares	307,026	307,026
Buchanan Wire Mesh Limited	5.5 per cent cumulative redeemable preference shares	75,000	75,000
Coulter Windows Limited	£1 5 per cent redeemable cumulative preference shares	250,000	250,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Elastic Olympian Limited	£1 "A" redeemable cumulative preference shares	-	70,000
Elastic Olympian Limited	£1 "C" redeemable cumulative preference shares	-	100,000
Exus Energy Limited	£1 5.5 per cent preference shares	120,000	120,000
Global Club Limited	£1 redeemable preference shares	100,000	100,000
Herdman Holdings Limited	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Limited	Ordinary shares	10,000	10,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,000	200,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000	150,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000	149,000
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000	50,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Linian Knitwear Limited	Ordinary shares	-	3,265
Leaf Mecatronics Limited	£1 redeemable preference shares	-	50,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000
Maximum IP Limited	£1 5.5 per cent cumulative redeemable preference shares	-	50,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Mopack Systems Limited	£1 redeemable non cumulative preference shares	-	70,000
Northern Ireland Export Company Limited	£1 redeemable non cumulative preference shares	102,000	102,000
Northern Ireland Export Company Limited	Ordinary Shares	98,000	98,000
North West Independent Clinic Limited	£1 redeemable non cumulative preference shares	-	100,000
Oberon Enterprises Limited	£1 redeemable non cumulative preference shares	90,000	90,000
PAM Electronic Limited	Ordinary shares	10,000	10,000
Pacific Tooling Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick (Manufacturing) Limited	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preference shares	45,000	45,000
Sarcon (No 19) Limited (GK)	"B" redeemable cumulative preference shares	70,000	70,000
Sarcon (no 150) Limited	£0.1 "A" ordinary shares	500,000	500,000
Sarcon (no 150) Limited (Donaghadee Carpets)	£1 8 per cent cumulative redeemable preference shares	1,500,000	1,500,000
Sheelin Products Limited	£1 redeemable preference shares	40,000	40,000

Continued

Company	Type of shares	Number of shares (2007)	Number of shares (2006)
Softcom Limited	£1 redeemable preference shares	50,000	50,000
Smartlight Devices Ireland Limited	£1 "A" redeemable preference shares	750,000	750,000
Smartlight Devices Ireland Limited	£1 10 per cent "B" cumulative redeemable preference shares	470,000	470,000
SMTEK Europe Limited	£1 redeemable preference shares	200,000	200,000
The Shirtmakers Guild Limited	£1 redeemable cumulative preference shares	-	150,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Ulster Weavers Apparel Limited	5 per cent redeemable preference shares	692,500	692,500
United Fashion (Strelitz)	£1 "A" redeemable preference shares	250,000	250,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000

Appendix B - The Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Emerging Business Trust and other investigations

1. In February 2006, the Committee of Public Accounts (PAC) considered significant conflict of interest issues relating to the establishment and management of Emerging Business Trust; the standards of corporate governance in the Local Enterprise and Development Unit, and the Department of Enterprise Trade and Investment's stewardship of its NPDBs.
2. In April 2007, the Department's Insolvency Service completed its investigation into the conduct of the directors of Emerging Business Trust Limited and Emerging Business Trust Venture Fund Limited. It was decided not to commence disqualification proceedings against any of the company directors.

3. The Department agreed, in the Memorandum of Reply¹ to PAC published in July 2006, that it would provide an update to the Committee and provided a progress report in November 2006 and will report further, later in the year, to the local PAC.



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

Date: 3 September 2007

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

© 2007

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Information Policy team, OPSI, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ. Fax: 01603 723000 or e-mail: licensing@opsi.x.gsi.gov.uk

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

Invest NI's Equality Team

T : 028 9069 8390

Textphone : 028 9069 8585

E-mail : equality@investni.com

Invest 
Northern
Ireland
Building Locally
Competing Globally

Bedford Square
Bedford Street
Belfast BT2 7ES
T : 028 9023 9090
F : 028 9043 6536
Textphone : 028 9069 8585

www.investni.com
www.nibusinessinfo.co.uk

ISBN 978-0-9554385-1-6



9 780955 438516 >