Performance

Invest Northern Ireland

Building Locally
Competing Globally

Annual Report and Accounts
2008-09

European Union
European Regional Development Fund
Investing in your future

Invest Northern Ireland
Annual Report and Accounts for the year ended 31 March 2009

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.

1 July 2009

NIA 185/08-09

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Introduction, Mission Statement and Objectives

Introduction

The Board presents the annual report and audited accounts of Invest Northern Ireland (Invest NI) for the year ended 31 March 2009.

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

The accounting policies adopted in the preparation of these accounts are detailed in note 1 to the accounts, which includes the accounting treatment in relation to the pension scheme. Further information on the pension scheme is also included in note 6(iv) to the accounts and in the Remuneration report.

Mission Statement

Invest NI's mission is:

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

Objectives

Invest NI's objectives are to achieve:

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

Board and Executives 2008-09

Partners

Board and Executives 2008-09

Board Members

Stephen Kingon Chairman

Bryan Keating Deputy Chairman

Ed Vernon

John Brady

Patrick Haren (retired from office 31 March 2009)

Rosemary Peters-Gallagher (retired from office 31 March 2009)

Rotha Johnston (retired from office 31 March 2009)

Roy Adair (appointed 1 April 2008)

Tim Brundle (appointed 1 April 2008)

David Dobbin (appointed 1 April 2008)

Mark Ennis (appointed 1 April 2008)

Frank Hewitt (appointed 1 April 2008)

Alan Lennon (appointed 1 April 2008)

Gerry McCormac (appointed 1 April 2008)

Gerry McGinn (appointed 1 April 2008)

Chief Executive and Senior Management

Alastair Hamilton Chief Executive (appointed 1 April 2009)

Tracy Meharg Managing Director, Innovation and Capability Development

Colin Lewis Managing Director, Corporate Services

Jeremy Fitch Managing Director, Client Group and Business International

Ian Murphy Managing Director, Client Group and Entrepreneurship

Organisation Structure

Organisation Structure

Stephen Kingon
Chairman

Alastair Hamilton*
Chief Executive

Jeremy Fitch
Managing Director
Client Group &
Business International

- **Kevin McCann** – Director, Transport, Construction & Tourism
- **Brian Dolaghan** – Director, Electronics, General Manufacturing & Business Services
- **Bill Montgomery** – Director, International Investment

Ian Murphy
Managing Director
Client Group &
Entrepreneurship

- **Maynard Mawhinney** – Director, Food
- **Graham Davis** – Director, Regional Economic Development
- **Donal Durkan** – Director, Life Sciences & Creative

Tracy Meharg
Managing Director
Innovation & Capability
Development

- **Carol Keery** – Director, Innovation, Research & Technology
- **Niall Casey** – Director, Business Improvement Services
- **Vicky Kell***** – Director, Trade
- **Olive Hill** – Director, Technology & Process Development

Colin Lewis**
Managing Director
Corporate Services

- **Damian McAuley** – Director, Strategic Management & Planning
- **Liam Hagan** – Director, Human Resources
- **Mel Chittock**** – Director, Finance
- **William McCulla****** – Director, Corporate Finance, Appraisal & Advisory
- **Alison Gowdy** – Head of Corporate Communications & Marketing Unit
- **Steve Chambers** – Head of Property Solutions Unit

* Leslie Morrison retired from office on 31 March 2009. Alastair Hamilton was appointed to the post on 1 April 2009.

** Colin Lewis, Managing Director, Corporate Services, transferred on secondment to DETI in April 2009. Mel Chittock was appointed as acting Managing Director, Corporate Services, from that date.

*** Alan Hingston retired on 31 March 2009. Vicky Kell was appointed to the post from that date.

**** Charles Harding retired as Director of Corporate Finance, Appraisal & Advisory in December 2008. William McCulla was appointed to the post in April 2009.


Export

Chairman's Introduction

In 2008–09, for the first time, Invest NI clients made investment commitments of over £1 billion in a single year, commitments which will see the local economy benefit from over £168 million annually in wages and salaries.

Across all divisions, activity levels increased compared to the previous year, with the number of offers up by 15 per cent, assistance by 30 per cent and investment by 71 per cent.

- Almost 2,600 offers made to clients, which will result in total investment of £1,178 million;
- 6,492 new jobs promoted and a further 848 existing jobs safeguarded;
- Around 1,500 locally-owned businesses supported to invest over £350 million in projects, which will generate £73 million annually in wages and salaries;
- 100 per cent increase in number of clients seeking export support and 18 per cent more companies visiting external markets;
- New Grant for R&D, launch of Innovation Vouchers and series of Innovation Masterclasses have encouraged more clients to embrace innovation;
- Representatives of over 1,000 businesses offered practical advice and assistance in areas such as financial and cash flow management, business direction, securing extra sales, improving internal efficiencies and supply chain issues to help them navigate through the current challenging times;
- US:NI Investment Conference positioned Northern Ireland as a competitive, stable and welcoming region that is pro-business and pro-active in meeting the needs of international investors;
- 43 employment-related inward investment projects will result in £785 million investment, creating or safeguarding 4,212 jobs and generating £95 million annually in wages and salaries. In addition, externally-owned clients also plan to invest a further £42 million in 119 innovation-based projects.

These results were achieved despite the extremely challenging economic conditions which prevail, particularly in the second half of the year, when the world economy entered unchartered waters, triggered by the virtual collapse of the global financial services industry.

Whilst the tidal wave of uncertainty started in the US, it quickly spread to all continents, leaving no economy immune to its impact.

As governments across the world seek a co-ordinated trans-national approach to restore confidence in, and where appropriate reform of, global financial markets, perhaps the biggest danger for a small regional economy such as ours, would be a slide towards protectionism.

We must accept that there is nothing which we can do to impact on these macro-economic issues, and maintain a sharp focus on those we can control, and which will make the biggest difference to support our clients and, where possible the wider business community.

Whilst Invest NI's initial response to the deteriorating economic conditions has assisted many businesses to identify the issues they are facing, nevertheless we need to build on this momentum and provide tailored support to enable them to survive in the current downturn and to be prepared for the future upturn.

Whilst the results for 2008–09 are reasonably strong, it should be noted that, in the current global economic climate, clients, whether existing or potential, are constantly re-evaluating their positions.

With many businesses holding substantial debt that needs to be repaid, and a reluctance by banks to start lending again, a lack of long term confidence means that many are adopting a more cautious outlook, seeking to cut costs and delaying any ambitions for expansion.

As a result, early stage work-in-progress is down and this will inevitably impact on the 2009–10 and 2010–11 out-turn, the remainder of our current Corporate Plan period.

When launched earlier in the year, our third Corporate Plan contained many challenging targets. In light of the turmoil which was to descend on global financial markets in September, and the subsequent impact on economies world-wide, realisation of the targets contained therein will be even more challenging.

However, the ambitions set out in our Corporate Plan, which was strongly endorsed by our clients, the business organisations and wider stakeholders, remain as valid now as when they were set.

At the end of the year Leslie Morrison retired as Chief Executive, a position he had held since the inception of Invest NI. During his tenure, Leslie was instrumental in managing the early years of Invest NI, and with it the many challenges presented from a complex amalgamation of the several legacy agencies.

Succeeding Leslie, Alastair Hamilton officially took up the post of Chief Executive on 1 April 2009, bringing with him a wealth of experience, particularly in client relationship management.

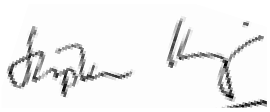
At a Board level, a number of members also finished their terms, including Rotha Johnston, Patrick Haren and Rosemary Peters-Gallagher, all of whom have contributed greatly to the development of Invest NI since its inception.

With the economy very much at the forefront of the Northern Ireland Executive's agenda, we have continued to see the benefits from strong collective support from our political leadership and from the Department of Enterprise, Trade and Investment.

Throughout 2008–09 many clients have improved their international competitiveness and increased levels of export, with Invest NI assistance.
We need to continue to ensure that we support clients in adjusting their business model to meet the demands of the current economic climate, in developing innovative products and services to remain internationally competitive and in winning new business particularly in overseas markets.

While the short-term prospects will remain challenging, nevertheless it is vital that we stabilise the existing client base and put the building blocks and investments in place in order to build confidence and to take advantage of the eventual recovery.

Our experience and local expertise aligned with a range of innovative support solutions position us well to help our clients at this time. With focus, discipline and flawless execution, we will continue to add real value to our existing clients, win new business, and help them to move from the current crisis towards a period of renewed confidence and eventual recovery.



Stephen Kingon
Chairman

Chief Executive's Overview

Chief Executive's Overview

The outcomes in 2008–09 were heavily influenced by the changing focus of many of our clients in the face of weakening economic conditions, particularly in the second half of the year.

The extremely high level of investment commitments leveraged in the past year were dominated by four large projects, which account for over 56 per cent of total planned investment. These included the Bombardier C-Series project, the largest ever single company investment in Northern Ireland, one of 43 employment related investments by externally owned clients, 26 of which were classified as new inward investments.

In total, these projects expect to create 4,055 new jobs, many paying higher than average salaries, and safeguard a further 157.

However, with many businesses facing declining orderbooks and focusing on short term measures to control costs, 79 of our clients announced a total of 3,499 redundancies, with an acceleration in the second half of the year.

Many of these losses have stemmed from larger manufacturing clients, a significant number of which are well established inward investors with a North American base. The decisions being taken by their corporate headquarters will inevitably have knock-on effects on Northern Ireland, so it is important that we continue to engage with these key clients, at both a local and international level, to ensure that our strong business proposition continues to be heard.

Service based investments, by both locally and internationally owned clients, continue to play an important role in growing our private sector, with a number of existing service based businesses, including MM Teleperformance and The Global Email Company, confirming investments.

During the year, first-time inward investments included those from BTI Systems, Bytemobile, Cybersource and NYSE Euronext, the latter two being announced at the US:NI Investment Conference.

Held in May, this investment conference attracted the largest and most influential business delegation from corporate America ever to visit Northern Ireland, with some 150 business leaders from 90 major US corporations attending, many for the first time.

Since then, follow up contact has been made with all delegates, with our US team being encouraged by the positive nature of many of these meetings. Given that lead times for inward investment, from initial contact to signed agreements, are usually 18 to 24 months and in some instances can be longer, particularly given the deteriorating global economic conditions in the past six months, it will be some time before we realise all the benefits from the Conference.

Our locally-owned business base also contains an increasing number of clients with a global reach, with further investment commitments by companies including Almac, Singularity and First Derivatives, underpinning their commitment to growth.

With the largest element of our client base consisting of locally-owned small and medium sized enterprises, it is natural that the majority of our activity was focused on assisting them address issues and remove constraints to growth or competitiveness.

During the year Invest NI responded to the needs of our clients by offering easy to access, flexible support, both financial and advisory to our clients and, where possible, the wider business community.

Over 1,000 businesses attended a series of events and seminars, where advice, guidance and signposting to further support were available.

Small and medium sized clients have also been able to obtain up to five days free consultancy to identify key areas to address including: support through a new £5 million Accelerated Support Fund; increased flexibility in other programmes and increased tailoring of support packages to their individual needs.

Whilst the priority of many clients has been to protect their current position in the short term, it is encouraging that many are laying the foundations for future growth. This is reflected in the high level of clients participating in market visits and export programmes, and the positive response to our programmes to encourage innovation, covering areas such as Intellectual Asset Management, CE Marking, Design and the new Grant for R&D.

During the year, we also launched a new Innovation Vouchers initiative to stimulate increased levels of innovation within small enterprises. Over 200 businesses have made use of these to stimulate knowledge transfer between the public and private sectors.

Any business – whether large or small, locally or internationally owned – with the ambition to innovate and export is eligible for support from Invest NI. The financial support we provide to our clients, although often the most visible, is only one of a wide variety of support which Invest NI can offer. Much of this support, such as trade, energy and ICT services, are available to the wider business community. Equally, businesses of all sizes, in all sectors and in all locations, are increasingly making our business information website, nibusinessinfo.co.uk, their first port of call with, last year, the site recording over 220,000 unique visits.

Alongside supporting the growth of our existing companies by helping them to innovate and export, it is essential that we provide a supportive environment in which new businesses can flourish. During the year, guidance and support were provided to 2,474 new locally-owned business starts and a new suite of Entrepreneurship Development Programmes introduced. Through the Go for it programme potential entrepreneurs are able to build their skills, develop strategic business plans and commercialise their ideas, whilst the Growth Programme enables existing businesses with high growth potential to access tailored guidance in areas such as marketing, negotiation skills, networking, online sales and financial management, increasing their ability to sell into export markets.

Complementing the new programmes and initiatives introduced, we have broadened the reach of some programmes; refined our client marketing; delivered a tailored staff training programme, particularly for client facing teams; and reduced processing times to ensure that our clients benefit from the most efficient and effective support.

Although the current property market has resulted in a marked reduction in client companies purchasing serviced sites in the short term, we have continued to progress site acquisition projects to ensure that there is sufficient land available to support the future growth plans of our clients.

It is clear that the previous year has seen fundamental shifts in the business landscape, locally and globally, and this current year is likely to present equally challenging conditions for all involved in economic development.

Invest NI is committed to work in closer partnership with our clients and stakeholders to build further improvements into our service delivery and deliver the most effective and efficient support to help them through these challenging conditions. Whilst the results for 2008–09 reflect good and solid progress, in the challenging times ahead it is clear that much more remains to be done.

Alastair Hamilton
Chief Executive

Insight

Management Commentary

Statutory Background

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

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

Invest NI's principal function is to provide government support for businesses by delivering the Government's economic strategies and making the most efficient use of available resources. Invest NI offers the Northern Ireland business community a single organisation providing high quality services, programmes, support and expert advice.

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

Objectives and Strategic Direction

Our third Corporate Plan, for the period 2008–11, sets out Invest NI's primary objective to increase Northern Ireland business productivity, the means by which wealth can be created for the benefit of the whole community. This objective is now set against the challenging economic backdrop of recession in major economies and significant readjustment in financial markets.

Invest NI's efforts are focused on securing new foreign direct and locally-owned investment and providing support to assist our client companies to undertake investment projects and pursue a wide range of value-added activities, including increasing innovation, engaging in R&D, improving processes, and increasing exporting capability. Through these activities, Invest NI's aim is to help raise Northern Ireland's gross value added per employee and enhance the capability of existing and new businesses to sell more products and services in external markets, by focusing our efforts on three priority actions:

- Realising client potential by helping our clients to become better at growing profitably through applying innovation in all aspects of their businesses;
- Shifting the sectoral focus towards high-value economic activity by attracting foreign direct investment in target industries and boosting indigenous businesses and start-ups in high-value sectors; and
- Encouraging the development of frontier technologies by building upon Northern Ireland's specific strengths in private and public sector research bases in order to deliver commercial outcomes from leading-edge technologies.

2008–09 Operating Targets and Achievements

During the year Invest NI met or exceeded the majority of its 2008–09 operating plan targets and the year end achievement against each of the key operating targets is set out below:

Objective: Promote a competitive and outward looking economy and promote business growth.

Activity	Targets 2008-09	Outturn at 31 March 2009
Encourage new first time exporters	**175** companies	**251**
Support further companies to diversify into new markets	**375** companies	**539**
Deliver Export Skills and Knowledge Workshops	**450** delegates to attend	**463**
Support market visits	**500** participants	**727**
Support establishment of local Export Start companies exporting to GB	**100** companies	**102**
Support establishment of local Global Start companies exporting outside the UK	**15** companies	**11***

* A further four foreign-owned Global Start projects were secured and are included in the inward investment projects table below.

Objective: Attract and support high quality investment, both foreign and locally-owned and increase employment opportunities by attracting high quality inward investment and supporting domestic investment.

Activity	Targets 2008-09	Outturn at 31 March 2009
Value of total annual salaries and wages secured reflecting FDI success and growth of locally-owned clients	**£115m** annual salaries secured	**£168m**
Secure inward investment projects with associated job targets	**30** projects	**43**
	2,200 jobs	**4,055**
	1,870 with salaries over NI PSM	**2,325**
	930 to be at least 25 per cent over NI PSM	**1,125**
	70% of new FDI projects will be encouraged to locate within 10 miles of an area of economic disadvantage	**85%**
Arrange inward visit programmes for potential investors	**120** investors	**146**
Invest NI to engage in a process of land acquisition to secure sufficient land for the economic development purposes of its client companies	Aim to acquire or develop **c50** acres per year	**140 acres**
	75% of land acquisition to be in economically disadvantaged areas	**89%**

Objective: Promote higher value added activity through Innovation and the commercial exploitation of R&D.

Activity	Targets 2008-09	Outturn at 31 March 2009
Value of investment in R&D to be delivered by new BERD innovation business support programmes	**£40m**	**£66.8m**
Encourage companies to engage in R&D for first time	**100** companies	**123**
Establish Centres of Excellence or Competence Centres	**3** Centres	**1**
Launch of Proof of Concept projects	**20** projects	**34**
Launch projects through NISPO VC fund	**6** projects	**8**

Objective: Promote the growth of the Tourism Sector.

Activity	Targets 2008-09	Outturn at 31 March 2009
Develop capacity support for tourism businesses through Selective Financial Assistance (financial assistance for tourist accommodation businesses)	By 31 March 2009 issue **5** offers of SFA for tourism accommodation projects	**4**
Capability and business development support for tourism businesses, delivered through a number of bespoke programmes	By 31 March 2009 assist **45** referrals for grant assistance and / or advisory services	**68**

In addition to the key achievements set out above, the 'Chairman's Introduction' and 'Chief Executive's Overview' highlight the main trends and factors which have influenced the development and performance of the organisation in the year.

Future Developments

Overall, Invest NI has performed well against its 2008–09 targets, despite the increasing impact on the business environment as a result of the economic downturn. However, the targets for 2009–10, the second year of its Corporate Plan period, are likely to prove increasingly challenging as in many instances businesses are consolidating and scaling down, deferring or cancelling planned investments. Invest NI responded to this situation during 2008–09 by developing and rolling out a new Accelerated Support Fund to help client companies deal with the current circumstances and this will continue to be promoted strongly to businesses.

Although the forward pipeline of clients' planned investments is reduced, we will focus our efforts on markets and sectors offering the best prospects for securing new foreign direct investment against the current economic backdrop. While the overall numbers of projects and jobs may be reduced, Invest NI is committed to attracting high quality inward investment and we will continue to work to ensure that a high proportion of such FDI jobs offer wages and salaries above the private sector median.

Considerable work will also be done to promote Invest NI's broad range of support mechanisms aimed at helping client companies to improve existing working processes and increase efficiencies. The new Grant for R&D Programme introduced during 2008–09, which has streamlined the support available and made it easier to access, will be actively marketed to companies to encourage them to undertake increased Research and Development activity. Similarly, our new Design Programme will be promoted strongly to help clients to incorporate enhanced design within their product development processes. Under 'Passport to Export', a comprehensive programme will be mounted to organise Trade Missions to a wide range of overseas marketplaces in addition to supporting companies' attendance at key international trade fairs, with the aim of helping businesses to explore new markets and expand their capabilities in existing marketplaces.

Our Go for it Programme has been redesigned to offer greater flexibility. The new Programme is now dedicated to helping potential entrepreneurs think about, plan and launch their own businesses, with the emphasis placed firmly on building and developing skills and capabilities. Go for it will also now be complemented by a new Growth Programme. This has been designed to help participants develop their businesses by providing access to experts in a range of business areas. In addition, businesses with further growth potential may also qualify for more intensive support in the form of specific one-to-one mentoring over a 12 month period. Both Programmes will be promoted strongly going forward.

Whilst short-term prospects remain challenging, Invest NI has put in place a range of tailored support to help our clients to survive in the current downturn and to be fully prepared for a future upturn. We will continue this work over the incoming year to stabilise our existing client base and put the necessary building blocks and investments in place in order to build confidence within businesses to help them to take full advantage of the eventual recovery.

Key Financial Highlights for the Year

- Programme expenditure was £130.1 million against an allocated budget of £130.5 million, a 99.7 per cent achievement against target.

- Receipts generated in the year totalled almost £21 million against an initial target of £25 million. These receipts related to the disposal of fixed assets and investments, and to the claw back of grant monies to the extent that they have been deemed to be recoverable.

- In addition to the budgeted receipts outlined above, Invest NI generates income relating to property rental, dividends, and loan interest. These categories realised income of £5 million which is repayable to Central Government.

Financial Performance

Income and Expenditure Account

Total expenditure for the year, excluding corporation tax, has increased from £153 million to £166 million. The increase is primarily due to an increased charge for bad debt provisions as a result of the increased level of grant claw back invoices. The grant expenditure and programme related costs have reduced slightly from £116 million to £114 million, while administrative expenditure has increased by £1 million to £32 million. The organisation's administration budget (excluding HQ unitary charges) of £26 million was fully utilised. The corporation tax charge has reduced by almost £3 million as a result of both a reduction in current year land and property sales and reductions in prior year charges following HMRC agreement to additional capital allowance claims.

Income of £35 million has been reported for the year, compared to £7 million in 2007–08. This is due to a significant increase in the level of claw back income accounted for when client companies breach financial assistance agreements. As a consequence of the difficult economic environment client companies have faced challenging trading conditions, which in some instances have resulted in a breach of the legal agreements with Invest NI. In some cases this has necessitated the recognition of claw back income.

In addition, a profit of £0.5 million on tangible assets disposal has been reported for the year.

Balance Sheet

Total fixed assets including investments at the year end were £158 million, a reduction of £50 million on 2007–08. This was primarily due to a reduction in the value of land and property holdings.

The reduction in land and property value reflects the current difficult market conditions and the impact of the downturn in the property market is expected to continue beyond the end of the financial year. Overall the land stock available for client company projects fell from 780 acres at the beginning of the financial year to 760 acres at 31 March 2009. The requirement to continue to promote economic development through the provision of high quality serviced sites for Invest NI client companies has been addressed through the organisation's property acquisition strategy, which is aligned to the Executive's Investment Strategy for Northern Ireland.

Total debtors have increased from £24 million to £42 million. This is due to an increase in EU debtors of £13 million and trade debtors of £4 million. The EU debtor balance has increased as a claim under the European Regional Development Fund is still to be submitted.

Total creditors have reduced slightly from £55 million to £53 million. The timing of grant claims and payments has resulted in a reduction of £9 million in the accrued grant creditor. The decrease in accrued grant creditor has been largely offset by an equivalent increase in trade creditors.

Revaluation and general reserve balances at the year end have reduced from £153 million to £120 million, largely reflecting the reduction in the value of tangible fixed assets.

All known current and future liabilities have been accounted for in the accounts through accruals or provisions. A number of contingent liabilities existed at the year end and these have been accounted for except where the possibility of crystallisation is considered to be remote. Details of any contingent liabilities have been outlined in note 28 to the accounts.

Financial Risk Management Objectives and Policies

Financial instruments are primarily held as part of the overall financial assistance to client companies. Invest NI is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way Government departments, including NDPBs, are financed. Moreover, 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. Invest NI is primarily exposed to credit risk and market risk (including price risk and interest rate risk).

Invest NI's exposure to foreign currency risk is not significant in the current and previous financial years as a majority of its operations, assets and liabilities are denominated in Sterling.

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

Credit risk

Invest NI's principal financial assets are cash at bank and in hand, debtors, investments in quoted and unquoted ordinary shares, investments in preference shares, and fixed and variable rate loans. Invest NI's credit risk is primarily attributable to its debtors and investments in quoted and unquoted ordinary shares, investments in preference shares, and fixed and variable rate loans. The amounts presented in the balance sheet are net of provisions for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on cash at bank and in hand is limited because the counterparties are banks with high credit ratings.

Invest NI has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Market risk

Invest NI is exposed to equity price risks arising from equity investments. The shares included in the accounts represent investments in listed and unlisted equity securities that present Invest NI with opportunity for return through dividend income and capital growth.

Ninety-five per cent (2008: 89 per cent) of Invest NI's financial assets and 100 per cent (2008: 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.

Principal Risks and Uncertainties

The risk of a failure to be customer focused

How risk is managed: Invest NI has introduced a new operating manual alongside consolidated business processes. A comprehensive training programme is in place for all client facing staff who have also been organised into cross functional client teams. Operational divisions monitor their levels of work in progress on an ongoing basis with specific targets set by stage to improve customer responsiveness. Our Communications Unit monitors customer needs via regular customer satisfaction surveys and a monthly Transactional Client Satisfaction survey.

The risk of failure to maintain an effective financial management and corporate governance framework

How risk is managed: Invest NI's Fraud Response and Action Plans have been communicated to all staff members. There are also a range of committees in place including a Quarterly Board Audit Committee, which assesses risk and governance issues and a monthly Finance Control Committee attended by Top Management and Board members. The format of our monthly management accounts is continually reviewed and updated as appropriate to reflect any changing requirements of budget holders, Top Management and other users. DFP Monitoring Rounds allow for quarterly changes to the overall budget as required.

The risk of the loss of confidential, sensitive or otherwise valuable data

How risk is managed: Invest NI continues to maintain Best Practice ISO 27001 – Information Security Management, and has now introduced a policy whereby laptops may not be taken out of the office without the appropriate encryption and senior management approval. Programmed encryption of all laptops is also underway and the encryption of approved USB devices is planned.

The risk of a failure to anticipate and manage the loss to public funds as a result of client companies' financial difficulties

How risk is managed: There is a formal monitoring programme in place across client facing divisions that involves Client Executives regularly meeting with their client companies to review progress and feed back information as appropriate. Client facing staff receive appropriate monitoring training and advice is available from the Finance or Corporate Finance Appraisal and Advisory division if necessary.

The risk of having inadequate control and compliance with knowledge management systems

How risk is managed: Responsibility for Knowledge Management has been centralised in the organisation's Strategic Management and Planning division and an appropriate team of staff has been put in place. Matters of corporate compliance are now included in senior management job plans and are directly linked to performance. Invest NI is in the process of developing and implementing a formal Knowledge Management strategy and quarterly reports are provided to Top Management on usage and compliance issues.

The risk of a failure to meet N+2 Targets for EU's Sustainable Competitiveness Programme 2007–13

How risk is managed: N+2 progress is reviewed monthly by an ERDF Project Board and Invest NI's Finance Control Committee and every six months by the Project Steering Group. Monthly updates of actual accrued expenditure against forecast spend are prepared and a spreadsheet management tool to monitor progress against targets has been introduced.

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.

Staff attendance is actively managed, and the organisation's absence rate for the 2008–09 year was 3.2 per cent, equating to 7.6 days per staff member, including long term sickness. This is better than the average within the NI Civil Service and also compares favourably with many of the better performing private sector organisations.

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

Other Policies

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

Prompt Payment Policy

Invest NI is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days after delivery of the invoice or of the goods and services, whichever is later.

During 2008–09 Invest NI paid approximately 89 per cent of invoices within this standard.

The comparative figure reported for 2007–08 was 95 per cent. However, as the procedure for recording receipt of invoices was reviewed and improved during 2008–09, the comparative figure has not been measured on the same basis.

In November 2008 the Finance Minister announced that Northern Ireland public bodies had set a target of payment of invoices within 10 days in order to assist local businesses. Since this announcement was made, Invest NI has paid 70 per cent of invoices within 10 working days.

Social and Community Issues

Corporate Social Responsibility continues to be a priority for Invest NI and during the year staff took part in 12 events organised in partnership with Business in the Community. These involved a mixture of environmental and community based projects working with primary schools, special schools and community groups. In total, 120 Invest NI staff took part in these activities and the feedback was very positive. These activities were an excellent means for staff to develop their skills whilst delivering tangible improvements to the social and educational environments of the groups involved.

Corporate Social Responsibility activities have also been developed as an integral part of our own management development programme, the Complete Manager. Their inclusion has provided additional benefits to our staff in terms of developing team interaction, improved communication and team planning. We are continuing to look at ways to increase our commitment to social and community responsibility and further embed this into the culture of the organisation. In recognition of our ongoing commitment, Invest NI has been shortlisted as a finalist for the Business in the Community Responsible Employer Award for 2009.

Information on Environmental Matters

During this year we have managed reductions to the amount of waste we are sending to landfill. The amounts of waste sent for recycling have also increased by approximately six to eight per cent. Our environmental management programme was completed with outline objectives set for the coming years. These will see a continued drive to reduce energy costs and reduce the carbon footprint, although the building already has a BREAM 'A' rating.

Personal Data Related Incidents

There were no Personal Data Related Incidents in 2008–09. A second Data Protection Review for the Northern Ireland public sector was conducted during the year and Invest NI has assessed that its information management and governance lies within the second highest category ("Managed"), which is defined as: "Formal documented policies and procedures are in place, supported by well designed practices, which generally operate effectively."

Estate Management Strategy

With the exception of assets held by Invest NI for its own use, the majority of the land and property portfolio is held exclusively for development by its client companies, to facilitate the region's long term strategic economic development.

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.

Alastair Hamilton
Accounting Officer

24 June 2009

Remuneration Report

Develop

Remuneration Report

Chairman and Board members

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

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

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

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

	Salary 2008-09 £'000	Benefits in kind 2008-09 £	Salary 2007-08 £'000	Benefits in kind 2007-08 £
Stephen Kingon	41	-	40	-
Rotha Johnston	12	-	11	-
Patrick Haren	12	-	11	-
Rosemary Peters-Gallagher	12	-	11	-
John Brady	12	-	11	-
Bryan Keating	12	-	11	-
Ed Vernon	12	-	11	-
Roy Adair (appointed 1 April 2008)	12	-	-	-
Tim Brundle (appointed 1 April 2008)	12	-	-	-
David Dobbin (appointed 1 April 2008)	12	-	-	-
Mark Ennis (appointed 1 April 2008)	12	-	-	-
Frank Hewitt (appointed 1 April 2008)	12	-	-	-
Alan Lennon (appointed 1 April 2008)	12	-	-	-
Gerry McCormac (appointed 1 April 2008)	12	-	-	-
Gerry McGinn (appointed 1 April 2008)	12	-	-	-
Deborah Boyd (retired from office 31 March 2008)	-	-	11	-
Frank Bunting (retired from office 31 March 2008)	-	-	11	-
Bernie Hannigan (retired from office 31 March 2008)	-	-	11	-
Gilbert Little (retired from office 31 March 2008)	-	-	11	-
Bill McGinnis (retired from office 31 March 2008)	-	-	11	-

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

The Chief Executive's remuneration package contains a provision for a performance related bonus of up to 15 per cent of salary, determined according to the achievement of targets and performance indicators, which are set by the Board on an annual basis. Performance against these targets is assessed each year by the Remuneration Committee which makes a recommendation, ultimately for Ministerial approval, on the amount of bonus to be paid. The Remuneration Committee is chaired by Stephen Kingon. Committee members during 2008-09 included John Brady, Patrick Haren, Rotha Johnston, Bryan Keating, Rosemary Peters-Gallagher and Ed Vernon. The Chief Executive is not a member of the Civil Service Pension Scheme and Invest NI makes a contribution equivalent to 19.5 per cent of his annual salary in lieu of pension provision.

The other members of the Senior Management Team are paid on the same arrangements which apply to the Senior Civil Service. Their performance against previously agreed targets is assessed annually by the Chief Executive. Pay increases are entirely performance based and comprise a base uplift and a performance based non-consolidated bonus in accordance with the arrangements recommended by the Civil Service Senior Salaries Review Body.

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

	Salary 2008-09 £'000	Benefits in kind 2008-09 £	Salary 2007-08 £'000	Benefits in kind 2007-08 £
Chief Executive:				
Leslie Morrison (retired from office 31 March 2009)	175 - 180	-	160 - 165	-
Managing Directors:				
Tracy Meharg	95 - 100	-	90 - 95	-
Colin Lewis	90 - 95	-	85 - 90	-
Jeremy Fitch	95 - 100	-	85 - 90	-
Ian Murphy	90 - 95	-	90 - 95	-

Salary

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

Included in the Chief Executive's remuneration is £26,000 (2008: £26,000) of contribution in lieu of pension provision, and a performance related bonus of £19,000 (2008: £8,000). The bonus amount of £19,000 accounted for in the year includes £6,000 of bonus awards outstanding in respect of the two previous financial years.

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

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

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

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

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

Pension details of the Senior Management Team as at 31 March 2009 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 March 2009 and related lump sum £'000	CETV at 31 March 2009 £'000	CETV at 31 March 2008** £'000	Real increase in CETV £'000
Tracy Meharg	0 - 2.5 plus 2.5 - 5 lump sum	20 - 25 plus 65 - 70 lump sum	352	310	16
Colin Lewis	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20 plus 50 - 55 lump sum	305	263	18
Jeremy Fitch	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20 plus 50 - 55 lump sum	254	216	18
Ian Murphy	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 85 - 90 lump sum	576	501	21

**The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

A **Cash Equivalent Transfer Value** (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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

Alastair Hamilton
Accounting Officer
(Appointed as Chief Executive April 2009)

24 June 2009

Corporate Governance Statement

Corporate Governance Statement

The Combined Code

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

Invest NI is an NDPB set up under the Industrial Development Act (Northern Ireland) 2002, and is sponsored by DETI. Under the provisions of the Act Invest NI is responsible for the delivery of programmes and activities designed to meet the economic development policy objectives established by DETI. Invest NI is responsible for reporting on its activities to the Minister for Enterprise, Trade and Investment. Invest NI is required to comply with stringent requirements relating to all key areas of its functions and activities as determined by the 2002 Act, Managing Public Money Northern Ireland (MPMNI), Human Rights and Employment law, the Equality provisions of the Northern Ireland Act 2000, the Freedom of Information Act and the Data Protection Act. Invest NI also complies with the relevant elements of HM Treasury's 'Corporate governance in central government departments: Code of good practice'.

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;
- International Committee;
- Policy and Strategy Committee; and
- Marketing and Communications Committee.

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

Board Audit Committee

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

Internal Audit Committee

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

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.

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. Staff who have a potential conflict of interest are not involved in the casework evaluation or tendering assessment processes. All gifts and hospitality given and received are registered and monitored by the Directors.

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

Fraud Prevention

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

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

Equality

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

Accounts Section

Measure

Statement of Accounting Officer's Responsibilities

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

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

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

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

Alastair Hamilton
Accounting Officer

Statement on Internal Control

Accounts Section

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 Managing Public Money 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 2009 and up to the date of approval of the Annual Report and Accounts, and accords with DFP guidance.

Capacity to handle risk

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

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

The risk and control framework

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

Business Continuity and Recovery Plans have been developed for each Invest NI location and Business Continuity responsibilities and corporate governance structures have been clearly defined and communicated. Business Continuity arrangements are continually monitored, tested and improved.

Invest NI operates an Information Security Management System certified to ISO27001, which ensures the confidentiality, integrity and availability of corporate information. Internal risk assessments and external penetration tests are performed on a regular basis to drive information security improvements.

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

Review of effectiveness

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

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

Risk Management has been built into Invest NI's planning and decision-making processes, and procedures and documentation are evolving in line with best practice. The Internal Audit Committee and Board Audit Committee met regularly during 2008–09. The 2008–09 IAS programme of audits represented a combination of the further outworking of the agreed Audit Strategy for Invest NI, management's priorities and topics identified from Risk Management Plans.

All individual IAS Audit Opinions (apart from the Corporate Communications and Marketing Unit – CCMU) provided or anticipated by IAS in respect of finalised and ongoing 2008–09 activity were (or will be) either satisfactory or better. With regard to CCMU, although IAS considered that management had established generally satisfactory risk management, control and governance systems, the arrangements in connection with the vouching of third party costs billed by suppliers did not adequately mitigate risks and, therefore, the overall Audit Opinion was limited for that reason. Invest NI management has provided IAS with management responses to the recommendations. IAS is currently considering the responses in consultation with the DETI Audit Authority.

Of particular note this year were the generally positive results emerging from the extensive follow-up work associated with External Delivery Organisation (EDO) sponsor control reports completed by consultants in 2006–07 and 2007–08. This work built upon further positive follow-up work which IAS also completed this year in connection with three previously limited Audit Opinions in respect of the Carbon Trust, NICENT and Prince's Trust. It is also worth noting that, as part of the DETI and Invest NI agreed rolling programme of governance work, a fresh round of risk based EDO inspection visits and sponsor control reviews has recently commenced in respect of 11 Invest NI EDOs. In addition, IAS conducted reviews which included Invest NI's Financial Management Team, Corporate Governance Arrangements, and operations associated with a number of Invest NI's overseas offices.

Other significant work undertaken by IAS in the early part of 2008–09 related to the extended compliance testing of remedial work undertaken by Invest NI as part of the formal EC Regulatory Compliance Project. Aspects of this work carried forward from the 2007–08 IAS Audit Programme.

The Invest NI project was aimed at addressing a range of non-compliance and administrative issues which had previously been highlighted in an IAS Report which contained a 'Limited' Audit Opinion in connection with EC regulatory requirements. A primary purpose of the review was to 'update' the existing limited opinion. The generally positive results emerging from the review, coupled with the subsequent conclusions drawn by the DETI EU Verification Team (from work carried out in relation to grant triggers), led to the removal of the Limited Opinion during 2008–09.

The management and I are encouraged to note that IAS has provided an overall satisfactory audit opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes for the 2008-09 year. IAS's overall audit opinion reflects the progress made with regard to the EC compliance issues and the overall generally positive results from the audit work undertaken in the year.

Significant internal control problems

In November 2008 DETI provided a progress report to the Assembly Public Accounts Committee on investigations into three bodies which had been established between 1990 and 1998 with the assistance of public funds. Two of these investigations are continuing and further reports will be provided to the Committee by the Department at the conclusion of the investigations. In the third case appropriate disciplinary action was taken and aspects of the investigation were referred to the Police Service of Northern Ireland (PSNI). Following their review of the case and the evidence available, the PSNI concluded that further police action could not be taken. Following a final meeting with the NIAO the concluding report on this investigation will be provided to the Committee by the Department.

On 18 June 2009 Invest NI and the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "Review of Assistance to Valence Technology: A Case Study on Inward Investment". The Committee's report is awaited. The Department's response to the report will be contained in a Memorandum of Reply, which will be presented to the Assembly by the Department of Finance and Personnel.

Alastair Hamilton
Accounting Officer

24 June 2009

Accounts Section

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

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2009 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, which includes the Remuneration Report, and the financial statements in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Chief Executive's Overview and the Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction, Mission Statement and Objectives, Board and Executives, Organisation Structure, Chairman's Introduction, the unaudited part of the Remuneration Report and the

Corporate Governance Statement. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Development (Northern Ireland) Act 2002 and directions made thereunder by the Department of Enterprise, Trade and Investment, of the state of Invest Northern Ireland's affairs as at 31 March 2009 and of its net expenditure after taxation, recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and the Department of Enterprise, Trade and Investment directions made thereunder; and

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

Audit Opinion on Regularity

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

Report

In February 2006, the Westminster Committee of Public Accounts (PAC) considered significant conflict of interest issues relating to the establishment and management of Emerging

Business Trust; the standards of corporate governance in the Local Enterprise and Development Unit, and the Department of Enterprise, Trade and Investment's stewardship of its NDPBs.

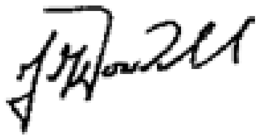
In its report, PAC noted that it was worrying that the blatant conflicts of interest and other major control weaknesses in this case were not detected by the auditors. One of the PAC recommendations was that these matters were brought to the attention of the relevant professional body. A copy of the PAC report was sent to the Institute of Chartered Accountants in Ireland (ICAI) for consideration. In June 2006, ICAI referred the matter to the Accountancy and Actuarial Discipline Board[1] (AADB).

The AADB investigated the conduct of EBT's auditors, McClure Watters, and the role and conduct of Mrs Theresa Townsley, a Director of EBT, her husband, Michael Townsley and their firm MTF Chartered Accountants. In January 2009 the Disciplinary Tribunal of AADB upheld the complaints brought by the AADB and fined McClure Watters and Mr Rollo McClure, the relevant audit partner, £6,000 each. Mr McClure was also reprimanded. McClure Watters was ordered to pay costs of £60,000.

In March 2009, AADB then concluded that, having considered the evidence and external counsel's advice, there was no realistic prospect that a disciplinary tribunal would make an adverse finding in respect of the conduct of Theresa Townsley or Michael Townsley. The investigation was closed and it was concluded that no further action would be taken against them.

I understand the appointed Company Inspector has completed his investigation into the conduct of the directors of Novatech Ltd. The Department is currently considering the way forward in this case, in consultation with the Department of Finance and Personnel.

The Department agreed, in the Memorandum of Reply[2] published in July 2006, that it would provide an update to the Committee on the outcome of these investigations. Progress reports were provided to the Northern Ireland Assembly PAC in November 2006, March 2008 and November 2008. A further progress report will be provided to the Northern Ireland Assembly PAC later this year.



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

25 June 2009

1. The Accountancy and Actuarial Discipline Board ("AADB") is the independent, investigative and disciplinary body for accountants and actuaries in the UK. The AADB is responsible for operating and administering independent disciplinary schemes for these professions.

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

Income and Expenditure Account for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Income			
Income from operating activities			
Non surrenderable income	2	851	602
Income surrenderable to DETI but retained	3	34,078	5,594
Income surrendered to DETI	4	-	-
Profit on fixed asset disposals		447	528
Loss on financial asset disposals		(697)	(142)
Total income		**34,679**	**6,582**
Expenditure			
Grants and programme related costs			
grants and programme related costs	5	(113,757)	(115,845)
asset development, maintenance and related costs		(3,044)	(1,004)
Administrative expenses			
staff costs	6	(21,556)	(21,050)
other	7	(10,248)	(9,425)
notional costs	8	(355)	(509)
Debt and financial assets provision release/(charge)	9	(12,751)	1,332
Asset depreciation and amortisation	10	(1,367)	(1,412)
Asset impairment	10	256	(228)
Notional cost of capital	8	(4,771)	(4,532)
Total expenditure		**(167,593)**	**(152,673)**
Net expenditure before taxation		**(132,914)**	**(146,091)**
Tax on ordinary activities	11	1,666	(1,100)
Net expenditure after taxation		**(131,248)**	**(147,191)**
Credit reversal of notional costs	8	5,126	5,041
Net expenditure for the financial year	21	**(126,122)**	**(142,150)**

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

Statement of Recognised Gains and Losses for the year ended 31 March 2009

	2009 £'000	2008 £'000
Net (loss)/gain on revaluation of tangible fixed assets (note 20)	(50,469)	66,057
Losses on revaluation of available-for-sale financial assets taken to equity (note 21)	(179)	-
Total recognised (losses)/gains relating to the year	**(50,648)**	**66,057**

Balance Sheet
Year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Fixed Assets			
Tangible fixed assets	12	132,600	178,120
Intangible fixed assets	13	252	139
Investments in subsidiaries and limited partnerships	14	4,570	3,820
Investments in other financial assets	15	20,504	25,786
		157,926	**207,865**
Current Assets			
Debtors	16	42,197	23,830
Cash at bank and in hand		461	372
		42,658	**24,202**
Creditors: amounts falling due within one year	17	(53,155)	(54,769)
Net Current Liabilities		(10,497)	(30,567)
Total Assets less Current Liabilities		147,429	177,298
Creditors: amounts falling due after more than one year			
Provision for liabilities and charges	18	(27,815)	(24,259)
		119,614	**153,039**
Reserves			
Revaluation reserve	20	56,163	107,698
General reserve	21	63,451	45,341
		119,614	**153,039**

Approved by the Board and signed on its behalf by:

Alastair Hamilton
Accounting Officer

24 June 2009

Cash Flow Statement for the year ended 31 March 2009

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Net cash outflow from operating activities		(141,718)		(132,076)
Returns on investments and servicing of finance				
Loan interest received	773		1,044	
Dividend received	305		1,113	
Net cash inflow from returns on investments and servicing of finance		1,078		2,157
Taxation				
Corporation tax paid		(1,420)		(780)
Corporation tax received		2,513		-
Capital expenditure and financial investment				
Payments to acquire intangible fixed assets	(146)		(60)	
Payments to acquire tangible fixed assets	(5,573)		(3,010)	
Receipts from sales of tangible fixed assets	3,744		17,290	
Share repayment received	2,030		2,879	
Fixed rate loan repayment received	4,062		4,924	
Variable rate loan repayment received	205		1,560	
Investment in venture capital fund	(1,065)		(1,620)	
Investment in share capital	(1,861)		(1,693)	
Loans made to client companies	(360)		(1,560)	
Net cash inflow from capital expenditure and investment		1,036		18,710
Cash outflow before financing		(138,511)		(111,989)
Financing				
Financing from DETI	143,345		123,220	
Consolidated fund payments to DETI	(3,640)		(9,499)	
Net cash inflow from financing		139,705		113,721
Increase in cash		**1,194**		**1,732**

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

Notes to the Accounts Year ended 31 March 2009

Accounts Section

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.

Recently adopted standards

The following accounting standards have been incorporated into the FReM for the first time in the current year and have been applied in full in these financial statements:

FRS25 – Financial Instruments: Disclosure and Presentation

FRS26 – Financial Instruments: Recognition and Measurement

FRS29 – Financial Instruments: Disclosure

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 and website development)	3–5 years
Laboratory equipment	15 years
Plant and machinery	10 years
Motor vehicles	4 years

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

Assets in the course of construction

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

Revaluation of land and buildings

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

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

Intangible fixed assets

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

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

Financial instruments

Financial assets and liabilities are recognised in Invest NI's balance sheet when Invest NI becomes a party to the contractual provision of the instrument.

Financial assets

General description – Financial assets are classified into the following specified categories: at fair value through profit or loss ("FVTPL"); held-to-maturity investments; "available-for-sale" ("AFS") financial assets; and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Invest NI's financial assets are mainly classified as AFS and loans and receivables.

Financial assets are recognised and derecognised on a date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the specified timeframe and are initially measured at fair value, net of transaction costs.

Effective interest method – The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest and/or dividend income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Loans and receivables – Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Available-for-sale – Financial assets that are not classified as held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables, are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets. Impairment losses and exchange differences resulting from retranslating the cost of foreign currency available-for-sale financial assets are recognised in the Income and Expenditure Account together with interest calculated using the effective interest method. Other changes in the fair value of available-for-sale financial assets are reported in a separate component of the general reserve until disposal, when the cumulative gain or loss is recognised in the Income and Expenditure Account.

Impairment of financial assets

Invest NI assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets carried at amortised cost – If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, Invest NI measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in the Income and Expenditure Account and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

Financial assets carried at fair value – When a decline in the fair value of a financial asset classified as available-for-sale has been recognised directly in reserves and there is objective evidence that the asset is impaired, the cumulative loss is removed from reserves and recognised in profit or loss. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available-for-sale equity instruments are not reversed through profit or loss, but those on available-for-sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

Financial liabilities

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities – Financial liabilities of Invest NI, including trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at cost.

Derecognition

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that Invest NI either: (a) transfers the contractual rights to receive the asset’s cash flows; or (b) retains the right to the asset’s cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, Invest NI assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, Invest NI assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where Invest NI has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Assets 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.

Derivatives

Invest NI does not enter into derivative contracts for speculative purposes nor as stand alone contracts, however, Invest NI assesses each contract to determine if embedded derivatives exist.
A derivative embedded in a contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract, unless the entire contract is carried at fair value through profit or loss.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

Cash at bank and in hand

Cash at bank and in hand comprises cash and demand deposits with banks. As at 31 March 2009, the carrying value of cash at bank and in hand approximates their fair value due to their short term nature.

Investments in subsidiaries and limited partnerships

Investments in subsidiaries and limited partnerships are valued at cost less impairment.

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 (that is a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, Invest NI discounts the provision to its present value using a standard Government discount rate, which currently stands at 3.5 per cent.

Financing from DETI

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

Income

Income from operating activities represents:

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

- other income receivable, principally, fees and charges for services provided, claw-back and other recoveries; and

- loan interest, share dividend and property rent receivable.

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

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

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

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

iv) any other income that does not fall within category (i), (ii) and (iii) comprising non surrenderable income which Invest NI can retain.
The majority of this income represents programme contributions received for and recovery of costs of certain expenditure for which Invest NI has a net budget agreed with DETI.

Grant Expenditure

The expenditure comprises grants payable to companies sponsored by Invest NI under the terms and conditions of financial assistance agreements. Grants payable are accounted for in the period in which the recipient carries out the activity which creates an entitlement to the grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made.

Programme Expenditure

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

Administration Expenditure

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

Pensions

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

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

Early Departure Costs

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

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

Leases

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

Notional Charges

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

Capital Charge

A non-cash capital charge, reflecting the cost of capital utilised by Invest NI, is included in operating costs and calculated using the average method. The charge is calculated at the Government's standard rate of 3.5 per cent (2008: 3.5 per cent) in real terms on assets less liabilities.

2. NON SURRENDERABLE INCOME

	2009 £'000	2008 £'000
Recoupment of programme expenditure and related costs from client companies and third parties	619	500
Other	232	102
	851	**602**

3. INCOME SURRENDERABLE TO DETI BUT RETAINED

	2009 £'000	2008 £'000
Grant claw-back	21,679	3,861
Core programme receipts from EU	12,399	2,208
Gross income surrenderable	34,078	6,069
Less: Excess receipts transferred to income surrendered (note 4)	-	(475)
	34,078	**5,594**

4. INCOME SURRENDERED TO DETI

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Property rent	1,714		1,693	
(increase)/decrease in provision	(53)		(51)	
		1,661		1,642
Fixed rate loan interest	495		1,105	
amount written off	(14)		(301)	
increase in provision	9		(163)	
		490		641
Variable rate loan interest	306		381	
increase in provision	-		(254)	
		306		127
Share dividend	503		910	
amount written off	(56)		(393)	
decreased/(increase) in provision	54		143	
		501		660
Other share income		1		25
Other property income		144		662
VAT repayment		868		3,008
Corporation Tax interest repayment		398		-
Bank interest		60		37
Other income		16		22
Total excluding excess and EU receipts		4,445		6,824
Excess receipts surrendered to DETI (note 3)		-		475
Total excluding EU receipts		4,445		7,299
Core programme receipts from EU	-		(1)	
increase in provision	-		-	
		-		(1)
Total including EU receipts		4,445		7,298
Amount transferred to DETI creditor		(4,445)		(7,298)
		-		-

5. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis	2009 £'000	2008 £'000
Industrial development grants	35,671	43,960
Research and development programme including grants	23,185	17,579
Enterprise grants	14,181	10,287
Company development programme	11,243	10,493
Business support grants	2,752	3,794
Promotion and marketing support	5,316	5,321
Property support	2,526	1,889
Property development scheme	1,223	730
Third party grants	3,741	7,748
Tourism grants	626	3,742
Trade and market access support	5,563	4,011
Overseas operation support	2,923	2,428
Project consultancy and appraisal	1,672	1,514
Board related expenditure	244	207
Other	2,891	2,142
	113,757	**115,845**

In 2008–09 £539,000 was reclassified from Other to Overseas operation support to more accurately reflect the nature of this expenditure. In order to maintain consistency between 2008–09 and the prior year, £460,000 of costs have also been reclassified from Other to Overseas operation support in the 2007–08 comparatives.

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

(ii) Segmental Analysis	2009 £'000	2008 £'000
Innovation and Capability Development	43,102	35,894
Client Group and Entrepreneurship	29,217	32,022
Client Group and Business International	32,317	40,774
Corporate Services Group (including Board related expenditure)	9,121	7,155
	113,757	**115,845**

6. 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:

	2009 No.	2008 No.
Chief Executive and Managing Directors	5	5
Innovation and Capability Development	148	145
Client Group and Entrepreneurship	133	140
Client Group and Business International	89	88
Corporate Services Group (including internal IT Division)	201	198
Total	**576**	**576**

The above includes civil servants seconded from DETI (2009: 4, 2008: 9), temporary staff and external secondees (2009: 16, 2008: 24).

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

	2009 £'000	2008 £'000
Salaries and wages	17,542	16,722
Social security costs	1,340	1,329
	18,882	18,051
Pension scheme contribution	3,110	2,977
Early retirement cost	1	12
Total costs in respect of permanent and long term contract employees*	21,993	21,040
Less: recoveries in respect of outward secondments and others	(122)	(48)
Less: staff costs treated as programme expenditure	(816)	(560)
	21,055	20,432
External secondees and temporary staff costs including irrecoverable VAT	501	618
Total administrative staff costs	**21,556**	**21,050**

* Including civil servants seconded from DETI

(iii) Contracted and programme related staff

In addition to the above, Invest NI engages a varying number of contracted staff in its overseas offices and to deliver specific programmes in Northern Ireland. The average number of such staff is 31 (2008: 34). These staff members are separately funded, except for direct recoveries reflected in the above. The associated recoupment of administrative costs or expenditure is either separately disclosed in note 2 'Non surrenderable income' or reflected in note 5 'Grants and programme related costs'.

(iv) Pension Costs

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) is an unfunded multi-employer defined benefit scheme but Invest NI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2008–09, employers' contributions of £3,101,000 (2008: £2,965,000) were payable to the PCSPS (NI) at one of four rates in the range 16.5 to 23.5 per cent (2008: 16.5 to 23.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008–09, the salary bands were revised but the rates remained the same. The contribution rates are set to meet the cost of the benefits accruing during 2008–09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,000 (2008: £12,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. At the balance sheet date, there were no contributions due to the partnership pension providers (2008: £nil). There were no contributions prepaid at that date (2008: £nil).

One (2008: two) staff member retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £3,000 (2008: £2,000).

There were no early retirements during the year (2008: the early retirement cost of £12,000 represented the recharge of employer pension contribution costs, from DETI, in relation to two civil servants who retired early).

7. ADMINISTRATIVE EXPENSES

	2009 £'000	2008 £'000
Travel and subsistence	713	735
Overseas offices costs	89	193
Equipment rental and maintenance	-	1
Vehicle costs	11	9
Telephone, mobile costs and data communications	371	255
Stationery and postage	65	67
Printing and publications	25	21
Training and conference costs	331	318
Computer maintenance and related costs	595	733
Advertising and recruitment costs	274	97
Office consumables and related costs	57	56
Professional fees	62	140
Headquarters PFI service and related charges	5,130	5,023
Other admin property rental, maintenance and related expenses	1,420	915
Light, heat and power	35	14
Rates	663	655
Security costs	11	11
Contract cleaning	15	14
Insurance and subscription	42	35
Canteen costs	-	1
Hospitality	81	93
Other employee related costs	13	19
Bank charges	3	4
Exchange difference	257	12
Miscellaneous expenses	(15)	4
Total administrative expenditure excluding notional costs	**10,248**	**9,425**
Other administrative expenditure	5,118	4,402
Headquarters PFI service and related charges	5,130	5,023
Total administrative expenditure excluding notional costs	**10,248**	**9,425**
Notional administrative costs (note 8(i))	355	509
Total administrative expenditure including notional costs	**10,603**	**9,934**

8. NOTIONAL COSTS

	2009 £'000	2008 £'000
(i) Notional administrative costs		
Personnel and training services	2	5
External Audit	109	112
Internal Audit	244	239
Land and Property Services	-	153
	355	**509**
(ii) Credit reversal of notional costs		
Notional administrative costs	355	509
Interest on capital employed at 3.5% (2008: 3.5%)	4,771	4,532
	5,126	**5,041**

9. DEBT AND FINANCIAL ASSET PROVISION (RELEASE)/CHARGE

Movement in provision and write off:	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Increase in provision for venture capital fund		315		800
Share investment:				
(decrease) in provision for shares	(362)		(2,062)	
amount written off*	513		2,157	
		151		95
Fixed rate loan investment:				
increase/(decrease) in provision	982		(1,319)	
amount written off*	110		662	
		1,092		(657)
Variable rate loans:				
(decrease) in variable rate loan provision		-		(219)
		1,558		19
Adjustment to amortised cost of loans and receivables on adoption of FRS26		658		-
(Decrease)/increase provision on core programme receipts from EU (note 22(ii))	-		(277)	
(Decrease)/increase in other bad debts provisions (note 22(ii))		10,535		(1,074)
		12,751		**(1,332)**

* Note 15(i)

10. ASSET DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2009 £'000	2008 £'000
(i) Depreciation and amortisation		
Fixed asset depreciation (note 12(i))	1,171	1,208
Intangible asset amortisation (note 13)	197	204
	1,368	**1,412**
(ii) Impairment		
Fixed asset (note 12(i))	(256)	217
Intangible asset (note 13)	-	11
	(256)	**228**

11. TAXATION

(i) Taxation charge in the year

Analysis of charge in year (estimate)	2009 £'000	2008 £'000
Current tax:		
UK corporation tax on taxable income for the current year	450	2,000
Adjustments to tax charge in respect of previous periods	(2,116)	(900)
	(1,666)	**1,100**

(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 2009 and 2008 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 2009 and for previous financial years.

12. TANGIBLE FIXED ASSETS

(i) Total tangible fixed assets

	Land & Property £'000	Plant & Machinery (including motor vehicles) £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost / Valuation:					
At 1 April 2008	179,690	13	4,368	403	184,474
Additions*	7,531	-	359	-	7,890
Disposals	(1,987)	(2)	(1,152)	(60)	(3,201)
Reclassification***	-	-	(219)	-	(219)
Transfer from current asset**	424	-	-	-	424
Transfer to current asset**	(302)	-	-	-	(302)
Revaluation loss (note 20)	(50,469)	-	-	-	(50,469)
Amount written down / indexation (note 10(ii))	(95)	1	952	(14)	844
At 31 March 2009	134,792	12	4,308	329	139,441
Depreciation:					
At 1 April 2008	3,340	2	2,791	221	6,354
Charge for year (note 10(i))	349	3	779	40	1,171
Disposals	-	(2)	(1,152)	(61)	(1,215)
Reclassification***	-	-	(54)	-	(54)
Transfer from current asset**	49	-	-	-	49
Transfer to current asset**	(52)	-	-	-	(52)
Backlog / Indexation (note 10(ii))	-	-	595	(7)	588
At 31 March 2009	3,686	3	2,959	193	6,841
Net Book Value:					
1 April 2008	176,350	11	1,577	182	178,120
31 March 2009	**131,106**	**9**	**1,349**	**136**	**132,600**

* Additions are funded by financing received from DETI
** Note 16
*** Assets with a total net book value of £165,000 have been reclassified as intangible fixed assets (note 13)

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

	2009 Land £'000	2009 Property £'000	2009 Total £'000	2008 Land £'000	2008 Property £'000	2008 Total £'000
Administrative	75	290	365	80	320	400
Occupied	89,343	12,460	101,803	114,398	11,982	126,380
Unoccupied	27,355	1,583	28,938	47,937	1,633	49,570
Included in fixed assets	116,773	14,333	131,106	162,415	13,935	176,350
Included in current assets	150	100	250	275	100	375
	116,923	**14,433**	**131,356**	**162,690**	**14,035**	**176,725**

Land and property was revalued by Land and Property Services (previously known as the 'Valuation and Lands Agency') on 31 March 2009, 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).

13. INTANGIBLE FIXED ASSETS

	Software licences £'000
Cost / Valuation:	
At 1 April 2008	651
Reclassification from tangible fixed asset (note 12(i))	220
Additions	146
Amount written down / indexation (note 10(ii))	
At 31 March 2009	1,017
Amortisation:	
At 1 April 2008	512
Reclassification from tangible fixed asset (note 12(i))	56
Charge for year (note 10(i))	197
Backlog / Indexation (note 10(ii))	
At 31 March 2009	765
Net book value:	
1 April 2008	139
31 March 2009	**252**

14. INVESTMENTS IN SUBSIDIARIES AND LIMITED PARTNERSHIPS

	2009 £'000	2008 £'000
Subsidiaries (gross amount) (note 14 (i))		
Northern Ireland Public Sector Enterprises Limited (NI-CO)	200	200
Air Route Development (NI) Limited (ARD)	-	-
Investments in Limited Partnerships (note 14 (ii))		
NITECH Growth Fund Limited Partnership (NITECH)	1,665	1,350*
Crescent Capital II Limited Partnership (CC)	2,705	2,270*
	4,570	**3,820**

* Investments in Limited Partnerships were previously classified as fixed investments in 2008. Due to the adoption of FRS25, FRS26 and FRS29 for the year ended 31 March 2009, fixed investments no longer exist and have been reclassified as financial instruments. The investments above do not meet the criteria to be classified as financial instruments and continue to be classified as investments. The change in classification has resulted in no change in accounting treatment for investments in Limited Partnerships.

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

Invest NI holds 100 per cent of the ordinary share capital of NI-CO, which comprises 200,000 ordinary shares of £1 each. NI-CO is incorporated in Northern Ireland and its principal activities are the marketing and selling of Northern Ireland public sector services and expertise on a worldwide basis. Invest NI considers that the cost of the investment does not differ significantly from the market value at the year end. Extracts from the most recent audited accounts of NI-CO are as follows:

	2009 £'000	2008 £'000
Turnover	8,618	8,911
Profit after tax	250	232
Net assets	1,618	1,369
Capital commitments	-	-
Financial commitments	-	-
Contingent liabilities	-	-

Air Route Development (NI) Limited (ARD)

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

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

	2009 £'000	2008 £'000
Income	-	-
Net expenditure before and after tax	23	220
Net assets	-	-
Capital commitments	-	-
Financial commitments	-	284
Contingent liabilities	-	-

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

(ii) Investments in Limited Partnerships

	NITECH £'000	Crescent Capital £'000
Gross amount:		
At 1 April 2008	2,584	3,375
Additions	315	750
At 31 March 2009	2,899	4,125
Provision:		
At 1 April 2008	1,234	1,105
Charge/(credit) for year (note 9)	-	315
At 31 March 2009	1,234	1,420
Net balance:		
1 April 2008	1,350	2,270
31 March 2009	**1,665**	**2,705**

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 four 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.

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

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.

15. INVESTMENTS IN OTHER FINANCIAL ASSETS

(i) Total Investments in Other Financial Assets

	Investments in ordinary shares £'000	Investments in preference shares £'000	Fixed Rate loans** £'000	Variable rate loans £'000	Total £'000
Gross amount:					
At 1 April 2008	6,663	22,680	16,764	7,923	54,030
Effect of adoption of FRS26	-	296	617	-	913
Additions	96	1,765	360	-	2,221
Changes in fair value for available-for-sale assets	(179)	-	-	-	(179)
Repayments and disposals	(765)	(1,962)	(4,062)	(205)	(6,994)
Amount waived and written off (note 9)	-	(513)	(110)	-	(623)
At 31 March 2009	5,815	22,266	13,569	7,718	49,368
Provision:					
At 1 April 2008	4,293	11,965	6,916	5,071	28,245
Charge for year	248	1,951	1,939	-	4,138
Reversal of provision	(639)	(1,584)	(862)	-	(3,085)
Amount waived and written off	-	(338)	(96)	-	(434)
At 31 March 2009	3,902	11,994	7,897	5,071	28,864
Net balance:					
1 April 2008	2,370	10,715	9,849	2,852	25,786
31 March 2009	**1,913**	**10,272**	**5,672**	**2,647**	**20,504**

(ii) Investments in preference shares, fixed and variable rate loans repayment analysis (net balance):

	2009 Investments in preference shares £'000	2009 Fixed rate loans £'000	2009 Variable rate loans £'000	2009 Total £'000	2008 Investments in preference shares £'000	2008 Fixed rate loans** £'000	2008 Variable rate loans £'000	2008 Total £'000
Amount due:								
Within 1 year	3,051	1,634	916	5,601	3,492	5,622	461	9,575
Within 2 to 5 years	4,997	2,950	976	8,923	5,256	2,895	1,400	9,551
Greater than 5 years	2,224	1,088	755	4,067	1,967	1,332	991	4,290
	10,272	**5,672**	**2,647**	**18,591**	**10,715**	**9,849**	**2,852**	**23,416**
Secured	-	5,389	2,647	8,036	-	9,336	2,852	22,903
Unsecured	10,272	283	-	10,555	10,715	513	-	513
	10,272	**5,672**	**2,647**	**18,591**	**10,715**	**9,849**	**2,852**	**23,416**

** 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.

During the year, Invest NI contributed £2,000,000 (2008: £850,000) to AELS. At the year end, a cumulative gross contribution of £6,671,000 (2008: £4,671,000) has been made to AELS.

The nature of the AELS asset does not meet the criteria to be classified as Loans and Receivables under FRS26 as there are no fixed or determinable repayments associated with the assistance. In the current year, the balance has been reclassified from Investments to Other Debtors and the prior year balance has been reclassified to conform with current year presentation.

Investments in ordinary quoted shares
These financial instruments include investments in the parent companies of inward investment companies which Invest NI is supporting. The fair values of the investments are based on the quoted price of the shares at the balance sheet date.

Investments in ordinary unquoted shares
These financial assets are held as part of the overall financial assistance to client companies. These instruments do not have a quoted market price in an active market and their fair value cannot be reliably measured as there are a wide range of variables that need to be taken into account when assessing the fair value of an unquoted investment. The range of reasonable fair value estimates for the unquoted shares is likely to be significant and the probabilities of the various estimates may not be able to be reasonably assessed as such a fair value cannot be determined.

Investments in preference shares
Invest NI has a large number of investments in unquoted preference shares. The types of non convertible preference share investment in existence are:

- redeemable cumulative preference shares;
- redeemable preference shares; and
- redeemable non cumulative preference shares.

For investments with dividend rights, dividends are paid annually.

In addition, Invest NI has a small number of investments in unquoted preference shares which are convertible into equity such as:

- convertible preference shares; and
- cumulative convertible redeemable preference shares.

Loans and receivables
Invest NI has issued loans and receivables with maturity dates that range between three months and 25 years and have interest rates that range within zero per cent and 10.3 per cent. The carrying value of the variable rate loans approximate their fair value as the interest rates are at market rate. The carrying value of the fixed rate loans approximate their fair value as the interest rates are at market rate, which include the credit risk rating of each investment.

Collateral
Invest NI takes collateral in support of its lending activities when deemed appropriate.

In some instances, depending on the individual client circumstances, Invest NI may lend unsecured.

The main types of collateral for loans and receivables to clients are as follows:

Fixed and floating charges over property and other assets.

(iii) Past due and impaired financial assets
As at 31 March 2009, Invest NI has £11,488,000 of gross investments in preference shares, £8,600,000 fixed rate loans and £5,700,000 variable rate loans, which are either past due or considered to be impaired. Invest NI has continued to work with client companies to achieve a suitable repayment programme.

As at 31 March 2009, Invest NI has a total of £764,000 investments in preference shares, which were past due but no provision was provided, on the basis that these are not considered to be impaired.

16. DEBTORS

Amounts due within one year	2009 £'000	2008 £'000
Trade debtors	9,624	6,373
Other debtors**	11,505	7,958
EU debtors	18,802	6,403
Prepayments	1,203	1,016
Accrued income		
loan interest and dividend	261	1,614
other	552	91
Other assets (net book value)		
land and property held as current (note 12)	250	375
	42,197	**23,830**

As at 31 March 2009 the carrying value of trade, other and EU debtors approximate their fair value due to their short term nature.

** In the current year, the AELS balance has been reclassified from Investments to Other Debtors and the prior year balance has been reclassified to conform with current year presentation. See note 15 for details.

17. CREDITORS

(i) Amounts due within one year:	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Bank overdraft (note 22(iii))		-		1,105
Trade creditors and accruals		17,339		8,523
Accrued grant creditors		26,032		35,157
Corporation tax		-		329
Other taxes and social security		-		11
Other creditors		508		920
Deferred income		283		536
Amounts due to DETI (note 17(ii))				
other income surrendered	5,887		5,082	
EU receipts surrendered	3,106		3,106	
		8,993		8,188
		53,155		**54,769**

(ii) Movement in DETI creditor balance in respect of total income surrendered:	2009 £'000	2008 £'000
At 1 April	8,188	10,389
Other income surrendered (note 4)	4,445	7,299
EU receipts surrendered (note 4)	-	(1)
Amount paid by Invest NI	(3,640)	(9,499)
At 31 March	**8,993**	**8,188**

As at 31 March 2009 the carrying values of these instruments approximate their fair value due to their short term nature.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Grants £'000	Land & Property £'000	Others £'000	Total £'000
At 1 April 2008	20,190	3,307	762	24,259
Charge to Income and Expenditure Account	17,172	3,058	75	20,305
Release of provisions not required	(4,445)	(65)	-	(4,510)
Utilised in year	(12,251)	(668)	-	(12,919)
Amount transferred to accrued grant creditors	(320)	-	-	(320)
Amount transferred from trade creditors	-	1,000	-	1,000
At 31 March 2009	**20,346**	**6,632**	**837**	**27,815**

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

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

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

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

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

20. REVALUATION RESERVE

	2009 £'000	2008 £'000
At 1 April	107,698	51,133
Revaluation (loss)/gain (note 12)	(50,469)	66,057
Release on disposal	(1,066)	(9,492)
At 31 March	**56,163**	**107,698**

21. GENERAL RESERVE

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
At 1 April		45,341		54,779
Net expenditure for the financial year		(126,122)		(142,150)
Financing received from DETI:				
- resource	129,361		114,562	
- capital	13,984		8,658	
		143,345		123,220
Loss on revaluation of available-for-sale assets		(179)		-
Revaluation reserve realised on fixed asset disposal		1,066		9,492
At 31 March		**63,451**		**45,341**

22. CASH FLOW STATEMENT

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
(i) Reconciliation of results for the year to net cash outflow from operating activities				
Net expenditure after taxation		(131,248)		(147,191)
Adjustments for non-cash transactions				
Notional costs	355		509	
Notional cost of capital	4,771		4,532	
Asset depreciation and amortisation	1,368		1,412	
(Profit) on fixed asset disposal	(447)		(528)	
Loss on financial asset disposal	697		142	
Tangible and intangible fixed asset impairment	(256)		228	
Total financial asset, bad debt and provision movement (note 22(ii))	12,101		(364)	
Grant provision charged	12,726		17,092	
Land and property and other provision charged	3,068		50	
FRS26 Share adjustment	(296)		-	
FRS26 Loan adjustment	(617)		-	
Total non-cash transactions movement		33,470		23,073
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)	(8,398)		485	
Other debtors	(3,547)		446	
EU debtor	(19,272)		(169)	
Amounts due from DETI	-		-	
Prepayment	(187)		(171)	
Accrued loan interest and dividend income (net of provision)	268		(2,396)	
Other accrued income	(461)		(48)	
(Increase) in debtors		(31,597)		(1,853)

22. CASH FLOW STATEMENT

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
(b) Increase/(decrease) in creditors:				
Trade creditors and accruals	6,674		(408)	
Accrued grant creditors	(9,125)		3,483	
Corporation tax	(1,422)		1,100	
Other taxes and social security	(11)		10	
Amounts due to DETI (note 17(ii)):				
income surrendered	4,445		7,299	
programme receipts from EU	-		(1)	
Other creditors	(412)		(785)	
Deferred income	(253)		282	
(Decrease)/increase in creditors		(104)		10,980
Use of provisions				
Grant provision	(12,571)		(15,992)	
Land and property and other provision	332		(1,093)	
Total use of provisions		(12,239)		(17,085)
Net cash outflow from operating activities		**(141,718)**		**(132,076)**

(ii) Analysis of bad debt provision charge		
	2009 £'000	**2008 £'000**
Increase in provision against accrued loan interest and dividend income including write off (note 4)	7	968
Increase in provision for loans and shares including amount waived / written off (note 9)	1,558	19
(Decrease) in provision on core programme receipts from EU (note 9)	-	(277)
Increase/(decrease) in other debts provisions (note 9)	10,535	(1,074)
FRS26 adjustment	658	-
	12,758	**(364)**
(iii) Reconciliation of net cash flow to movement in net funds		
	2009 £'000	**2008 £'000**
Increase in cash in the year	1,194	1,732
Change in net funds resulting from cash flows - increase	1,194	1,732
Net funds at start of year - (deficit)	(733)	(2,465)
Net funds at end of year - surplus/(deficit)	**461**	**(733)**
Net funds comprise of:		
Cash at bank and in hand	461	372
Bank overdraft (note 17(i))	-	(1,105)
Net funds at end of year - surplus/(deficit)	**461**	**(733)**

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 "Accounting Policies".

The following tables analyse Invest NI's financial assets and financial liabilities in accordance with the categories of financial instruments.

2009	Available for sale – fair value £'000	Available for sale – cost £'000	Loans and receivables £'000	Total £'000
Financial assets				
Cash at bank and in hand	-	461	-	461
Debtors	42,197	-	-	42,197
Investments in ordinary shares	1,207	706	-	1,913
Investments in preference shares	-	-	10,272	10,272
Fixed rate loans	-	-	5,672	5,672
Variable rate loans	-	-	2,647	2,647
	43,404	**1,167**	**18,591**	**63,162**
Financial liabilities				
Trade creditors	8,988	-	-	8,988
Grant creditors	26,032	-	-	26,032
	35,020	**-**	**-**	**35,020**

The following table shows the interest rate of Invest NI's financial assets:

2009	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
Financial assets				
Cash at bank and in hand	461	-	-	461
Debtors	-	-	42,197	42,197
Investments in ordinary shares	-	-	1,913	1,913
Investments in preference shares	-	10,272	-	10,272
Fixed rate loans	-	5,599	73	5,672
Variable rate loans	2,647	-	-	2,647
	3,108	**15,871**	**44,183**	**63,162**

Invest NI's financial liability at 31 March 2008 consisted 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.

Remaining maturity

As at 31 March 2009, 100 per cent of trade and grant creditors are due within three months of year end. The maturity is based on the earliest date on which Invest NI can be required to pay.

24. CAPITAL COMMITMENTS

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

	2009 £'000	2008 £'000
Contracted	2,007	1,691

25. COMMITMENTS UNDER LEASES

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

	2009 £'000	2008 £'000
Property leases		
Expiry date:		
- within one year	155	157
- between two and five years	453	523
- after five years	606	608
	1,214	**1,288**
Other leases		
Expiry date:		
- within two and five years	6	11
	6	**11**

26. OTHER FINANCIAL COMMITMENTS

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

Segmental analysis:	2009 £'000	2008 £'000
Innovation and Capability Development	56,930	50,687
Client Group and Entrepreneurship	50,626	14,971
Client Group and Business International	86,364	54,820
	193,920	**120,478**

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:

	2009 £'000	2008 £'000
Within one year	4,706	4,518
In the second to fifth years	17,704	17,350
After five years	72,555	76,092
	94,965	**97,960**

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

28. CONTINGENT LIABILITIES

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

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

While progress has been made with establishing the organisation's corporation tax position, there could be potential corporation tax liability payable pending the finalisation of a number of tax treatments with HMRC. The provision for corporation tax in these accounts is therefore a best estimate based on recent discussions with the authority.

Invest NI does not have any other contingent liabilities which are required to be disclosed under FRS12 or for parliamentary reporting and accounting purposes (2008: none).

29. CONTINGENT ASSETS

In relation to financial assets 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 2008-09 and the previous two financial years.

30. LOSSES AND RELATED INFORMATION REQUIRED BY MANAGING PUBLIC MONEY NORTHERN IRELAND (MPMNI)

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

(i) Operating loan / investment grants

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

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

- Aspire Micro Loans: £24,000 relating to 15 cases (2008: £20,000 relating to one case);
- NIS: No losses reported. (2008: £18,000 relating to one case);
- The Prince's Trust: £16,000 relating to 26 cases (2008: £92,000 relating to two cases); and
- Women in Enterprise: £4,000 relating to three cases (2008: £2,000 relating to three cases).

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 EBT has not yet been established at the date of these accounts.

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

(ii) Other losses

Waiver / Write off	2009 Losses £'000	2009 No. of cases >£250k	2009 No. of cases <£250k	2008 Losses £'000	2008 No. of cases >£250k	2008 No. of cases <£250k
Others:						
Grants recoverable	3,074	4	28	3,608	6	24
Others including investments and accrued income	757	-	20	3,130	5	98

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

At the balance sheet date, there are 23 cases of potential losses totalling £21,373,000 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, one of these cases totalling £150,000 has been written off.

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

(iii) Constructive losses

	2009 Losses £'000	2009 No. of cases >£250k	2009 No. of cases <£250k	2008 Losses £'000	2008 No. of cases >£250k	2008 No. of cases <£250k
Total	667	1	3	656	-	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. During the year one property agreement was settled for a sum of circa £300,000.

(iv) Special payment

There was one special payment of £1,500 made during the year in respect of an out of court settlement to a contractor (2008: no special payments made).

31. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments

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

	2009 £'000	2008 £'000
Debtors (amounts due within one year (note 16)):		
Balances with other central government bodies	-	-
Creditors (amounts due within one year (note 17)):		
Balances with other central government bodies	8,993	8,188

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

Register of Interests

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

Transactions involving Chief Executive and Senior Management Team

During 2006–07, Invest NI entered into a service contract totalling £14,000 per annum with Leslie Ross, a Managing Director who retired in 2005–06. This contract was awarded through an open tender for the provision of services in implementing Invest NI's European Aerospace strategy. Invest NI took the option to extend the contract for a further period of one year into 2008–09. During the year, a new contract was awarded through open tender for a period of up to three years.

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

Transactions involving Board Members

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

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

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

- Stephen Kingon is a Director of Stephen Kingon Associates, which was paid £64,000 (2008: £23,000) for his services as Chairman of Invest NI.

- Stephen Kingon is a Non Executive Director of Mivan (UK) Limited. The company received £nil (2008: £1,000) of financial assistance payments from Invest NI.

- Stephen Kingon was appointed to the position of Non Executive Director of Mivan Limited during the year. The company received £13,000 (2008: £nil) of financial assistance payments from Invest NI. A new financial assistance package totalling £222,000 was also offered.

- Stephen Kingon is an Ambassador for The Prince's Trust, David Dobbin is NI Chairman and National Trustee and Roy Adair is a council member of The Prince's Trust. This organisation was paid £2,000 (2008: £2,000) for services provided to Invest NI and received £607,000 (2008: £286,000) of financial assistance payments.

- Stephen Kingon is the Chairman of Centre for Competitiveness, which was paid £322,000 (2008: £374,000) for services provided and received £nil (2008: £37,000) of financial assistance payments.

- Stephen Kingon and David Dobbin are Advisory Board Members of BT Ireland Limited. Rotha Johnston is a shareholder in British Telecom. BT (NI) Plc was paid £147,000 (2008: £nil) for services provided and received £322,000 (2008: £nil) of financial assistance payments.

- Stephen Kingon was appointed as Director of Anderson Spratt Holdings, which was paid £1,000 for services provided.

- Stephen Kingon was appointed as Director of Balcas Timber Limited, which was paid £113,000 in financial assistance payments.

- Rotha Johnston is an Advisory Board Member with the Northern Ireland Office, which received £1,000 (2008: £nil) for services provided during the year.

- Rotha Johnston is a Pro-chancellor of Queen's University Belfast. Ed Vernon is a Board Member of Queen's University Foundation. David Dobbin is a member of the Senate of Queen's University Belfast. This academic body received £1,615,000 (2008: £1,946,000) of financial assistance payments from Invest NI and was paid £325,000 (2008: £118,000) for services provided. New financial assistance packages totalling £3,228,000 (2008: £2,583,000) were offered.

- Rotha Johnston is connected to Andor Technology Plc via family relations. Bryan Keating is a Non Executive Chairman and Shareholder of Andor Technology Plc. The company received £3,000 (2008: £nil) for services provided and was paid £237,000 (2008: £241,000) of financial assistance payments. There was a new financial assistance package offered during the year which totalled £377,000 (2008: none).

- Patrick Haren is a Director of Viridian Group Limited. NIE, a group company of the Viridian Group, was paid £2,367,000 (2008: £207,000) by Invest NI for electricity supply, provision of new cable infrastructure and related services.

- Rosemary Peters-Gallagher is an equity partner with Moore Stephens Chartered Accountants, which received £5,000 (2008: £nil) for services provided during the year.

- Rosemary Peters-Gallagher, Gerry McCormac and Ed Vernon are members of The Institute of Directors, and Gerry McGinn is a member of the Northern Ireland Committee of this Institute, which received £13,000 (2008: £nil) for services provided during the year.

- Rosemary Peters-Gallagher is a member of council and court and Tim Brundle is an employee of the University of Ulster. This academic body received £2,966,000 (2008: £2,551,000) of financial assistance payments and was paid £69,000 (2008: £321,000) for services provided to Invest NI. A new financial assistance package totalling £693,000 (2008: £9,000) was offered.

- Rosemary Peters-Gallagher is a fellow of The Institute of Chartered Accountants, which received £2,000 (2008: £5,000) for services provided during the year.

- Bryan Keating is Executive Chairman and Shareholder of Axis Three Limited, which received £1,000 for services provided and was paid £42,000 in financial assistance payments.

- Bryan Keating is a Non Executive Director and Chairman of Mail Distiller Limited, which was paid £nil (2008: £37,000) for services provided, and was offered a new financial assistance package totalling £150,000 (2008: £14,000).

- Bryan Keating is a Shareholder in Datactics Limited. Tim Brundle is a Director of the company. During the year Datactics received

£1,000 for services provided (2008: £nil) and was paid £13,000 (2008: £2,000) in financial assistance payments and was offered a new financial assistance package totalling £23,000.

- Bryan Keating is on the advisory committee of Crescent Capital II, which received £750,000 (2008: £1,500,000) in contributions during the year.

- Bryan Keating is Non Executive Chairman of Omiino Limited, which received £185,000 of financial assistance payments and received £2,000 for services provided and was offered a new financial assistance package totalling £320,000.

- Bryan Keating is a member of the NISP Expanded University Liaison Committee. Frank Hewitt is chairman of NISP and Gerry McCormac is a Board Member of NISP. During the year NISP received £36,000 (2008: £6,000) for services provided and was paid £14,000 (2008: £20,000) in financial assistance payments.

- Tim Brundle is a Director of Sophia Search Limited. During the year the company received £26,000 of financial assistance payments and received £10,000 for services provided.

- Tim Brundle is a Director of UU Tech Limited, which was paid £54,000 (2008: £17,000) for services provided and received £4,000 (2008: £3,000) of financial assistance payments. New financial assistance packages totalling £nil (2008: £1,211,000) were also offered.

- Tim Brundle is a Director of Causeway Data Communications Limited, which received £15,000 (2008: £112,000) of financial assistance payments.

- Tim Brundle is connected to Shorts (a member of the Bombardier Group) via family relations. This company was paid £5,833,000 (2008: £1,028,000) in financial assistance and £1,000 (2008: £nil) for services provided. New financial assistance packages totalling £9,700,000 were also offered.

- Tim Brundle is connected to Cleaver Fulton Rankin via family relations. This firm was paid £40,000 (2008: £57,000) for services provided.

- David Dobbin is a Council Member of Food From Britain, which received £81,000 (2008: £86,000) for services provided during the year.

- David Dobbin is Group Chief Executive of United Dairy Farmers Limited, which received £173,000 (2008: £nil) in financial assistance payments during the year. Dale Farm, a subsidiary company of United Dairy Farmers Limited, also received £48,000 of financial assistance and £3,000 for services provided.

- David Dobbin is Chairman of InterTradeIreland, which received payments of £21,000 (2008: £108,000) for services provided during the year.

- Mark Ennis is a Non Executive Director of Sensor Technologies and Devices Limited, which received £37,000 (2008: £16,000) in financial assistance payments during the year. A new financial assistance package totalling £81,000 was also offered.

- Mark Ennis is a Council Member of the CBI, which received £8,000 (2008: £4,000) for services provided during the year.

- Mark Ennis is connected to Creative Composites Limited through family relations. During the year this company received £2,000 (2008: £1,000) for services provided and received £17,000 (2008: £138,000) in financial assistance payments. A new financial assistance package totalling £33,000 was also offered.

- Alan Lennon, Gerry McCormac and Roy Adair are Board Members of Business in the Community, which received £8,000 for services provided (2008: £42,000).

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 (2009: £18,000, 2008: £21,000).

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

Programmes funded by DEL

Community Business Start-Up Programme: Invest NI received £58,000 funding in the year (2008: £nil). The amount due from DEL at the year end is £nil (2008: £176,000).

Investing in Women Programme: Invest NI received £143,000 funding in the year (2008: £115,000). The amount due from DEL at the year end is £23,000 (2008: £65,000).

Programme funded by DOE

Waste Management Programme: No funding was received in the year (2008: £25,000). There are no amounts due from DOE at the year end (2008: £nil).

Programme funded by DETI

Peace II Social Entrepreneurship Programme: Invest NI received a separate funding of £600,000 from DETI in the year (2008: £304,000). There are no amounts due from DETI at the year end (2008: £nil).

Programme partially funded by NIE

SME Energy Efficiency Grant Scheme: No funding was received in the year (2008: £46,000). The balance of advanced NIE funding at the year end is £nil (2008: £nil).

Programme partially funded by Enterprise Ireland

Transform Scheme: Invest NI received £50,000 in the year (2008: £41,000). The balance due from Enterprise Ireland at the year end is £nil (2008: £4,000).

Programmes partially funded by EU (non core EU programmes)

Western Innovation Network Programme: No funding was received in the year (2008: £nil). The amount due to EU at the year end is £133,000 (2008: £184,000 debtor).

Innovation Relay Centre: No funding was received in the year (2008: £48,000). The amount due from the EU at the year end is £94,000 (2008: £94,000).

Era-net Programmes: Invest NI received £25,000 (2008: £63,000). The amount due from the EU at the year end is £2,000 (2008: £10,000 creditor).

Interreg III, North West Business and Technologies Zone at Skeoge: Invest NI received £1,283,000 in the year (2008: £54,000). The amount due from the EU at the year end is £505,000 (2008: £nil).

Interreg III, Regional Initiatives: Invest NI received £87,000 in the year (2008: £nil). The amount due from the EU at the year end is £21,000 (2008: £21,000).

European Information Centre: Invest NI received £3,000 in the year (2008: £22,000). There are no amounts due from the EU at the year end (2008: £nil).

Enterprise Europe Network: Invest NI received £210,000 in the year (2008: £nil). The amount due to EU at the year end is £45,000 (2008: £13,000 debtor).

33. INVEST NI OFFICE NETWORK

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

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

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

Appendix A
Share Investments in Client Companies

Accounts Section

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

Company	Type of shares	No. of shares 2009	No. of shares 2008
Activity Breaks	£1 cumulative redeemable preference shares	150,000	150,000
Aepona Limited	£1 redeemable preference shares	-	325,000
Aepona Group Limited**	£1 7.5% cumulative convertible redeemable preference shares	1,075,000	-
Aepona Group Limited**	£0.01 'A' preference shares	1,000,000	-
Aepona Group Limited*	£0.000001 'Z' ordinary shares	125,980,796	-
Anderson Manning Associates Limited	£1 5.5% non cumulative redeemable preference shares	-	150,000
Aerospace Metal Finishers Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Alta Systems Limited	£1 7% convertible cumulative redeemable preference shares	100,000	100,000
Andronics Limited	£1 8.5% cumulative preference shares	225,000	225,000
Andronics Limited	£1 ordinary shares	375,000	375,000
ART Technology Group	Common stock	235,783	235,783
Autonomy Corporation	Ordinary shares	56,935	56,935
AXIS Three Limited*	'A' ordinary shares	167,581	54,405
AXIS Three Limited	Ordinary shares	81,364	81,364
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Balcas Timber Limited	£1 "C" preferred ordinary shares	1,350,000	1,350,000
Belleek Pottery Limited	Redeemable cumulative preference shares	-	100,000
BiancaMed Limited	€0.01 convertible cumulative redeemable shares	17,897	17,897
Biznet IIS Limited	£1 8% redeemable cumulative preference shares	37,500	-
Biznet Solutions Limited	£1 8% redeemable cumulative preference shares	37,500	75,000
Bluechip Technologies Holdings Limited	£1 6% redeemable cumulative preference shares	65,000	65,000
Causeway Data Communications Limited	5.5% non cumulative redeemable preference shares	25,000	25,000

Continued

Company	Type of shares	No. of shares 2009	No. of shares 2008
Chieftain Trailers Limited	5.5% non cumulative redeemable preference shares	150,000	150,000
CNC Components (UK) Limited	£1 redeemable non cumulative preference shares	220,000	220,000
Conexant Systems Inc	$0.01 common stock	6,070	60,716
Country Inns (Ulster) Limited	£1 8% "A" redeemable cumulative preference shares	250,000	250,000
Cunningham Stone Limited	£1 8% redeemable cumulative preference shares	140,000	140,000
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Dark Water Studios	Ordinary shares	8,696	8,696
Datactics Limited	£1 redeemable cumulative preference shares	100,000	100,000
Dunsilly Hotel	£1 6% redeemable cumulative preference shares	100,000	100,000
Eventmap Limited	£1 4% redeemable cumulative preference shares	81,000	81,000
Embedded Monitoring Systems Limited	£1 7.5% convertible redeemable cumulative preference shares	75,000	75,000
Finisco Limited	£1 7.5% convertible redeemable cumulative preference shares	76,000	76,000
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Fusion Antibodies Limited	Ordinary shares	2,800	2,800
Global Email Company Limited	£0.00001 "B" ordinary shares	57,173,148	57,173,148
Gendel Limited	Redeemable cumulative preference shares	378,000	378,000
Gendel Limited	£0.0211 preferred ordinary shares	2,365,577	2,365,577
Hartstone Group plc	£0.10 ordinary shares	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

Continued

Company	Type of shares	No. of shares 2009	No. of shares 2008
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
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
Intune Networks (Belfast) Limited*	£1 cumulative convertible redeemable preference shares	240,000	-
Kelman Limited	150,000 cumulative redeemable preference shares	-	150,000
Killyhevlin Hotel	£1 redeemable cumulative preference shares	245,000	245,000
Lagan Technologies Limited	£1 redeemable 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
Learning Pool Limited*	£1 10% convertible cumulative redeemable preference shares	80,000	-
Level Seven Creative Limited*	£1 10% cumulative preference shares	110,000	-
Linden Foods Limited	£1 redeemable cumulative preference shares	-	244,299
Manor House Country Hotel	£1 3% redeemable cumulative preference shares	-	220,000
Medevol Limited	Ordinary shares	100,000	100,000
Mobile Cohesion Limited	£1 redeemable cumulative preference shares	400,000	400,000
MRB Creative Limited	10% cumulative redeemable preference shares	-	63,300
Naturelle Consumer Products Limited	£1 redeemable non cumulative preference shares	122,000	149,000
Northern Whig Limited	£1 redeemable cumulative preference shares	50,000	50,000
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Quantum Hosiery Limited (Previously Adria Limited)	£1 non cumulative redeemable preference shares	1,000,000	1,000,000
Randox Laboratories Limited	£1 5% cumulative redeemable preference shares	4,000,000	4,000,000
Reflex Mouldings Limited	£1 cumulative redeemable preference shares	200,000	200,000

Continued

Company	Type of shares	No. of shares 2009	No. of shares 2008
Replify Limited	Preferred ordinary shares	333,333	333,333
Sensor Technology & Devices Limited	Preferred A ordinary shares	30,087	30,087
Sensor Technology & Devices Limited	Preferred B ordinary shares	15,044	15,044
Serpico Software Limited	£1 10% cumulative redeemable preference shares	135,000	135,000
SISAF Limited*	Ordinary shares	540	-
SMTEK International Inc. (USA)	$0.01 common stock	-	17,042
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000	330,000
Sycadex Limited*	£1 convertible redeemable preference shares	60,000	-
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
Trace Assured Limited	£1 7% "A" cumulative redeemable preference shares	50,000	50,000
Trace Assured Limited	£1 7% "B" cumulative redeemable preference shares	540,000	540,000
Trace Assured Limited	£1 ordinary shares	7,000	7,000
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000	75,000
Tudor Journals Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Ulster Development Capital	£1 ordinary shares	-	15,000
Ulster Engineering Limited	£1 redeemable non cumulative preference shares	100,000	100,000
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
Western Connect Limited	5.5% cumulative redeemable preference shares	-	100,000
William Clark & Sons Limited	£1 redeemable ordinary shares	-	750,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000

* Share investment 2008-09, each £250,000 and below
** Share investment 2008-09, greater than £250,000

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

Company	Type of shares	No. of shares 2009	No. of shares 2008
Answercall Direct Limited	£1 5% redeemable preference shares	-	200,000
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
Duromould Limited	£1 5% redeemable cumulative preference shares	50,000	50,000
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Exus Energy Limited	£1 5.5% preference shares	120,000	120,000
Fighting Bull Technologies Limited	£1 7.5% convertible redeemable cumulative preference shares	200,000	200,000
Fighting Bull Technologies Limited	£1 ordinary shares	1,000	1,000
Glenaden Shirts Limited	£1 cumulative redeemable preference shares	250,000	250,000
Glenaden Shirts Limited	£1 8% non cumulative redeemable preference shares	100,000	100,000
Herdman Holdings Limited	£1 "B" ordinary shares	2,490,000	2,490,000
Hydris Systems Limited	Ordinary shares	10,000	10,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,000	200,000
Irish Polymers Limited	£1 5% cumulative redeemable preference shares	-	100,000
James Dunlop (NI) Limited	£1 "A" redeemable non cumulative preference shares	150,000	150,000
John Henning	£1 "A" redeemable cumulative preferences shares	149,000	149,000
K-Hub.com Limited	£1 redeemable non cumulative preference shares	50,000	50,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000

Continued

Company	Type of shares	No. of shares 2009	No. of shares 2008
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000
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
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	£0.10 "A" ordinary shares	500,000	500,000
Sarcon (No 150) Limited (Donaghadee Carpets)	£1 8% cumulative redeemable preference shares	1,500,000	1,500,000
Sheelin Products Limited	£1 redeemable preference shares	40,000	40,000
Softcom Limited	£1 redeemable preference shares	50,000	50,000
SMTEK Europe Limited	£1 redeemable preference shares	200,000	200,000
Tough Glass Limited	£1 redeemable non cumulative preference shares	180,000	180,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Ulster Weavers Apparel Limited	5% redeemable preference shares	173,500	519,500
United Fashion (Strelitz)	£1 "A" redeemable preference shares	250,000	250,000
Whiteabbey Mechanical Services	£1 redeemable preference shares	20,000	20,000
Woodlock Joinery Limited	£1 redeemable cumulative preference shares	175,000	175,000

Notes

Notes

FSC Mixed Sources

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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:

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ISBN 978-0-9554385-5-4

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