# INVEST NORTHERN IRELAND ANNUAL REPORT AND ACCOUNTS

Invest Northern Ireland
Building Locally
Competing Globally

Annual Report and Accounts
2011-12

European Union
European Regional Development Fund
Investing in your future

# INVEST NORTHERN IRELAND
# ANNUAL REPORT AND ACCOUNTS
# FOR THE YEAR ENDED 31 MARCH 2012

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.

Date: 4 July 2012

This document is also available on our website at **www.investni.com.**

Any enquiries regarding this document should be sent to us at Invest Northern Ireland, Bedford Square, Bedford Street, Belfast, BT2 7ES or email **info@investni.com**

# Contents

# Introduction

The Board presents the annual report and audited accounts of Invest Northern Ireland (Invest NI) for the year ended 31 March 2012.

These accounts have been prepared in accordance with applicable International Financial Reporting Standards. The accounts are also in compliance with paragraph 17 of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by the Department of Enterprise, Trade & Investment (DETI) with the approval of the Department of Finance & Personnel (DFP) and 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 4(iv) to the accounts and in the Remuneration report.

## Aims and Objectives

Invest Northern Ireland is Northern Ireland's economic development agency. Our overall goal is to help create wealth for the benefit of the whole community by strengthening the economy and helping it grow.

We do this by supporting business development, helping to increase export levels, attracting high quality inward investment, and stimulating a culture of entrepreneurship and innovation.

Specifically, we want to increase business productivity and boost Northern Ireland's Gross Value Added (GVA) per employee, which is around 20 per cent lower than the UK average. GVA is the contribution each employee makes to the economy, and increasing it will help to generate wealth for the benefit of the whole community.

# Board and Executives 2011-12

## Board Members

| | |
|---|---|
| Mark Ennis | Chairman from 1 January 2012 |
| Stephen Kingon | Chairman until 31 December 2011 |
| Bryan Keating | Deputy Chairman |
| Ed Vernon | |
| John Brady | |
| Roy Adair | |
| Tim Brundle | |
| David Dobbin | |
| Frank Hewitt | |
| Alan Lennon | |
| Gerry McCormac | |
| Gerry McGinn | |

## Chief Executive and Senior Management

| | |
|---|---|
| Alastair Hamilton | Chief Executive |
| Tracy Meharg | Managing Director, Innovation and Capability Development |
| Jeremy Fitch | Managing Director, Client Group and Business International |
| Ian Murphy | Managing Director, Client Group and Entrepreneurship |
| Mel Chittock | Managing Director, Corporate Services |

# Organisation Structure

- Mark Ennis, Chairman
  - Alastair Hamilton, Chief Executive
    - Jeremy Fitch, Managing Director, Client Group and Business International
      - Kevin McCann, Director, Transport, Construction & Tourism
      - John Hood, Acting Director, Electronics, General Manufacturing & Business Services
      - Bill Montgomery, Director, International investment
    - Ian Murphy, Managing Director, Client Group and Entrepreneurship
      - Maynard Mawhinney, Director, Food
      - Bill Scott, Director, Regional Economic Development
      - Stephen Wightman, Acting Director, Life Sciences & Creative
      - Donal Durkan, Director, Jobs Fund
    - Tracy Meharg, Managing Director, Innovation and Capability Development
      - Carol Keery, Director, Innovation, Research & Technology
      - Niall Casey, Director, Business Improvement Services
      - Vicky Kell, Director, Trade
      - Olive Hill, Director, Technology & Process Development
    - Mel Chittock, Managing Director, Corporate Services
      - Damian McAuley, Director, Strategic Management & Planning
      - Amanda Braden*, Director, Human Resources
      - Brian Dolaghan, Director, Finance
      - William McCulla, Director, Corporate Finance, Appraisal & Advisory
      - Peter Harbinson, Head of Corporate Communications & Marketing Unit
      - Steve Chambers, Head of Property Solutions Unit
      - Alison Gowdy, Head of Transform Project

* Liam Hagan retired as Director of Human Resources in June 2011. Amanda Braden was appointed to the post in November 2011. During the year, Invest NI completed its restructuring under the transform programme. This current structure will be replaced with the revised organisational structure which will be operational from 01 April 2012.

# Chairman's Introduction

Invest NI continued to build on the successful delivery of the 2008-11 Corporate Plan with a strong performance in 2011-12. This was achieved in spite of the continued tough economic backdrop that has impacted the UK and many of our customers export markets. As a result of this, many of our clients delayed or scaled back planned investments resulting in a commensurate reduction in our net expenditure.

Given the economic climate, I am pleased to report that by focusing on the job in hand 6,485 new jobs have been promoted and over £450m of investment supported, enabling us to achieve the majority of our targets.

## Key achievements for the year

In 2011–12 Invest NI:

- supported total investment commitments of £452m by both locally owned and foreign businesses;
- promoted 6,485 new jobs, with 2,998 in locally owned companies, 2,267 in externally owned companies and a further 1,220 through locally focussed new business starts;
- supported over 2,000 local companies to expand and secured 24 new investments from international investors;
- secured wages and salaries of £90m against a target of £51m – 76 per cent over target;
- supported investment of £18m in skills development – 50 per cent above target of £12m;
- delivered 1,920 trade interventions – 7 per cent above target; and
- supported private sector investment in R&D of £65m, 87 per cent of our target of £75m.

With the exception of the R&D target and our target of 1,659 new local business starts; where a total of 1,220 were achieved we met our 2011/12 performance targets. The latter was impacted on by a legal challenge during the year which prevented us from delivering a full support programme to enable those individuals interested in investigating starting a business.

Overall, these figures translate into real benefits delivered to our customers and to the wider business base and, as a consequence, tangible positive effects on the local economy.

Encouragingly, total offers by Invest NI were over a third higher in 2011–12 than in the previous year. This reflects our change in strategy to engage with a broader customer base and shape the support we offer in a more business friendly manner.

Over 90 per cent of all offers were made to locally owned small and medium sized enterprises, which make up the vast majority of all businesses in Northern Ireland and are therefore the lifeblood of our economy.

During the year, in response to the ongoing economic difficulties, our support was flexed so that it could be accessed more quickly and easily by companies. The Boosting Business campaign, which included a number of new measures, proved to be a resounding success and was a good example of the value of proactive responsiveness.

The skills of the local workforce also make a major contribution to productivity and economic success bolstering the capability of local firms and further enhancing Northern Ireland's proposition to inward investors. The Department for Employment and Learning's Assured Skills programme has played a major role in our drive to attract high quality inward investors such as CVS Caremark, Axiom and Cowen International. It is a model which is attractive to potential investors and one which we shall seek to further develop.

## Corporate plan context

The 2011/12 year was the first year of our four year corporate plan period, which sets out a challenging and diverse set of targets to deliver by 2015. Our targets are totally aligned to the Programme for Government and Economic Strategy and are focused on innovation, employability, exporting, business growth, skills and developing the economic infrastructure.

These are all elements that will contribute to the rebalancing of our economy and to closing the productivity gap which still exists between Northern Ireland and the rest of the UK. The NI Executive's priority remains the growth of the private sector and increasing wealth in our society for the good of the whole community.

To this end we will continue to target high value economic activity, whether through support for local frontier technology, scalable businesses that can deliver high quality jobs or from inward investment. Having the right weapons in our armoury to achieve this will be important. In this regard we look forward to positive outcomes on the reduction of Corporation tax; an extension of regional aid beyond 2013; and the continuation of Northern Ireland's automatic designation as an assisted area; all of which will require considerable political and business support.

At the same time we remain realistic about the need to rebuild our economy and support job creation across the length and breadth of the local labour market, for as long as economic conditions remain challenging.We have therefore reviewed and revised our range of programmes and initiatives to ensure that they are the right tools to get the job done.

## Invest NI's approach

During the last year Invest NI continued its process of restructuring and as the year closed we completed our new organisational framework through which we will deliver our range of business support solutions going forward.

We will also continue to broaden our reach across the entire business community through a range of channels such as nibusinessinfo.co.uk, web-based delivery, and a mix of seminars and workshops.

The new structure which is grounded in our values, reflects the priorities of the Corporate Plan and will allow us to more effectively target our resources at those businesses and entrepreneurs that have the greatest potential to impact positively on the economy.

And for the first time we have a Strategy division, which is responsible for leading the development of Invest NI's corporate strategy in response to the NI Executive's Programme for Government, Economic Strategy, Investment Strategy and the Department of Enterprise, Trade and Investment's policy objectives, ensuring that operationally we are fully aligned with the goals of government.

We remain, of course, just one of many players in the field of economic development and we will continue to work in partnership with others to achieve the best results for the Northern Ireland economy. Our successes are part of a collective effort on the part of DETI, other government agencies, stakeholders, businesses and academia.

## Conclusion

Although I have been Chairman of Invest NI for only a short time I have already gained a very real sense of the commitment of the staff and the desire within the organisation to effectively support the business community through delivery of world class services. My thanks to all of the staff and in particular to the excellent management team and members of the board that have displayed focused and effective leadership.

I would also like to take this opportunity to acknowledge the contribution made by my predecessor Stephen Kingon, who over six years expertly steered Invest NI through some challenging times and whose commitment and wisdom helped to shape the agency's vision and values and keep it focused on customer service.

Finally I would like to pay tribute to the resilience of the Northern Ireland businesses that continue to take risks, seek out new opportunities and invest in the future. I assure them that Invest NI will continue to support them in the most effective way it can.

**Mark Ennis**
Chairman

# Chief Executive's Overview

Invest NI's performance continues to improve year on year and in 2011–12 we, again, met or exceeded most of our key targets, an impressive achievement when considered in the context of the ongoing global economic difficulties.

Highlights of the year include supporting the promotion of 6,485 jobs, against a target of 6,182.

Perhaps more importantly was the quality of jobs we supported. Excluding projects supported through the Jobs Fund and locally focused business starts, over 60 per cent of new jobs promoted in locally owned companies and 90 per cent of those in externally owned companies will pay salaries above the Northern Ireland Private Sector Median. Since 2008-9, our focus to attract high quality new inward investment has resulted in the average gross salary from new inward investment increasing by 35 per cent and, last year, exceeded £36,000.

We also accelerated the roll-out of our support through the Jobs Fund, a £19m package of measures covering the "length and breadth" of our economy, to encourage job creation. This is the first time that we are measuring jobs created in the year, as well as jobs promoted over the longer term, and it is a tremendous result that of the 2,390 jobs promoted, 1,021 have already been created and helped individuals into employment. At over 40 per cent, this is a much faster job creation profile than would typically be created in the first year compared to most other projects. These included not only large announcements such as Capita and Decora Blinds, but also many smaller projects, where even small numbers of jobs are making a difference on the ground.

But our work is not all about job creation and during the year our range of support and advice has helped hundreds of companies from all sectors and of all sizes to improve their capability, increase the skills of their workforce, drive up export activity and develop or improve products and processes.

## Inward investment success

Northern Ireland continues to attract more than its fair share of high value inward investment and during the year we secured 24 new inward investments, including first time investments by major international companies including Axiom, Cowen International, CME Group and CVS Caremark. Almost 1,000 of the jobs they intend to create will pay salaries above the private sector median and therefore represent the kind of high quality employment which has the potential to create wealth and drive our economic activity up the value chain.

They also illustrate how more and more of the world's leading companies are realising the potential of Northern Ireland and the benefits of setting up operations here. They are attracted by our cost competitive business base, which is an excellent nearshore location from which to service many markets. The strength of our young, well-educated workforce, the strengths of our private and academic research bases, good international connectivity, excellent infrastructure and, of course a supportive local business base, which is well placed and prepared to work in partnership with new investors, make us a region which is pro-business and open for business.

We have continued to successfully target and attract companies in the priority sectors of ICT, financial services, business services and renewables but have also had ongoing success in the important area of creative industries and in particular in the film and television arena. During the year Northern Ireland secured the filming of the second series of Game of Thrones and our burgeoning film industry was recognised in the Oscar awarded to the short film The Shore.

We also saw a number of significant reinvestments by externally owned companies including Andor, Capita, Perfecseal and Vion. And we welcomed the decision by Bombardier Aerospace to place a further £70m worth of C-Series and Learjet 85 supply chain contracts with local firms in Northern Ireland.

As well as jobs, inward investments bring new skills, new technology, market reach and supply chain opportunities for our local business base and so are the cornerstone of economic growth in Northern Ireland.

## Supporting local business growth

Over 94 per cent of our offers, comprising 73 per cent of our financial support, were made to locally owned, mostly Small and Medium sized Enterprises to help them grow, increase productivity and achieve success in new markets.

These included McAuley Engineering, Kelvatek, Kainos Software, IMS, Creative Composites, Munster Simms and the Adair Arms Hotel and our support for local businesses included financial and advisory assistance in areas ranging from job creation and skills development to energy efficiency, operating improvements, marketing and product development.

With our support and through a focus on efficiency, productivity and the drive to find opportunities in new product markets and new geographical locations, these businesses are succeeding despite difficult trading conditions.

## Stimulating innovation

Innovation is core to business and economic success and we have helped to raise the level of business expenditure in research and development in Northern Ireland over the past number of years. However, we recognise the need to push these levels up further and have worked over the last year to help companies of all sizes to embed innovation in their culture.

One of our most successful initiatives is the Innovation Voucher programme which last year provided 328 vouchers to enable businesses to access technical expertise from colleges and research institutions across Ireland.

We also supported a number of significant investments in research and development through our Grant for R&D programme. These included a £495,000 investment by United Dairy Farmers and a £658,000 investment by Macrete Ireland in Toomebridge.

In total we supported £65m of private sector investment in research and development in 2011–12. It is this type of support which has helped lift Northern Ireland to 6th in the ranking of the twelve UK regions in terms of Business Expenditure on R&D and it now sits just below the UK average.

2012 also saw the official opening of the £6m Northern Ireland Advanced Composites and Engineering Centre, operated by Queen's University and the University of Ulster and part funded by Invest NI. This new industry-led centre is about maximising the benefits of the knowledge and skills that already exist in advanced material and composite technologies in Northern Ireland, and enhancing those capabilities to ensure that we stay at the forefront of the global advanced engineering sector.

## Encouraging export growth

We have continued to increase our focus on helping companies to grow their exports, as this is fundamental to growing the Northern Ireland economy.

During the year we helped hundreds of companies to prepare for exporting through our workshops and seminars, and our in-market trade advisors helped open doors for them in overseas markets and guided them through the intricacies of trading overseas.

To support this drive we strengthened our in-market representation in key markets by recruiting eleven in-market advisors, developing our Dubai office into a hub for the Middle East and opening a new office in Jeddah. As a result, our global reach now extends to some 20 countries from San Jose, USA in the west to Tokyo, Japan in the east.

We also ran 30 trade missions during the year to countries as diverse as Kurdistan, Russia, China and Brazil in which over 360 people took part, and we supported over 280 people to attend international exhibitions on a range of topics from cloud computing to healthcare.

Several local companies secured contracts as a result of these missions, including Tyrone company Environmental Marketing Solutions, which won a £7.5m contract during the Kurdistan mission.

Many other companies announced export successes during the year that were the result of Invest NI support. These included Crossgar Foodservice, Seaforde which secured a £5m contract to supply beef, poultry, pork and eggs to the Irish Prison Service, and Yardmaster International in Draperstown which announced an £8m export sales boost in its key markets of Europe and the UK .

This kind of export success is hugely important, as it's only by increasing exports that we can develop a robust economy.

Overall we delivered 1,920 trade interventions, exceeding our target by almost 7 per cent. These interventions included seminars, trade missions, trade visits, exhibitions and in-market support.

## Supporting a wider range of businesses

During 2011–12 we continued to extend the reach of our support to include many more businesses in Northern Ireland.

Our activity in this area included delivering Profit through Improvement workshops, Focus on Finance workshops, ABC of Selling seminars, ICT conferences and resource efficiency seminars.

A key channel of our support for the wider business community is the nibusinessinfo.co.uk website. In 2011–12 we achieved over 3,100 new registrations on the site, 74 per cent more than the target set, and we recorded almost half a million visits to the site.

To support Invest NI's marketing efforts and increase our reach across the business community, we have become noticeably more active in social media across Twitter, LinkedIn, Facebook, Google+ and YouTube and constantly track our brand across the range of social media channels.

## Boosting Business

Our Boosting Business campaign was launched in September 2011 to help businesses defy the downturn. It included a number of support measures under the themes of jobs, R&D, skills, exports and new technology to help businesses right across Northern Ireland.

The response to the campaign has been very positive with over 6,500 enquiries received by our Enquiry Handling Team from individuals and businesses keen to find out about the support available to them. Over 80 per cent of these enquiries came from businesses which had not previously engaged with us.

The campaign has helped us add 1,200 cases to our work in progress, which, if all come to fruition, have the potential to create almost 1,600 jobs.

## Organisational improvements

During the year we continued our internal programme of change, Transform, which culminated in a new organisational structure being put in place, effective from 1 April 2012. This will allow us to provide a more streamlined and focused customer experience.

Transform was a response to the Independent Review of Economic Policy published in 2009 which made several recommendations relating to Invest NI. By the end of March 2012, we had successfully delivered on all of those recommendations which were within our remit. These included rationalising our programmes, focusing on export-led growth, securing new delegated financial limits, accelerating casework processing times and making many of our services available to a wider range of businesses.

As a result of Transform we now also have mechanisms in place to measure our performance across a number of platforms Including performance, process, people and customers.

During the year we also welcomed the publication of the Northern Ireland Audit Office Report into the performance of Invest NI and the recognition of the strong performance improvements which have been delivered over the past three years.

We continue to seek regular feedback from our customers and the final report on the 2011 Customer Satisfaction Survey showed that overall satisfaction last year was up 4 per cent to 68 per cent, its highest level, continuing in the positive trend since 2007. Meanwhile, the proportion of customers who are dissatisfied has significantly declined to 9 per cent.

We've focused on improving our performance right across the agency and key achievements include paying 90 per cent of our suppliers within 10 days, keeping our absenteeism levels below 3.75 per cent and launching our new intranet offering enhanced functionality and improved internal communication.

## Looking ahead

We move into 2012/13 with an organisational structure and a range of business solutions in place that will provide effective and timely support to a wide business base.

We will continue to focus our resources on those businesses with the highest growth ambitions, or the potential to succeed in export markets, and so our full range of support, financial and otherwise, will be available to them. However, we will continue to provide advice and guidance to all businesses that seek our help.

2012 is an important year for Northern Ireland in terms of tourism and the economy. It will also present great opportunities for local businesses, not just in the tourism sector, but in every sector. Every new visitor attraction, for example, needs a supply chain, whether it is catering, giftware, promotion, cleaning supplies, or maintenance.

For Invest NI, 2012 is also a special year, as it marks the 10th anniversary of the organisation. Over this period, the organisation has refined and refocused itself and matured into a very effective economic development agency which impacts positively on business and the wider economy.

We realise that there is much more we can do and, with our Transform programme embedded in the organisation and delivering operational benefits, we will continue to drive the continuous improvements that ensure we focus on the needs of our customers and deliver the real value to their operations that enable them to grow and succeed.

**Alastair Hamilton**
Chief Executive

# 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 aims and objectives are described on page 1. The detailed objectives and strategies are further outlined below.

The consolidated financial statements include the results of Invest NI and its subsidiary company Northern Ireland Co-Operation Overseas Limited (NI-CO). Invest NI owns the entire ordinary share capital of NI-CO and the NI-CO Chief Executive is the designated Accounting Officer responsible to the DETI Permanent Secretary. NI-CO receives no funding from either Invest NI or DETI and is entirely self funding, generating its own income through its principal activities of the marketing and selling of Northern Ireland public sector services and expertise on a worldwide basis.

## Objectives and Strategic Direction

The year 2012/13 will mark the end of the first year of the implementation of the current Programme for Government, the new Economic Strategy and Invest NI’s 4 year Corporate Plan. To achieve the targets outlined in each of these, we will stimulate innovation and creativity amongst our business base, drive business growth and internationalise our economy. Achieving sustainable growth will take into account the needs of businesses that trade internationally, those currently serving local markets but with the potential to internationalise, and those that will continue to serve local demand. Our closest working relationships will be with those entrepreneurs and businesses with the greatest potential to improve productivity and grow in export markets.

The products, services and support we offer will be simple to understand and flexible enough to be tailored to the specific needs of businesses at different stages of growth. We will develop and deliver a scaling strategy which focuses on encouraging high growth businessses to increase exports and innovation in order to improve productivity, and develop strong, highly skilled management teams which can lead to business success.

Much of our activity will concentrate on building those sectors where Northern Ireland has existing capability, such as food, tourism, IT, financial services, life sciences, construction and transport/aerospace, or has the potential to develop it, including the creative industries, renewable and sustainable development and emerging opportunities identified by MATRIX. We will also build the sectors and collaborative networks which will drive long-term productivity growth by maximising market opportunities and exploiting technology opportunities. Through a mix of seminars, workshops, diagnostic tools and our programmes and initiatives, we will provide the market development and capability support to help a much wider range of businesses to grow and move into new markets. Much of this will be delivered through a partnership with others involved in economic development, enabling us to deliver the best possible customer experience.

Through these activities, the employment opportunities and productivity improvements that will grow our economy and increase our overall standard of living will be created.

A summary of performance against Invest NI's key targets set in year one of the 2011-15 Corporate Plan are shown below:

# 2011-12 Operating Targets and Achievements

| Theme | Activity | 2011 / 12 Target | Outturn at 31 March 2012 |
|---|---|---|---|
| **Stimulating innovation, R&D and creativity** | Value of investment in R&D | Secure private sector investment in R&D of £75 million | **£65 million** |
| **Improving employability and the relevance and use of skills** | Encouraging investment in key skills | Secure £12 million investment in skills development | **£18 million** |
| **Competing in the global economy** | Securing inward investment from key sectors with associated job targets | Promote 1,085 jobs from inward investors | **1,120** |
| | | Secure total investment commitments of £69.5m | **£116 million** |
| | | Secure £29.6m in addidtional wages and salaries | **£42 million** |
| | Encourage existing exporters to diversify | Provide 1,800 trade interventions | **1,920** |
| **Encouraging business growth** | Support wages, salaries and job creation in locally-owned businesses | Promote £77.8m of investment and 1,222 jobs in locally-owned businesses | **£162 million investment 1,755 jobs** |
| | | Secure £24.3m in additional wages and salaries | **£48.3 million** |
| | Encourage entrepreneurship and new business development and growth | Promote 1,625 new jobs in new start-up businesses | **1,220** |
| **Developing our economic infrastructure** | | Make 30 acres of land available for economic development | **33 acres** |
| **Promoting employment and employability** | Encourage new job creation and employment opportunities in response to the economic downturn | Promote 2,250 jobs with 1,015 to be created by 31 March 2012. | **2,390 jobs promoted 1,021 jobs created** |

Given the overlap between the key themes of Rebuilding and Rebalancing, the full breakdown of Invest NI's 2011/12 job promotion is detailed below:

| Theme | | Activity | Operating Plan Target 2011/12 | Outturn at 31st Mar 12 | |
|---|---|---|---|---|---|
| REBALANCING | Competing Globally | Promote jobs from inward investors (with 75% paying salaries above the NI Private Sector Median (PSM) by 2015) | **1,085 (814 above PSM)** | **FDI** | **1,120 (978 above PSM)** |
| REBALANCING | Business Growth | Promote jobs in locally-owned companies (with 50% paying salaries above the PSM by 2015) | **1,222 (611 above PSM)** | **Local** | **1,755 (1,066 above PSM)** |
| REBALANCING | Total Rebalancing | | **2,307 (1,425 above PSM)** | **2,875 (2,044 above PSM)** | |
| REBUILDING | Business Starts | Promote new jobs in new start-up businesses by 2015 | **1,625** | **Local** | **1,220** |
| REBUILDING | The Jobs Fund | Promote jobs through the Jobs Fund by 31 March 2015 | **2,250** | **1,147 FDI**<br>**1,243 Local** | **2,390** |
| REBUILDING | Total Rebuilding | | **3,875** | **3,610** | |
| | Grand Total | | **6,182** | **6,485** | |

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

We will continue to review and streamline our support ensuring that it is aligned with the key drivers of economic growth that will help to increase the size, competiveness and value of the private sector.

Our new corporate plan, which covers the period 2011–2015, sets out a framework for rebalancing and rebuilding our local economy based on six key drivers of growth.

- Stimulating innovation and creativity by driving market led innovation throughout our business base, encouraging higher levels of collaboration and increasing commercial outcomes from knowledge transfer and open innovation activities
- Increasing skills levels to create an added-value workforce through staff training and improving skills
- Enabling Northern Ireland to compete in the global economy by helping our companies to maximise their export sales and by attracting high quality inward investments
- Driving business growth by encouraging local business formation and entrepreneurship, supporting ambitious companies to grow to scale and helping eliminate the real and perceived barriers to growth

- Developing our economic infrastructure to build a modern, effective infrastructure which is attractive to both local businesses and inward investors
- Promoting employment and employability

We will work within this framework but remain conscious that the ongoing uncertainty in global markets may impact upon the business community, and so we will be prepared to respond to changing circumstances quickly and effectively. For example, from January 2014 under the proposed changes to Regional Aid guidelines, Northern Ireland will not receive an automatic renewal on the same basis as currently exists. However we will continue to lobby to ensure that, whatever the outcome we will continue to have access to the most appropriate support mechanisms to encourage investment, particularly from overseas.

The proposed reduction in the rate of Corporation Tax in Northern Ireland would give us a valuable additional incentive and enable us to compete for higher value added inward investments that have historically been beyond our reach, and to stimulate higher levels of investment by our indigenous businesses.

We recognise that we may continue to be faced with downward pressure on budgets and will need to manage future commitments effectively to ensure that projects supported offer the maximum potential return to the economy and deliver on the outcomes stated in their original business plans. Equally, we appreciate that new opportunities may emerge where Northern Ireland either has, or can develop, competitive advantage. We will use our international connectivity, both physical and knowledge-based, to identify those sectors, markets, or technology opportunities which reflect our ambition for the Northern Ireland economy and underpin economic development in the longer term.

## Key Financial Highlights for the Year

### Invest NI

- Total net outturn for the year was £123 million against an allocated budget of £125.4 million, a 98.1 per cent achievement against target.
- Receipts generated in the year totalled £10.75 million against a target of £11.75 million. These receipts related to the disposal of property, plant and equipment and investments, and to the clawback 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 £2.1 million which is repayable to DFP.

# Financial Performance

## Statement of Comprehensive Net Expenditure

Total expenditure for the year, excluding corporation tax, has decreased from £199 million to £150 million. The decrease is primarily due to a reduction of £49 million in the grant expenditure and programme related costs, reflecting the ongoing economic difficulties during 2011/12. In addition there has been a decrease of £2.7 million in the charge for asset development and maintenance costs mainly due to the release of a provision due to the settlement of a property case at a lesser amount than anticipated, while administrative expenditure stayed constant at £32.5 million. The provision against debt and financial instruments has decreased by approximately £0.3 million and asset impairment increased by £3 million due to the continuing downturn in the property market. There was a 97 per cent outturn against the organisation's administration budget (excluding HQ unitary charges) of £27.6 million.

Total income for the year has reduced from £29 million to £21 million. This decrease is accounted for by an £7.9 million reduction in receipts from the European Commission, reflecting a reduction in the related expenditure, and a decrease of £1.5 million in the level of recoverable claw back income accounted for when client companies breach financial assistance agreements. There was increased income of £1.6 million in relation to profit on non-current asset disposals.

## Statement of financial position

Non-current assets including investments at the year-end were £101 million, a reduction of £23 million on 2010-11. This was primarily due to a reduction of £20 million in the value of land and property holdings, and a reduction of almost £5 million in investments, mainly due to sales of shares and client repayment of loans.

The reduction in land and property value reflects the current difficult market conditions and the impact of the downturn in the property market have continued into the 2011-12 financial year. 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.

Current assets have increased from £38 million to £45 million. This is primarily due to an increase in trade and other receivables, made up of an increase of £6 million for EU receivables and an increase of £1 million for other debtor receivables.

Current liabilities have reduced from £69 million to £44 million. The value of grant accruals relating to grant claims submitted but unpaid has reduced by £25 million to £28 million. Trade payables have increased by £2.5 million, and there has been a reduction of £1.6 million in respect of accrued income from EU receipts which is ultimately payable to DETI.

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 30 to the accounts.

## NI-CO

As stated above, NI-CO's results are included in the consolidated financial statements. NI-CO has had a successful year in securing new contracts. The directors of NI-CO are pleased with the results for the year and are confident for the future. The company continues to refine its markets in order to maintain and increase its competitive position and achieve its targets.

## 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, currency risk and market risk (including price risk and interest rate risk).

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

## Credit risk

Invest NI's principal financial assets are cash and cash equivalents, receivables, 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 receivables and investments in quoted and unquoted ordinary shares, investments in preference shares, and fixed and variable rate loans. The amounts presented in the Statement of Financial Position 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 and cash equivalents 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.

## Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Invest NI receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a receivable when it is initially paid to grant recipients. However, only when Invest NI submits claims to the EU is the relevant portion of the receivable subject to exchange rate risk.

## 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.

The majority of Invest NI's financial assets and all 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 failure to maintain an effective financial management, budgeting and corporate governance framework**

How risk is managed: Fraud response and action plans have been communicated to all staff members and there are quarterly Board Audit Committee meetings to assess risk and governance issues as well as a monthly Finance Control Committee meeting attended by the Chief Executive, the Top Management Team and Board Members. There is a Grant Forecasting Model in use for medium-term planning. There is ongoing monitoring of External Delivery Organsiations as well as auditing of processes by Internal Audit. Financial and project monitoring targets are also included in Divisional Operating Plans and are monitored monthly.

**The risk of failure to manage compliance with EU State Aid, Regional Aid and EU's Sustainable Competitiveness Programme 2007-2013 (EUSCP) guidelines**

How risk is managed: Invest NI regularly reviews compliance of its range of interventions with State Aid and Regional Aid regulations and initiates corrective actions as necessary. Summary information on State Aid rules is available for staff on Invest NI's intranet and training in EU State Aid is given to staff providing State Aid Guidance. Invest NI maintains relationships with DETI State Aid team and the Department of Business, Innovation and Skills to ensure consistent understanding and application of State Aid regulations and their revisions. Invest NI provides detailed guidance to staff on the requirements of the EUSCP. Guidance is available on the intranet and training is also provided to ensure staff are aware of ERDF compliance requirements. Invest NI's internal Verification Team carries out Article 13 systems and procedures checks on all projects supported under the Programme to ensure compliance with ERDF requirements as outlined in letters of offer. Corrective action is taken to address any non-compliance identified through internal or external checks (by Audit or Managing Authority). Progress is reviewed by EU Project Board monthly and EU Project Steering Group at least every six months.

**The risk of failure to provide adequate business continuity in the event of a major incident**

How risk is managed: Invest NI has a full business continuity strategy in place which includes a contingency plan in place to cope with the potential loss of Invest NI's HQ premises or Regional Offices. This is supported by an IT critical system Disaster Recovery Plan which includes the provision of a specific IT Disaster Recovery Site. Disaster Recovery for all major systems has been installed and tested and a dedicated Business Continuity Team meets quarterly to review any issues.

**The risk of failure to focus on changing customer needs in the face of changes in the global or national economic climate**
How risk is managed: Invest NI has undertaken 'Transform', a comprehensive change management programme focused on improving the organisation's performance and has developed a comprehensive training programme for all business-facing staff. This is supported by a detailed operating manual and consolidated business processes. Ongoing customer needs are identified via regular customer surveys and regular feedback on Client Satisfaction Surveys.

**The risk of failure to anticipate and manage the loss to public funds as a result of client companies' financial difficulties**
How risk is managed: A formal monitoring programme is in place for companies in receipt of financial assistance and Client Executives have ongoing meetings/feedback with companies. A centralised 'Companies at Risk' Register is also maintained on an ongoing basis.

**The risk of the loss of confidential, sensitive or otherwise valuable data**
How risk is managed: Invest NI continues to maintain an Information Security Management System certified to ISO 27001. In August 2009, an Internal Audit Service report found that this system "ensures the confidentiality, integrity and availability of corporate information". Invest NI was last certified against ISO 27001 in August 2011 and the report made a positive recommendation for continuing our registration. Security matters are reviewed by an Information Security Forum which is headed by the Managing Director of Corporate Services and meets on a regular basis to consider security matters. All USB devices, Invest NI laptops and mobile data devices are encrypted.

## 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 2011-12 year, was 2.86 per cent including long term sickness. (2010-11: 2.83 per cent). This is better than the average within the NI Civil Service (2010-11: 4.7 per cent) 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.

**Social and Community issues**
During 2011-12, Invest NI's Corporate Social Responsibility (CSR) activity has aligned to our core business and addressed issues directly related to economic development. There has been a tremendous increase in our CSR activity this year, mainly driven by our staff. We continue to follow a strategy aligned to the three key pillars of People, Planet and Place. Some of this year's highlights include:

**People:**
Our Project Bank initiative has enabled 40 staff to take part in 30 projects this year, providing them with the opportunity to develop new skills and increase their awareness of the wider organisation. We have established a 'Give As You Earn' Scheme and for the first time have partnered with The Alzheimer's Society as our Charity of the Year. To date we have raised over £3,500. We have continued to support our staff in volunteering activities from both a corporate and an individual perspective to make a positive impact in the local community.

**Planet:**
We took part in the Arena Benchmarking Survey for the first time to assess our environmental impact. We achieved a credible third quintile placing and have developed a tailored action plan to ensure we improve on this year's performance. As part of our Waste Management & Energy Reduction Strategy we completed a pilot recycling initiative in Bedford Square.

**Place:**
This year we have been involved in a range of community initiatives with our identified partners. We provided STEM ambassadors for schools initiatives around science, technology, engineering and maths through Sentinus. We are participating in the BITC Business Class Programme and are partnered with St Rose's Dominican College in West Belfast for a three year period. Our activities here include providing maths mentoring to GCSE students, support to middle and senior managers and some staff training support. We have a number of staff working in local Primary Schools supporting students with numeracy and literacy issues.

In September 2011, we were awarded Silver status following our IiP assessment and are one of only three public sector organizations in N.I to has achieved this standard. Our CSR activity was singled out as a significant contributing factor in this achievement. In recognition for our progress we have also been shortlisted in the Employer of Choice Award category in the BITC Annual Awards.

**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 invoices 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 2011-12 Invest NI paid approximately 97 per cent of invoices (2010-11: 95 per cent) within this standard.

In 2008 the Finance Minister announced that Northern Ireland Departments had set a target of payment of invoices within 10 working days, in order to help local businesses. During 2011-12 Invest NI paid approximately 91 per cent of invoices (2010-11: 87 per cent) within the 10 working day target.

**Information on Environmental Matters**

In 2011-12, within our BREAM A rated headquarters building consumption of electricity decreased by 2.35% and natural gas by 8.31%. This has been attributed to the implementation of a number of the action points of our Energy Plan and ambient temperatures, which have remained within seasonal averages. In January 2012, a pilot scheme to centralise waste management by removing desk side bins was introduced on one floor of the building. Results have shown that approximately 88% of waste removed from the floor was recycled, accounting for 46% of all recycled waste in the building. Based on these results the scheme will now be rolled out across the building during the coming year.

**Personal Data Related Incidents**

During the course of the year there were a number of losses involving portable data storage devices. None of the devices lost or stolen contained any sensitive data and there were therefore no reported Personal Data Related Incidents in 2011-2012.

**Estate management strategy**

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

**Post Year End Events**

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

Since the year end 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. PricewaterhouseCoopers LLP are the auditors of NI-CO. During the year, fees of £13,000 were payable by NI-CO to the auditor in respect of non-audit services.

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

Date: 20 June 2012

# 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 2011-12 £'000 | Benefits in kind 2011-12 £ | Salary 2010-11 £'000 | Benefits in kind 2010-11 £ |
|---|---|---|---|---|
| Mark Ennis (Chairman from 01 January 2012) | 19 | - | 12 | - |
| Stephen Kingon (Chairman until 31 December 2011) | 37 | - | 47 | - |
| John Brady | 12 | - | 12 | - |
| Bryan Keating | 12 | - | 12 | - |
| Ed Vernon | 12 | - | 12 | - |
| Roy Adair | 12 | - | 12 | - |
| Tim Brundle | 12 | - | 12 | - |
| David Dobbin | 12 | - | 12 | - |
| Frank Hewitt | 12 | - | 12 | - |
| Alan Lennon | 12 | - | 12 | - |
| Gerry McCormac | 12 | - | 12 | - |
| Gerry McGinn | 12 | - | 12 | - |

## 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. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The normal retiring age is 65, although, with the exception of those in the Nuvos pension scheme, 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 contractual remuneration package contains a provision for a performance related payment of up to 30 per cent of salary, based on the achievement of targets and performance indicators which are set by the Board on an annual basis. The Remuneration Committee of the Board is therefore legally obliged to annually assess performance against these targets and make a recommendation, ultimately for Ministerial approval, on the amount to be paid. The Remuneration Committee was chaired by Stephen Kingon from 1 April 2011 to 31 December 2011. Mark Ennis has chaired the Committee from 1 January 2012. Committee members during 2011-12 included John Brady, Bryan Keating, Gerry McGinn and Ed Vernon.

The other members of the Senior Management Team are paid on the same arrangements which apply to the Senior Civil Service. The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review. 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 2011–12 | Bonus payments | Benefits in kind 2011–12 | Salary 2010–11 | Bonus Payments | Benefits in kind 2010–11 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £ | £0'000 | £'000 | £ |
| **Chief Executive:** | | | | | | |
| Alastair Hamilton | 155–160 | - | - | 155–160 | - | - |
| **Managing Director:** | | | | | | |
| Tracy Meharg | 90–95 | - | - | 90-95 | - | - |
| Mel Chittock | 80–85 | - | - | 80–85 | - | - |
| Jeremy Fitch | 85–90 | - | - | 85–90 | - | - |
| Ian Murphy | 80–85 | - | - | 85–90 | - | - |

| | 2011–12 | 2010-2011 |
|---|---|---|
| | £'000 | £'000 |
| Band of highest paid employee's total remuneration | **155-160** | **155-160** |
| Median total organisation remuneration | **30,520** | **30,520** |
| Ratio | **5.2** | **5.2** |

## Salary
'Salary' includes gross salary; 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 and any gratia payments. This report is based on payments made by Invest NI during the year and thus reflected in these accounts.

## 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.

## Bonuses
As outlined above, the Board has a contractual obligation to assess the performance of the Chief Executive against annual targets and performance indicators. This assessment has been completed in respect of the 2009-10 and 2010-11 years and based on the targets attained, a recommendation for a performance related payment for each year has been made. However, the Board, at the request of the Minister, is reviewing the remuneration terms of the Chief Executive's contract pending the outcome of the current review of Northern Ireland Senior Civil Service Pay which is ongoing since the 2010/11 financial year. In light of this review and the potential consequences on the remuneration terms of the Chief Executive's contract of employment, as in 2010/11, no performance related payments will be made until a final determination has been concluded. Consequently, the current year accounts include an accrual for each year equal to 30% of £160,000 being the maximum possible performance related payment under the Chief Executive's existing contract. If at the end of the review process it is determined that a performance related payment will be made, the amount will be disclosed in the remuneration table in the year that it is agreed and paid.

## Pension Entitlements

Pension details of the Senior Management Team as at 31 March 2012 are as follows (the information in the table below has been subject to audit):

| | Accrued pension at age 60 at 31 March 2012 and related lump sum | Real increase (decrease) in pension and related lump sum at age 60 | CETV at 31 March 2012 | CETV at 31 March 2011** | Real increase (decrease) in CETV |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Alastair Hamilton | 10-15 plus<br>Nil lump sum | 2.5-5 plus<br>Nil lump sum | 85 | 53 | 22 |
| Tracy Meharg | 25-30 plus<br>75-80 lump sum | (0-2.5) plus<br>(0-2.5) lump sum | 452 | 421 | (4) |
| Mel Chittock | 15-20 plus<br>55-60 lump sum | 0-2.5 plus<br>0-2.5 lump sum | 316 | 291 | - |
| Jeremy Fitch | 20-25 plus<br>65-70 lump sum | 0-2.5 plus<br>0-2.5 lump sum | 342 | 307 | 9 |
| Ian Murphy | 35-40 plus<br>105-110 lump sum | (0-2.5) plus<br>(0-2.5) lump sum | 714 | 662 | (13) |

** The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Invest NI made no contributions to partnership pension schemes in respect of any member of the Senior Management Team.

## Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits for Senior Management Team members are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices 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 a 'Career Average Revalued Earnings' (CARE) 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%. CARE pension benefits are increased annually in line with increases in the CPI. For 2012, public service pensions will be increased by 5.2% with effect from 9 April.

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

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

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.dfpni.gov.uk/civilservicepension-ni

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The actuarial factors that are used in the CETV calculation were changed during 2011, due to changes in demographic assumptions. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

## Real increase in CETV

This 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.

## Compensation for loss of office

No member of the Senior Management Team received compensation for loss of office in either the current or previous year.

**Alastair Hamilton**
Accounting Officer
Date: 20 June 2012

# Corporate Governance Statement

## The UK Corporate Governance Code

Invest NI is committed to the highest standards of corporate governance and supports the UK Corporate Governance Code published in 2010 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. 10 Board meetings are held throughout the year 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 the following Committees:

- Board Audit Committee
- Remuneration 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 Gerry McGinn. It comprises of four 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).

## Remuneration Committee

The Remuneration 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 and four other Board Members.

## 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.

## 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 Chief Executive, Managing Directors, and representatives from 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 on 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. All staff are required to disclose, through an annual declaration of interests, any area of actual, potential or perceived conflict with the interests of Invest NI. Individual members of staff are not involved in any casework evaluation or tendering assessment process in which they might have any potential conflict of interest and the Senior Management Team is required to ensure that timely and appropriate action is taken to resolve any other perceived conflicts. Procedures are also in place to ensure that all gifts and hospitality given and received are registered and monitored by the Directors.

In addition, all staff have a clearly defined responsibility not to misuse information acquired in their official duties or their official position to further their private interests or those of others.

## Register of interests

The Chairman, Board members, Chief Executive and Senior Management Team are required to register all interests, beneficial or non-beneficial, 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 is stated in its staff handbook. 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, all staff are required to declare their interests and adhere to the gift and hospitality procedures. All gifts and hospitality given and received are registered and monitored by the Directors. Individual members of staff are not involved in any casework evaluation or tendering assessment process in which they might have any potential conflict of interest.

## Relationship with subsidiary company NI-CO

Invest NI's relationship with its subsidiary Northern Ireland Co-Operation Overseas Limited (NI-CO) is set out in the Management Statement and Financial Memorandum. This lists the responsibilities and reporting requirements between the Company, Invest NI and DETI. As designated Accounting Officer the Chief Executive of NI-CO is ultimately responsible to the DETI Permanent Secretary in his role as DETI Accounting Officer. In terms of overall governance arrangements, formal meetings are held between Invest NI and NI-CO half-yearly. The NI-CO Board meets quarterly and NI-CO submits full sets of the Board papers in advance of each Board meeting for comment by Invest NI, as appropriate. In addition, at year end a formal annual review meeting is chaired by the DETI Accounting Officer. Less formal ad-hoc contact is maintained with NI-CO throughout the year.

## Relationships with Arms Length Bodies

Written contractual or partnership agreements are in place with Arms Length Bodies such as External Delivery 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.

As part of the overall internal audit service provided by DETI, an annual rolling inspection programme on Arms Length Bodies is carried out by external consultants. Invest NI's subsidiary company NI-CO is included in this programme with its last inspection carried out in 2009 and follow up reviews carried out during 2011/12. All reports issued contained a satisfactory audit opinion.

## 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's policy on equality of opportunity 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. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement in Invest NI on the basis of ability, qualifications and performance.

# Statement of Accounting Officer's Responsibilities

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 accruals basis and must give a true and fair view of the state of affairs of Invest NI and of its income and expenditure, changes in taxpayers' equity 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

## 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 on-going 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 2012 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 which comprise representatives from Invest NI's Board, Senior Management Team, and DETI. In addition there is an Internal Audit Committee which comprises representatives from the Senior Management Team. 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. This standard is compliant with the HMG Security Policy Framework. Mandatory compliance training, 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 Standards (GIAS). 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 Report to those Charged with Governance 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.

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 2011/12.

All but one of the individual IAS Audit Opinions provided/anticipated by IAS in respect of finalised and ongoing Invest NI 2011-12 activity were (or are anticipated to be) satisfactory. The one report finalised by IAS in the period which contained a 'limited' Audit Opinion related to the review of the HR Workplace Service Contracts. The limited opinion primarily related to the absence of a business case and formal approval for the lease of car parking spaces and the absence of a formally approved business case for the Executive Car Services Contract. IAS follow up tests revealed that recommendations have been satisfactorily implemented with retrospective approvals received and IAS revised its opinion to satisfactory.

Work also continued during the year on the 3 year contract to continue the External Delivery Organisation (EDO) inspection and sponsor control review Programme. Follow up reports were issued for 9 EDO inspections and 10 Sponsor Control reviews issued in 2010/11 and work completed has revealed that the vast majority of recommendations made during 2011/12 have been implemented. In addition, during the year, full EDO inspection reviews and Sponsor Control reviews were completed in respect of 8 EDOs. All but 2 of the 16 audit opinions were satisfactory. The two reports which contained a "limited" Audit Opinion related to the Sponsor Control Review of the Technology Strategy Board and the inspection review of BioBusiness Limited. The limited opinion in respect of the Technology Strategy Board primarily related to the inappropriate level of approval and supporting business case for the funding agreement as well as lack of provision of information from TSB to Invest NI for monitoring and vouching purposes. The limited opinion in respect of BioBusiness Limited primarily related to procurement issues within the organisation. Follow up reviews in respect of both organisations will be scheduled within 6 months of the report issue.

Other significant work undertaken by IAS in 2011-12 included the major thematic reviews of Selective financial Assistance (SFA) and Hospitality. Both reviews are in progress with draft reports imminent with anticipated overall "satisfactory" audit opinions. Other important work carried out in the period included the reviews of the Financial Management Team and HR Recruitment and Managing Attendance both of which also culminated in overall satisfactory Audit Opinions.

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 2011-12 year. IAS's overall audit opinion reflects the overall generally positive results from the audit work undertaken in the year.

## Significant internal control problems

### Public Accounts Committee Issues

On 18 January 2012, Invest NI and the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "DETI: The Bioscience and Technology Institute". The Public Accounts Committee published its report on 23 May 2012 and a response will be made in the form of a Memorandum of Reply.

## Other Issues

During the year the European Commission issued a Letter of Interruption to the European Sustainable Competitiveness Programme. The effect of the Letter of Interruption was to stop further funds being drawn down under the Programme until a number of specified remedial actions had been taken. Action plans were drawn up to ensure that any necessary remedial actions were undertaken and the Commission lifted the interruption in June 2012.

**Alastair Hamilton**
Accounting Officer
Date: 20 June 2012

# 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 2012 under the Industrial Development (Northern Ireland) Act 2002. These comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Industrial Development (Northern Ireland) Act 2002. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Invest Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Invest Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

## 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.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Invest Northern Ireland's affairs as at 31 March 2012 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and Department of Enterprise, Trade and Investment directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Enterprise, Trade and Investment directions made under the Industrial Development (Northern Ireland) Act 2002; and
- the information given in the Chief Executive's Overview, Management Commentary and Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

## Report

I have no observations to make on these financial statements.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

28 June 2012

# Consolidated Statement of Comprehensive Net Expenditure – For the year ended 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Expenditure** | | | |
| Grants and programme related costs | | | |
| grants and programme related costs | 3 | (101,872) | (150,926) |
| asset development, maintenance and related costs | | 1,735 | (986) |
| NI-CO cost of servicing contracts | | (6,305) | (7,069) |
| Administrative expenses | | | |
| staff costs | 4 | (24,390) | (24,473) |
| other | 5 | (9,442) | (9,206) |
| notional costs | 6 | (342) | (357) |
| Debt and financial assets provision release/(charge) | 7 | (2,989) | (3,241) |
| Asset depreciation and amortisation | 8 (i) | (898) | (1,163) |
| Asset impairment | 8 (ii) | (11,007) | (7,931) |
| Share of results of associates | 16 | (2,397) | (1,706) |
| **Total Expenditure** | **2** | **(157,907)** | **(207,058)** |
| | | | |
| **Income** | | | |
| Income from operating activities | | | |
| Non surrenderable income | 9 | 703 | 748 |
| Income surrenderable to DETI but retained | 10 | 3,631 | 5,088 |
| Core programme receipts from EU | | 16,009 | 23,925 |
| Consolidated fund income | 11 | - | - |
| NI-CO turnover | | 7,663 | 8,582 |
| Loss on property, plant and equipment disposals | | (1,186) | (949) |
| Profit on financial asset disposals | | 2,221 | 413 |
| **Total Income** | **2** | **29,041** | **37,807** |
| **Net Expenditure before interest and taxation** | | **(128,866)** | **(169,251)** |
| Interest payable | | (505) | - |
| Tax on ordinary activities | 12 | 887 | (465) |
| **Net expenditure after taxation** | | **(128,484)** | **(169,716)** |
| Credit reversal of notional costs | 6 | 342 | 357 |
| **Net expenditure for the financial year** | | **(128,142)** | **(169,359)** |
| **Other Comprehensive Expenditure** | | | |
| Net loss on revaluation of property, plant and equipment | 13 | (9,648) | (9,251) |
| Net (Loss)/Gain on revaluation of available for sale financial assets taken to equity | 17 | (1) | (260) |
| **Total Comprehensive Expenditure for the financial year** | | **(137,791)** | **(178,870)** |

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

# Statement of Comprehensive Net Expenditure - Invest NI For the year ended 31 March 2012

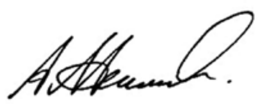
| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Expenditure** | | | |
| Grants and programme related costs | | | |
| grants and programme related costs | 3 | (101,872) | (150,926) |
| asset development, maintenance and related costs | | 1,735 | (986) |
| Administrative expenses | | | |
| staff costs | 4 | (23,514) | (23,580) |
| other | 5 | (8,987) | (8,680) |
| notional costs | 6 | (342) | (357) |
| Debt and financial assets provision charge | 7 | (2,989) | (3,241) |
| Asset depreciation and amortisation | 8 (i) | (881) | (1,146) |
| Asset impairment | 8 (ii) | (11,007) | (7,931) |
| Share of results of associates | 16 | (2,397) | (1,706) |
| **Total Expenditure** | | **(150,254)** | **(198,553)** |
| | | | |
| **Income** | | | |
| Income from operating activities | | | |
| Non surrenderable income | 9 | 703 | 748 |
| Income surrenderable to DETI but retained | 10 | 3,631 | 5,088 |
| Core programme receipts from EU | | 16,009 | 23,925 |
| Consolidated fund income | 11 | - | - |
| Loss on property, plant and equipment disposals | | (1,186) | (949) |
| Profit on financial asset disposals | | 2,221 | 413 |
| **Total Income** | | **21,378** | **29,225** |
| **Net Expenditure before interest and taxation** | | **(128,876)** | **(169,328)** |
| Interest payable | | (505) | - |
| Tax on ordinary activities | 12 | 891 | (450) |
| **Net expenditure after taxation** | | **(128,490)** | **(169,778)** |
| Credit reversal of notional costs | 6 | 342 | 357 |
| **Net expenditure for the financial year** | | **(128,148)** | **(169,421)** |
| **Other Comprehensive Expenditure** | | | |
| Net loss on revaluation of property, plant and equipment | 13 | (9,648) | (9,251) |
| Net (Loss)/Gain on revaluation of available for sale financial assets taken to equity | 17 | (1) | (260) |
| **Total Comprehensive Expenditure for the financial year** | | **(137,797)** | **(178,932)** |

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

# Consolidated Statement of Financial Position as at 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 83,740 | 101,948 |
| Intangible assets | 14 | 1,268 | 1,407 |
| Investments in associates | 16 | 5,951 | 6,731 |
| Investments in other financial assets | 17 | 9,681 | 13,665 |
| **Total non-current assets** | | **100,640** | **123,751** |
| **Current assets** | | | |
| Trade and other receivables | 18 | 47,886 | 39,845 |
| Cash and cash equivalents | 19 | 1,992 | 2,857 |
| Assets classified as held for sale | 20 | - | 163 |
| Current tax asset | | 245 | - |
| **Total current assets** | | **50,123** | **42,865** |
| **Total assets** | | **150,763** | **166,616** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | (47,493) | (71,896) |
| Current tax liability | | - | (909) |
| **Total current liabilities** | | **(47,493)** | **(72,805)** |
| **Non-current assets less net current liabilities** | | 103,270 | 93,811 |
| **Non-current liabilities** | | | |
| Provisions | 22 | (19,751) | (26,513) |
| **Assets less liabilities** | | **83,519** | **67,298** |
| **Taxpayers' Equity** | | | |
| Revaluation reserve | | 8,479 | 18,634 |
| General reserve | | 75,040 | 48,664 |
| | | **83,519** | **67,298** |

The financial statements on pages 39 to 96 were approved by the Board on 20 June 2012 and signed on its behalf by:



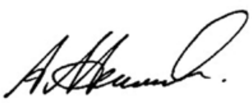
**Alastair Hamilton**
Accounting Officer

Notes 1 to 33 form part of these accounts.

# Statement of Financial Position – Invest NI
# As at 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 83,723 | 101,919 |
| Intangible assets | 14 | 1,268 | 1,407 |
| Investments in subsidiaries | 15 | 200 | 200 |
| Investments in associates | 16 | 5,951 | 6,731 |
| Investments in other financial assets | 17 | 9,681 | 13,665 |
| **Total non-current assets** | | **100,823** | **123,922** |
| **Current assets** | | | |
| Trade and other receivables | 18 | 44,201 | 37,092 |
| Cash and cash equivalents | 19 | 486 | 338 |
| Assets classified as held for sale | 20 | - | 163 |
| Current tax asset | | 250 | - |
| **Total current assets** | | **44,937** | **37,593** |
| **Total assets** | | **145,760** | **161,515** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | (44,194) | (68,512) |
| Current tax liability | | - | (892) |
| **Total current liabilities** | | **(44,194)** | **(69,404)** |
| **Non-current assets less net current liabilities** | | **101,566** | **92,111** |
| **Non-current liabilities** | | | |
| Provisions | 22 | (19,751) | (26,511) |
| **Assets less liabilities** | | **81,815** | **65,600** |
| **Taxpayers' Equity** | | | |
| Revaluation reserve | | 8,479 | 18,634 |
| General reserve | | 73,336 | 46,966 |
| | | **81,815** | **65,600** |

The financial statements on pages 39 to 96 were approved by the Board on 20 June 2012 and signed on its behalf by:



**Alastair Hamilton**
Accounting Officer
Notes 1 to 33 form part of these accounts.

# Consolidated Statement of Cash Flows
# Year ended 31 March 2012

| | Note | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net expenditure before taxation | | | (129,371) | | (169,251) |
| Corporation tax expense | | 887 | | (465) | |
| Adjustments for other non-cash transactions | 24 | 16,571 | | 14,494 | |
| (Increase) in trade and other receivables | | (9,906) | | (2,050) | |
| Increase/(decrease) in trade payables | | (23,423) | | 10,883 | |
| Use of provisions | | (6,762) | | (161) | |
| | | | **(22,633)** | | **22,701** |
| **Net cash (outflow) from operating activities** | | | **(152,004)** | | **(146,550)** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (4,862) | | (17,220) | |
| Purchase of intangible assets | | (217) | | (507) | |
| Proceeds of disposal of property, plant and equipment | | 803 | | 1,934 | |
| Repayments from other bodies | | 8,256 | | 5,941 | |
| Investment in venture capital fund | | (1,617) | | (2,446) | |
| Investment in share capital | | (578) | | (302) | |
| Loans made to client companies | | (2,510) | | (222) | |
| Loan interest received | | 180 | | 557 | |
| Dividend received | | 194 | | 388 | |
| Corporation tax repaid/(paid) | | (267) | | 676 | |
| **Net cash (outflow) from investing activities** | | | **(618)** | | **(11,201)** |
| **Cash flows from financing activities** | | | | | |
| Financing from DETI | | 154,012 | | 147,646 | |
| Consolidated fund payments to DETI | | (2,255) | | (2,654) | |
| **Net financing** | | | **151,757** | | **144,992** |
| **Net (decrease)/increase in cash and cash equivalents in the year** | | | **(865)** | | **(12,759)** |
| **Cash and cash equivalents at the beginning of the year** | | | **2,857** | | **15,616** |
| **Cash and cash equivalents at the end of the year** | 19 | | **1,992** | | **2,857** |

Notes 1 to 33 form part of these accounts.

# Consolidated Statement of Changes in Taxpayers' Equity Year ended 31 March 2012

| | General reserve £'000 | Revaluation reserve £'000 | Total Reserves £'000 |
|---|---|---|---|
| **Balance at 31 March 2010** | **69,214** | **29,308** | **98,522** |
| **Changes in Taxpayers' Equity for 2010-11** | | | |
| Transfers between reserves | 1,423 | (1,423) | - |
| Comprehensive expenditure for the financial year | (169,619) | (9,251) | (178,870) |
| | **(168,196)** | **(10,674)** | **(178,870)** |
| Grant in aid from DETI: | | | |
| Resource | 103,352 | - | 103,352 |
| Capital | 44,294 | - | 44,294 |
| **Balance at 31 March 2011** | **48,664** | **18,634** | **67,298** |
| **Changes in Taxpayers' Equity for 2011-12** | | | |
| Transfers between reserves | 507 | (507) | - |
| Comprehensive expenditure for the financial year | (128,143) | (9,648) | (137,791) |
| | **(127,636)** | **(10,155)** | **(137,791)** |
| Grant in aid from DETI: | | | |
| Resource | 127,622 | - | 127,622 |
| Capital | 26,390 | - | 26,390 |
| **Balance at 31 March 2012** | **75,040** | **8,479** | **83,519** |

Notes 1 to 33 form part of these accounts.

# Statement of Changes in Taxpayers' Equity – Invest NI Year ended 31 March 2012

| | General reserve £'000 | Revaluation reserve £'000 | Total Reserves £'000 |
|---|---|---|---|
| **Balance at 31 March 2010** | **67,578** | **29,308** | **96,886** |
| **Changes in Taxpayers' Equity for 2010-11** | | | |
| Transfers between reserves | 1,423 | (1,423) | - |
| Comprehensive expenditure for the financial year | (169,681) | (9,251) | (178,932) |
| | **(168,258)** | **(10,674)** | **(178,932)** |
| Grant in aid from DETI: | | | |
| Resource | 103,352 | - | 103,352 |
| Capital | 44,294 | - | 44,294 |
| **Balance at 31 March 2011** | **46,966** | **18,634** | **65,600** |
| **Changes in Taxpayers' Equity for 2011-12** | | | |
| Transfers between reserves | 507 | (507) | - |
| Comprehensive expenditure for the financial year | (128,149) | (9,648) | (137,797) |
| | **(127,642)** | **(10,155)** | **(137,797)** |
| Grant in aid from DETI: | | | |
| Resource | 127,622 | - | 127,622 |
| Capital | 26,390 | - | 26,390 |
| **Balance at 31 March 2012** | **73,336** | **8,479** | **81,815** |

Notes 1 to 33 form part of these accounts.

# Notes to the Accounts Year ended 31 March 2012

## 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 2011-12 Government Financial Reporting Manual (FReM) issued by DFP. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is 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.

The accounts are presented in Sterling (£) with all values rounded to the nearest £1,000 except where otherwise stated.

### Accounting conventions

These accounts are prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and assets classified as available for sale which are held at their fair value.

### Adoption of new and revised standards

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Invest NI and the entity controlled by Invest NI (its subsidiary) made up to 31 March each year. Control is achieved where Invest NI has the power to govern the financial and operating policies of an investee entity.

The following subsidiary is included in the consolidated financial statements: Northern Ireland Co-operation Overseas (NI-CO) Limited.

Where material, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

## Property, plant and equipment

Expenditure on property, plant and equipment of £1,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. Land and buildings are stated at their fair value based on annual professional valuation as at the end of the financial year.

Other non-property assets are deemed to be short-life or low value assets and are therefore valued on the basis of depreciated replacement cost, using appropriate indices to account for the effects of inflation, as an approximation of fair value. Additions and subsequent expenditure are capitalised only when it is probable that the future economic benefits associated with the asset will flow to Invest NI and the cost of the asset can be measured reliably.

## 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 | 3-5 years |
| Plant and machinery | 10 years |
| Motor vehicles | 4 years |

Leasehold alterations are depreciated over the 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, is charged to Net Expenditure.

On disposal of an asset which has been previously revalued, the gain or loss recorded in Net Expenditure 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.

## Non-current assets held for resale

Non-current assets classified as held for sale are measured at expected net selling price.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## Intangible assets

### Acquired intangible assets

Acquired intangible assets, such as software and software licences for internal recording and reporting systems, are measured initially at cost, using appropriate indices to account for the effect of inflation, as an approximation of fair value. These assets are amortised on a straight line basis over their estimated useful lives of 3 to 5 years. The minimum level of capitalisation is £1,000.

### Internally-generated intangible assets

Development expenditure incurred on an individual project is carried forward only if all the criteria set out in IAS 38 ‘Intangible Assets’ are met, namely:

- an asset is created that can be identified (such as software or licences);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Following initial recognition of development expenditure, the cost, adjusted for inflation using appropriate indices, is amortised over the project’s estimated useful life of 3 to 5 years. The minimum level of capitalisation is £1,000.

## Impairment of tangible and intangible assets

At each year-end, Invest NI reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

## Financial instruments

Financial assets and liabilities are recognised in Invest NI’s Statement of Financial Position 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.

At each year-end, the future discounted cash flows are re-estimated, resulting in a change in carrying amount of the asset. The required adjustment is recognised in Net Expenditure.

### 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 Net Expenditure 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 Net Expenditure.

## Impairment of financial assets

Invest NI assesses at each year-end 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 Net Expenditure 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 Net Expenditure. 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 Statement of Financial Position. 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 appropriate approvals have been granted.

## 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 and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with commercial banks. As at each year-end, the carrying value of cash and cash equivalents approximates their fair value due to their short term nature.

## Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that Invest NI will not be able to recover balances in full. Balances can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

## Investments in subsidiaries

Investments in subsidiaries are valued at cost less impairment and are eliminated on consolidation.

## Investments in associates

An associate is an entity over which Invest NI is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are carried at Invest NI's share of the net assets of the associate.

## 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.

Revenues, expenses and assets are shown net of Value Added Tax (VAT) except where irrecoverable VAT is charged to Net Expenditure and included under the heading relevant to the type of expenditure.

The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the Statement of Financial Position.

## Provisions

Invest NI makes provisions for liabilities and charges where, at the year-end, a legal or constructive liability exists (that is a present obligation from past events exists), where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Where the time value of money is material and it is possible to predict the timing of future cash flows with reasonable accuracy, Invest NI discounts the provision to its present value using a standard Government discount rate.

## Financing from DETI

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

## Revenue

Revenue from operating activities represents:

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

In accordance with the budget classifications as issued by DETI/DFP, income from operating activities is further classified into the following categories:

## i) Consolidated Fund Income

The amount owed to DETI is shown as a payable and a charge is made to Net Expenditure 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 Net Expenditure) is adjusted to take account of movements in the bad debts provision relating to this income.

## ii) EU Income

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.

## 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

This 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 accruals 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 accruals 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. 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 accruals basis.

All pension contributions are charged to Net Expenditure when incurred.

## Employee Benefits

IAS19 requires that the cost of employee benefits that have been earned but not paid at the year end is recognised as a liability. An accrual for the estimated cost of total employee annual leave at the year end has been included in the accounts.

## 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 Net Expenditure when incurred.

## Leases

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## PFI contracts

Upon entering into a PFI contract, Invest NI assesses whether it controls or regulates what services the operator of the contract must provide with the infrastructure, to whom it must provide them and at what price. It also assesses if it controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. If both the above conditions are met, the infrastructure will be recognised on the Statement of Financial Position as an asset.

## 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.

## Foreign currency translation

The functional and presentational currency of the organisation is Sterling (£). Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the year-end are recognised in Net Expenditure.

## Judgements and key sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are in the areas of impairment of financial assets and provisions for liabilities. These involve estimation of future cash flows which are inherently uncertain. Further information regarding the preparation of the provision for grants expenditure is detailed in Note 23.

## 2. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

The following Invest NI operating segments have been identified under IFRS 8 Operating Segments:

- Client Group and Entrepreneurship
- Client Group and Business International
- Innovation and Capability Development Services Group
- Corporate Services Group

The operating results of each of these segments are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The results of NI-CO are included separately below as they do not form part of any of the Invest NI operating segments.

### Services provided by each segment

The first two groups directly manage client relationships and are organised sectorally. These groups manage our network of local and international offices, are responsible for promoting Northern Ireland overseas and for promoting entrepreneurship within Northern Ireland. The third group manages our programmes and services and is structured by business discipline. The fourth group manages corporate functions such as human resources, information technology, finance, communications, appraisal, strategic planning and property solutions. Further information about the structure of the organisation is detailed on page 3.

| 2012 | Innovation and Capability Development Services Group | Client Group and Entrepreneurship | Client Group and Business International | *Corporate Services Group | NI-CO | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross expenditure | 56,015 | 33,861 | 21,438 | 38,940 | 7,653 | 157,907 |
| Income | 11,043 | 3,596 | 440 | 6,299 | 7,663 | 29,041 |
| **Total net expenditure per CSoCNE** | **44,972** | **30,265** | **20,998** | **32,641** | **(10)** | **128,866** |

*Included within the Corporate Services Group is £16m (2011: £13m) of expenditure incurred by the Property Solutions Unit whose principle activity is to assist clients with commercial property and business accommodation needs.

| 2011 | Innovation and Capability Development Services Group | Client Group and Entrepreneurship | Client Group and Business International | *Corporate Services Group | NI-CO | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross expenditure | 75,185 | 41,067 | 46,129 | 36,172 | 8,505 | 207,058 |
| Income | 20,081 | 4,922 | 84 | 4,138 | 8,582 | 37,807 |
| **Total net expendiutre per CSoCNE** | **55,104** | **36,145** | **46,045** | **32,034** | **(77)** | **169,251** |

## 3. GRANTS AND PROGRAMME RELATED COSTS

| | Group and Invest NI | |
|---|---|---|
| **(i) Analysis:** | 2012 £'000 | 2011 £'000 |
| Industrial development grants | 20,996 | 52,112 |
| Research and development programme including grants | 32,584 | 47,704 |
| Enterprise grants | 15,274 | 14,560 |
| Business improvement training programme | 7,443 | 12,643 |
| Business support grants | 2,165 | 5,300 |
| Jobs Fund | 1,601 | - |
| Property support | 2,683 | 3,288 |
| Property assistance | 291 | 257 |
| Third party grants | 1,021 | 1,337 |
| Tourism grants | 141 | 10 |
| Trade and market access support | 2,932 | 2,866 |
| Overseas operation support | 3,521 | 3,327 |
| Project consultancy and appraisal | 1,463 | 1,289 |
| Board related expenditure | 173 | 212 |
| Promotion and marketing support | 6,774 | 3,071 |
| Other | 2,810 | 2,950 |
| | **101,872** | **150,926** |

Promotion and marketing support expenditure in 2010/11 was significantly reduced due to a reduction in campaign activity resulting from a number of contractual issues and also the requirement for budgetary reallocation to other priorities. The uplift in 2011/12 reflects Invest NI's response to the economic downturn and a return to historically expected levels of communications and marketing activity. It also incorporates costs associated with the agency's first overseas marketing campaign.

Included within the total above is £17,180,000 (2011: £14,413,000) paid to public sector recipients.

£29,660,000 (2011: £47,864,000) of grants and programme expenditure has been part funded by EU under the European Regional Development Fund.

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.

| | Invest NI | |
|---|---|---|
| **(ii) Segmental analysis:** | 2012 £'000 | 2011 £'000 |
| Innovation and Capability Development | 46,453 | 64,702 |
| Client Group and Entrepreneurship | 28,520 | 35,652 |
| Client Group and Business International | 17,075 | 41,739 |
| Corporate Services Group (including Board related expenditure) | 9,824 | 8,833 |
| | **101,872** | **150,926** |

## 4. 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 was:**

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | No | No | No | No |
| Chief Executive and Managing Directors | 5 | 5 | 5 | 5 |
| Innovation and Capability Development | 141 | 146 | 141 | 146 |
| Client Group and Entrepreneurship | 120 | 123 | 120 | 123 |
| Client Group and Business International | 87 | 88 | 87 | 88 |
| Corporate Services Group (including internal IT Division) | 202 | 203 | 202 | 203 |
| NI-CO staff | 25 | 26 | - | - |
| **Total** | **580** | **591** | **555** | **565** |

The above includes 2 civil servants seconded from DETI (2011: 1) and 10 temporary staff/ external secondees (2011: 9). The remaining staff included above have a permanent contract.

## 4. STAFF COSTS AND EMPLOYEE INFORMATION (CONTINUED)

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

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| Salaries and wages | 21,562 | 21,666 | 20,829 | 20,944 |
| Social security costs | 1,628 | 1,561 | 1,554 | 1,482 |
| | **23,190** | **23,227** | **22,383** | **22,426** |
| Pension scheme contribution | 4,056 | 4,079 | 3,987 | 4,038 |
| Early retirement cost | - | - | - | - |
| **Total costs in respect of permanent and long term contract employees*** | **27,246** | **27,306** | **26,370** | **26,464** |
| Less: recoveries in respect of outward secondments and others | (83) | (132) | (83) | (183) |
| Less: staff costs treated as programme expenditure | (2,996) | (2,911) | (2,996) | (2,911) |
| | **24,167** | **24,263** | **23,291** | **23,370** |
| External secondees and temporary staff costs including irrecoverable VAT | 223 | 210 | 223 | 210 |
| **Total administrative staff costs** | **24,390** | **24,473** | **23,514** | **23,580** |

*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 programme funded staff is 44 (2011: 40) and the average number of staff engaged locally overseas is 27 (2011: 26). These staff members are separately funded and the associated recoupment of administrative costs or expenditure is reflected in note 3 '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. A full actuarial valuation was carried out as at 31 March 2007. In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS(NI) resource accounts.

For 2011-12, employers' contributions of £3,987,000 (2011: £4,038,000) were payable to the PCSPS (NI) at one of four rates in the range 18 to 25 per cent (2011: 18 to 25 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 £6,266 (2011: £5,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. At the year end date, there were £nil contributions due to the partnership pension providers (2011: £nil). There were nil contributions prepaid at that date (2011: £nil).

During the year, one (2011: three) individual left on ill-health grounds. The accruing superannuation liabilities amounted to £3,180 (2011: £3,000).

There were no early retirements during the year (2011: none).

There was a payment of £5,000 for end of contract costs paid in accordance with the provisions of the Civil Service Compensation Scheme (2011: none).

NI-CO contributed £69,000 (2011: £41,000) to a defined contribution scheme during the year.

## 5. ADMINISTRATIVE EXPENSES

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| Travel and subsistence | 930 | 961 | 659 | 617 |
| Overseas offices costs | 109 | 155 | 109 | 155 |
| Vehicle costs | 16 | 11 | 16 | 11 |
| Telephone, mobile costs and data communications | 289 | 360 | 273 | 344 |
| Stationery and postage | 52 | 54 | 41 | 42 |
| Printing and publications | 48 | 18 | 48 | 18 |
| Training and conference costs | 189 | 231 | 187 | 226 |
| Computer maintenance and related costs | 576 | 754 | 569 | 750 |
| Recruitment costs | 150 | 20 | 146 | 15 |
| Office consumables and related costs | 26 | 61 | 26 | 61 |
| Professional fees | 119 | 43 | 104 | 17 |
| Headquarters PFI service and related charges | 5,587 | 5,372 | 5,587 | 5,372 |
| Admin property rental | 599 | 678 | 484 | 572 |
| Other admin property maintenance and related expenses | 23 | 65 | 23 | 65 |
| Light, heat and power | 29 | 32 | 29 | 32 |
| Rates | 641 | 656 | 641 | 656 |
| Security costs | - | 9 | - | 9 |
| Contract cleaning | 15 | 14 | 15 | 14 |
| Insurance and subscription | 65 | 51 | 37 | 34 |
| Hospitality | 69 | 63 | 62 | 57 |
| Other employee related costs | 40 | 33 | 40 | 33 |
| Bank charges | 5 | 4 | 3 | 1 |
| Exchange difference | (27) | (440) | (27) | (440) |
| Bank interest payable | 6 | 7 | - | - |
| Miscellaneous expenses | (114) | (6) | (85) | 19 |
| **Total administrative expenditure excluding notional costs** | **9,442** | **9,206** | **8,987** | **8,680** |
| Notional administrative costs (note 6(i)) | 342 | 357 | 342 | 357 |
| **Total administrative expenditure including notional costs** | **9,784** | **9,563** | **9,329** | **9,037** |

Included within professional fees above were £7,000 (2011: £7,000) of fees payable by NI-CO to the company's auditor for audit of the company's financial statements and fees of £13,000 (2011: £21,000) for non-audit services.

## 6. NOTIONAL COSTS

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **(i) Notional administrative costs** | | |
| Personnel and training services | 1 | 1 |
| External Audit | 101 | 100 |
| Internal Audit | 240 | 256 |
| | **342** | **357** |
| **(ii) Credit reversal of notional costs** | | |
| Notional administrative costs | 342 | 357 |
| | **342** | **357** |

## 7. DEBT AND FINANCIAL ASSET PROVISION (RELEASE)/CHARGE

| | Group and Invest NI | | | |
|---|---|---|---|---|
| Movement in provision and write off: | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
| Share investment: | | | | |
| (decrease) in provision for shares | (973) | | (2,334) | |
| amount written off (note 17) | 975 | | 2,695 | |
| | | **2** | | **361** |
| Fixed rate loan investment: | | | | |
| increase/(decrease) in provision | 1,019 | | 271 | |
| amount written off (note 17) | 17 | | 276 | |
| | | **1,036** | | **547** |
| Variable rate loans: | | | | |
| (decrease) in variable rate loan provision | | - | | - |
| | | **1,038** | | **908** |
| Adjustment to fair value of loans and receivables under IAS39 | | 78 | | (224) |
| Increase in other bad debts provisions | | 1,873 | | 2,557 |
| | | **2,989** | | **3,241** |

## 8. ASSET DEPRECIATION, AMORTISATION AND IMPAIRMENT

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| **(i) Depreciation and amortisation** | | | | |
| Property, plant and equipment depreciation (note 13) | 545 | 702 | 531 | 685 |
| Intangible asset amortisation (note 14) | 353 | 461 | 350 | 461 |
| | **898** | **1,163** | **881** | **1,146** |

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **(ii) Impairment** | | |
| Property, plant and equipment (note 13) | 11,004 | 7,896 |
| Intangible asset (note 14) | 3 | 35 |
| | **11,007** | **7,931** |

## 9. NON SURRENDERABLE INCOME

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Recoupment of programme expenditure and related costs from client companies and third parties | 621 | 623 |
| Other | 82 | 125 |
| | **703** | **748** |

## 10. INCOME SURRENDERABLE TO DETI BUT RETAINED

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Grant clawback | 3,631 | 5,088 |
| **Gross income surrenderable** | **3,631** | **5,088** |
| Less: Excess receipts transferred to consolidated fund (note 11) | - | - |
| | **3,631** | **5,088** |

## 11. CONSOLIDATED FUND INCOME

The amounts collected by Invest NI acting as agent for the consolidated fund (which are otherwise excluded from these financial statements) were:

| | 2012<br>£'000 | 2011<br>£'000 |
|---|---|---|
| Property rent | 1,640 | 1,666 |
| Fixed rate loan interest | 99 | 471 |
| Variable rate loan interest | 10 | 13 |
| Share dividend income | 329 | 525 |
| Other share income | - | 18 |
| Other property income | 7 | 38 |
| Corporation Tax interest repayment | - | 5 |
| Other income | - | 57 |
| **Total** | **2,085** | **2,793** |
| Amount payable to the consolidated fund (note 21(iv)) | (2,085) | (2,793) |
| | **-** | **-** |

The movement in the year in the balances due to DETI in respect of the consolidated fund are outlined in note 21 (iv).

# 12. TAXATION

**(i) Taxation charge/(credit) in the year**

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| Analysis of charge in year (estimate) | | | | |
| Current tax: | | | | |
| UK corporation tax on taxable income for the current year | 4 | 917 | - | 900 |
| Adjustments to tax charge in respect of previous periods | (891) | (452) | (891) | (450) |
| | **(887)** | **465** | **(891)** | **450** |

**(ii) Factors affecting tax charge**

| | Group | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Net expenditure before taxation | (129,371) | (169,251) |
| Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 26% (2011: 28%) | (33,636) | (47,390) |
| Tax effects of: | | |
| Add: expenditure not deductible for tax purposes | 39,068 | 55,596 |
| Less: income not subject to tax | (5,428) | (7,268) |
| Impact of differing tax rates within the group | - | (21) |
| Tax overprovided in previous periods | (891) | (452) |
| **Current tax (credit)/charge** | **(887)** | **465** |

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.

**(iii) Deferred tax**

Invest NI has made no provision for deferred tax as at 31 March 2012 and for previous financial years.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Land £'000 | Property £'000 | Motor vehicles £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
| **Cost / Valuation:** | | | | | | |
| At 1 April 2011 | 91,092 | 14,189 | 12 | 2,418 | 338 | 108,049 |
| Additions* | 4,821 | 105 | - | 52 | - | 4,978 |
| Disposals | (1,984) | - | - | (596) | (54) | (2,634) |
| Transfer to assets held for sale (note 20) | - | - | - | - | - | - |
| Revaluation loss | (9,476) | (172) | - | - | - | (9,648) |
| Amount written down/ indexation (note 8(ii)) | (10,812) | (191) | - | (2) | (4) | (11,009) |
| **At 31 March 2012** | **73,641** | **13,931** | **12** | **1,872** | **280** | **89,736** |
| **Depreciation:** | | | | | | |
| At 1 April 2011 | - | 3,666 | 9 | 2,176 | 250 | 6,101 |
| Charge for year (note 8(i)) | - | 286 | 3 | 233 | 23 | 545 |
| Disposals | - | - | - | (595) | (50) | (645) |
| Backlog / Indexation (note 8(ii)) | - | - | - | (2) | (3) | (5) |
| **At 31 March 2012** | **-** | **3,952** | **12** | **1,812** | **220** | **5,996** |
| **Net book value:** | | | | | | |
| 1 April 2011 | 91,092 | 10,523 | 3 | 242 | 88 | 101,948 |
| **31 March 2012** | **73,641** | **9,979** | **-** | **60** | **60** | **83,740** |

*Invest NI Additions are funded by financing received from DETI

### Net Book Value Analysis

| Net Book Value analysis at 31 March 2012 | | | | | | |
|---|---|---|---|---|---|---|
| | Land £'000 | Property £'000 | Motor vehicles £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
| Invest NI | 73,641 | 9,979 | - | 43 | 60 | 83,723 |
| NI-CO | - | - | - | 17 | - | 17 |
| **Group Total** | **73,641** | **9,979** | **-** | **60** | **60** | **83,740** |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Land £'000 | Property £'000 | Motor vehicles £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
| **Cost / Valuation:** | | | | | | |
| At 1 April 2010 | 105,135 | 17,796 | 12 | 2,448 | 342 | 125,733 |
| Additions* | 2,796 | 175 | - | 49 | - | 3,020 |
| Disposals | (888) | (2,436) | - | - | - | (3,324) |
| Transfer to assets held for sale (note 20) | (163) | - | - | - | - | (163) |
| Revaluation loss | (8,099) | (1,152) | - | - | - | (9,251) |
| Amount written down/ indexation (note 8(ii)) | (7,689) | (194) | - | (79) | (4) | (7,966) |
| **At 31 March 2011** | **91,092** | **14,189** | **12** | **2,418** | **338** | **108,049** |
| **Depreciation:** | | | | | | |
| At 1 April 2010 | - | 4,046 | 6 | 1,880 | 228 | 6,160 |
| Charge for year (note 8(i)) | - | 311 | 3 | 362 | 26 | 702 |
| Disposals | - | (691) | - | - | - | (691) |
| Backlog / Indexation (note 8(ii)) | - | - | - | (66) | (4) | (70) |
| **At 31 March 2011** | **-** | **3,666** | **9** | **2,176** | **250** | **6,101** |
| **Net book value:** | | | | | | |
| 1 April 2010 | 105,135 | 13,750 | 6 | 568 | 114 | 119,573 |
| **31 March 2011** | **91,092** | **10,523** | **3** | **242** | **88** | **101,948** |

*Invest NI Additions are funded by financing received from DETI

**Net Book Value Analysis**

| Net Book Value analysis at 31 March 2011 | | | | | | |
|---|---|---|---|---|---|---|
| | Land £'000 | Property £'000 | Motor vehicles £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
| Invest NI | 91,092 | 10,523 | 3 | 213 | 88 | 101,919 |
| NI-CO | - | - | - | 29 | - | 29 |
| **Group Total** | **91,092** | **10,523** | **3** | **242** | **88** | **101,948** |

| Net Book Value analysis at 31 March 2010 | | | | | | |
|---|---|---|---|---|---|---|
| | Land £'000 | Property £'000 | Motor vehicles £'000 | Computer Equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
| Invest NI | 105,135 | 13,750 | 6 | 533 | 114 | 119,538 |
| NI-CO | - | - | - | 35 | - | 35 |
| **Group Total** | **105,135** | **13,750** | **6** | **568** | **114** | **119,573** |

**(iii) Analysis of Invest NI land and property balance (net book value):**

| | 2012 Land £'000 | 2012 Property £'000 | 2012 Total £'000 | 2011 Land £'000 | 2011 Property £'000 | 2011 Total £'000 | 2010 Land £'000 | 2010 Property £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Administrative | 60 | 190 | 250 | 63 | 220 | 283 | 68 | 242 | 310 |
| Occupied | 56,764 | 9,596 | 66,360 | 68,874 | 9,998 | 78,872 | 68,502 | 12,113 | 80,615 |
| Unoccupied | 16,817 | 193 | 17,010 | 22,155 | 305 | 22,460 | 36,565 | 1,395 | 37,960 |
| **Included in non-current assets** | **73,641** | **9,979** | **83,620** | **91,092** | **10,523** | **101,615** | **105,135** | **13,750** | **118,885** |
| Included in assets held for sale (note 20) | - | - | - | 163 | - | 163 | 150 | 100 | 250 |
| | **73,641** | **9,979** | **83,620** | **91,255** | **10,523** | **101,778** | **105,285** | **13,850** | **119,135** |

IAS 16 requires measurement at fair value. Land and property was re-valued by Land and Property Services on 31 March 2012, and in previous financial years, on the basis of open market value for existing use. Management considers this basis to be the best available estimation of fair value.

With the exception of assets held by Invest NI for its own use, the majority of the land and property portfolio is used to facilitate the region's long term strategic economic development. Invest NI owns all its assets and has no finance leases.

## 14. INTANGIBLE ASSETS

| | Group and Invest NI | | |
|---|---|---|---|
| | Software licences £'000 | Software development £'000 | Total £'000 |
| **Cost / Valuation:** | | | |
| At 1 April 2011 | 1,596 | 3,768 | 5,364 |
| Additions | 96 | 121 | 217 |
| Disposals | (381) | (1,786) | (2,167) |
| Indexation (note 8(ii)) | (2) | (5) | (7) |
| **At 31 March 2012** | **1,309** | **2,098** | **3,407** |
| **Amortisation:** | | | |
| At 1 April 2011 | 1,177 | 2,780 | 3,957 |
| Charge for year (note 8(i)) | 104 | 249 | 353 |
| Disposals | (381) | (1,786) | (2,167) |
| Backlog/Indexation (note 8(ii)) | (1) | (3) | (4) |
| **At 31 March 2012** | **899** | **1,240** | **2,139** |
| **Net book value:** | | | |
| 1 April 2011 | 419 | 988 | 1,407 |
| **31 March 2012** | **410** | **858** | **1,268** |

| | | | |
|---|---|---|---|
| **Cost / Valuation** | | | |
| At 1 April 2010 | 1,669 | 3,345 | 5,014 |
| Additions | 2 | 681 | 683 |
| Adjustment to opening balance | (29) | (147) | (176) |
| Indexation (note 8(ii)) | (46) | (111) | (157) |
| **At 31 March 2011** | **1,596** | **3,768** | **5,364** |
| **Amortisation:** | | | |
| At 1 April 2010 | 1,097 | 2,521 | 3,618 |
| Charge for year (note 8(i)) | 117 | 344 | 461 |
| Backlog/Indexation (note 8(ii)) | (37) | (85) | (122) |
| **At 31 March 2011** | **1,177** | **2,780** | **3,957** |
| **Net book value:** | | | |
| 1 April 2010 | 572 | 824 | 1,396 |
| **31 March 2011** | **419** | **988** | **1,407** |

## 15. INVESTMENTS IN SUBSIDIARIES

| | Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Northern Ireland Co-operation Overseas (NI-CO) Limited | 200 | 200 |

**Northern Ireland Co-operation Overseas (NI-CO) Limited**
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.

Extracts from the most recent audited accounts of NI-CO are as follows:

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Income | 7,663 | 8,582 |
| Profit after tax | 6 | 62 |
| Net assets | 1,904 | 1,898 |
| Capital commitments | - | - |
| Financial commitments | - | - |
| Contingent liabilities | - | - |

Copies of the NI-CO accounts can be obtained from Companies House: **www.companieshouse.gov.uk**.

## 16. INVESTMENTS IN ASSOCIATES

**(i) Investments in associates:**

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **Aggregate amount relating to associates:** | | |
| Total assets | 6,532 | 7,147 |
| Total liabilities | (581) | (416) |
| **Net investment in associates** | **5,951** | **6,731** |

**(ii) Share of results in associates:**

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Share of net assets of associates: | | |
| At 1 April | 6,731 | 5,991 |
| At 31 March | 5,951 | 6,731 |
| (Decrease)/Increase | (780) | 740 |
| Less additional capital paid in during year | (1,617) | (2,446) |
| **Share of results recorded in Net Expenditure** | **(2,397)** | **(1,706)** |

**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 the principal place of business is in Belfast. The partnership has a term of 10 years of which just less than 2 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 3 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.

**Queen's University of Belfast Innovation Fund (QUBIF)**

Invest NI is a partner of the Queen's University of Belfast Innovation Fund (QUBIF). The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2009-10 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed corn funds for the development of post-research spin-out companies from QUB.

**Ulster Innovation Fund (UIF)**

Invest NI is a partner of the Ulster Innovation Fund (UIF). The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2009-10 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed corn funds for the development of post-research spin-out companies from University of Ulster.

**Invest Growth Fund**

Invest NI is a partner of the Invest Growth Fund. The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2008 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed capital and other early stage funding to the technology sector with a particular focus on manufacturing and private tradable services.

**Co-Fund NI**

Co-Fund NI is a £16m fund (of which £7.2m has been provided by Invest NI), which aims to co-invest in SMEs based in Northern Ireland on the same terms in deals led by business angels and other private investors. The fund can provide co-investment in deals typically valued between £250,000 and £450,000, at a ratio of up to 45 per cent. Clarendon Fund Managers Limited deliver the fund through a six year Management Services Agreement.

The investments made by each of the above limited partnerships are disclosed in their annual accounts, which can be obtained from Companies House: www.companieshouse.gov.uk

## Reporting date of associates' financial statements

NITECH and Crescent Capital both have a statutory accounting reference date of 31 March. In respect of the year ended 31 March 2012, these entities have been included based on unaudited management accounts drawn up to 31 December 2011, but taking into account any changes in the subsequent period from 1 January 2012 to 31 March 2012 that would materially affect the results, to the extent that such information is available. Audited financial statements for these entities as at 31 March 2012 were not available at the date of signing of the Invest NI Annual Report & Accounts.

Invest Growth Fund, QUBIF and UIF all have a statutory accounting reference date of 31 December. In respect of the year ended 31 March 2012, these entities have been included based on audited accounts to 31 December 2011, but taking into account any changes in the subsequent period from 1 January 2012 to 31 March 2012 that would materially affect the results, to the extent that such information is available.The latest information available indicates that the valuations of NITECH, Crescent Capital and IGF at 31 March 2012 have increased by £20,000, £69,000 and £400,000 respectively from the 31 December 2011 valuations. There have been no changes to the valuations of QUBIF and UIF. No adjustments have been made to the Accounts for any of these movements.

# 17. INVESTMENTS IN OTHER FINANCIAL ASSETS

### (i) Total Investments in Other Financial Assets

| | Group and Invest NI | | | | |
|---|---|---|---|---|---|
| | 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 2011 | 3,094 | 17,065 | 10,470 | 8,032 | 38,661 |
| Adjustment to carrying amount of loans and receivables under IAS39 | - | 64 | (48) | - | 16 |
| Additions | 286 | 277 | 2,510 | - | 3,073 |
| Changes in fair value of available for sale assets | (1) | - | - | - | (1) |
| Repayments and disposals | (1,410) | (2,317) | (660) | (1,647) | (6,034) |
| Amount waived and written off (note 7) | (375) | (600) | (17) | - | (992) |
| **At 31 March 2012** | **1,594** | **14,489** | **12,255** | **6,385** | **34,723** |
| **Provision:** | | | | | |
| At 1 April 2011 | 1,745 | 10,537 | 7,643 | 5,071 | 24,996 |
| Charge for year | 168 | 87 | 1,028 | - | 1,283 |
| Reversal of provision | (250) | (3) | (1) | - | (254) |
| Amount waived and written off | (375) | (600) | (8) | - | (983) |
| **At 31 March 2012** | **1,288** | **10,021** | **8,662** | **5,071** | **25,042** |
| **Net balance:** | | | | | |
| 1 April 2011 | 1,349 | 6,528 | 2,827 | 2,961 | 13,665 |
| **31 March 2012** | **306** | **4,468** | **3,593** | **1,314** | **9,681** |

## 17. INVESTMENTS IN OTHER FINANCIAL ASSETS (CONTINUED)

| | Group and Invest NI | | | | |
|---|---|---|---|---|---|
| | 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 2010 | 4,271 | 21,400 | 11,554 | 9,367 | 46,592 |
| Adjustment to carrying amount of loans and receivables under IAS39 | - | 353 | (49) | - | 304 |
| Additions | 123 | 179 | 222 | - | 524 |
| Changes in fair value of available for sale assets | (260) | - | - | - | (260) |
| Repayments and disposals | (890) | (2,322) | (981) | (1,335) | (5,528) |
| Amount waived and written off (note 7) | (150) | (2,545) | (276) | - | (2,971) |
| **At 31 March 2011** | **3,094** | **17,065** | **10,470** | **8,032** | **38,661** |
| **Provision:** | | | | | |
| At 1 April 2010 | 1,809 | 12,807 | 7,372 | 5,071 | 27,059 |
| Charge for year | 275 | 673 | 651 | - | 1,599 |
| Reversal of provision | (189) | (398) | (104) | - | (691) |
| Amount waived and written off | (150) | (2,545) | (276) | - | (2,971) |
| **At 31 March 2011** | **1,745** | **10,537** | **7,643** | **5,071** | **24,996** |
| **Net balance:** | | | | | |
| 1 April 2010 | 2,462 | 8,593 | 4,182 | 4,296 | 19,533 |
| **31 March 2011** | **1,349** | **6,528** | **2,827** | **2,961** | **13,665** |

## 17. INVESTMENTS IN OTHER FINANCIAL ASSETS (CONTINUED)

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

| | Group and Invest NI | | | |
|---|---|---|---|---|
| | 2012 Investments in preference shares £'000 | 2012 Fixed rate loans £'000 | 2012 Variable rate loans £'000 | 2012 Total £'000 |
| **Amount due** | | | | |
| Within 1 year | 968 | 1,119 | 847 | 2,934 |
| Within 2 to 5 years | 1,925 | 2,474 | 190 | 4,589 |
| Greater than 5 years | 1,575 | - | 277 | 1,852 |
| | **4,468** | **3,593** | **1,314** | **9,375** |
| Secured | - | 1,807 | 1,314 | 3,121 |
| Unsecured | 4,468 | 1,786 | - | 6,254 |
| **Total** | **4,468** | **3,593** | **1,314** | **9,375** |

| | Group and Invest NI | | | |
|---|---|---|---|---|
| | 2011 Investments in preference shares £'000 | 2011 Fixed rate loans £'000 | 2011 Variable rate loans £'000 | 2011 Total £'000 |
| **Amount due:** | | | | |
| Within 1 year | 2,970 | 983 | 2,035 | 5,988 |
| Within 2 to 5 years | 1,997 | 1,215 | 558 | 3,770 |
| Greater than 5 years | 1,561 | 629 | 368 | 2,558 |
| | **6,528** | **2,827** | **2,961** | **12,316** |
| Secured | - | 2,671 | 2,573 | 5,244 |
| Unsecured | 6,528 | 156 | 388 | 7,072 |
| | **6,528** | **2,827** | **2,961** | **12,316** |

**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 year-end.

**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;
- 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 fixed and floating charges over property and other assets.

**(iii) Past due and impaired financial assets**
As at 31 March 2012, Invest NI has £10,063,000 (2011: £10,701,000) of gross investments in preference shares, £8,267,000 (2011: £8,275,000) fixed rate loans and £5,277,000 (2011: £5,277,000) 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 program.

As at 31 March 2012, Invest NI has a total of £nil (2011: £nil) investments in preference shares, which were past due but no provision was provided, on the basis that these are not considered to be impaired.

## 18. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012<br>£'000 | 2011<br>£'000 | 2012<br>£'000 | 2011<br>£'000 |
| **Amounts falling due within one year:** | | | | |
| Trade receivables | 7,970 | 7,389 | 4,386 | 4,720 |
| Other receivables | 10,518 | 9,346 | 10,472 | 9,304 |
| EU receivables | 27,513 | 21,573 | 27,513 | 21,573 |
| Prepayments | 1,869 | 1,458 | 1,814 | 1,416 |
| Accrued income | | | | |
| Variable rate loan interest | 16 | 36 | 16 | 36 |
| Other | - | 43 | - | 43 |
| | **47,886** | **39,845** | **44,201** | **37,092** |
| | | | | |
| Inter government balances | 368 | 494 | 305 | 274 |
| Balances with bodies external to government | 47,518 | 39,351 | 43,896 | 36,818 |
| | **47,886** | **39,845** | **44,201** | **37,092** |

The Carbon Trust Energy Loan Scheme (ELS) is a Government backed initiative providing energy loans. 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 £500,000 (2011: £488,000) to ELS. At the year end, a cumulative gross contribution of £9,171,000 (2011: £8,658,000) has been made to ELS. This balance is included within the Other Receivables category.

As at each year end the carrying value of trade, other and EU receivables approximate their fair value due to their short term nature.

## 19. CASH AND CASH EQUIVALENTS

| | Group | |
|---|---|---|
| | 2012<br>£'000 | 2011<br>£'000 |
| Balance at 1 April | 2,857 | 15,616 |
| Net change in cash and cash equivalent balances | (865) | (12,759) |
| **Balance at 31 March** | **1,992** | **2,857** |
| The following balances at 31 March were held at: | | |
| Commercial banks and cash in hand | (350) | 1,148 |
| Short term bank deposits | 2,342 | 1,709 |
| **Balance at 31 March** | **1,992** | **2,857** |

| | Invest NI | |
|---|---|---|
| | 2012<br>£'000 | 2011<br>£'000 |
| Balance at 1 April | 338 | 13,439 |
| Net change in cash and cash equivalent balances | 148 | (13,101) |
| **Balance at 31 March** | **486** | **338** |
| The following balances at 31 March were held at: | | |
| **Commercial banks and cash in hand** | **486** | **338** |

## 20. ASSETS HELD FOR RESALE

| | Group and Invest NI | |
|---|---|---|
| | 2012<br>£'000 | 2011<br>£'000 |
| Property, plant and equipment | - | 163 |
| | **-** | **163** |

Included within assets held for resale at 31 March 2011 was a piece of land identified as surplus to requirements. The asset was disposed of in April 2011. The loss on revaluation of this asset of £33,000 is included within the asset impairment caption in the Statement of Comprehensive Net Expenditure.

The above assets were held within the Corporate Services Operating Segment.

## 21. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| | Group | | | |
|---|---|---|---|---|
| | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
| **(i) Amounts due within one year:** | | | | |
| Trade payables and accruals | | 15,030 | | 12,606 |
| Accrued grant payables | | 28,024 | | 53,350 |
| Other taxation and social security | | 528 | | - |
| Other payables | | 1,134 | | 1,525 |
| Deferred income | | 354 | | 255 |
| Amounts due to DETI (note 21(iv)) | | | | |
| Other income surrendered | 2,423 | | 2,593 | |
| EU receipts surrendered | - | | 1,567 | |
| | | 2,423 | | 4,160 |
| | | **47,493** | | **71,896** |

| | Invest NI | | | |
|---|---|---|---|---|
| | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
| **(ii) Amounts due within one year:** | | | | |
| Trade payables and accruals | | 11,731 | | 9,222 |
| Accrued grant payables | | 28,024 | | 53,350 |
| Other taxation and social security | | 528 | | - |
| Other payables | | 1,134 | | 1,525 |
| Deferred income | | 354 | | 255 |
| Amounts due to DETI (note 21 (iv)) | | | | |
| Other income surrendered | 2,423 | | 2,593 | |
| EU receipts surrendered | - | | 1,567 | |
| | | 2,423 | | 4,160 |
| | | **44,194** | | **68,512** |

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| **(iii) Analysis of balances:** | | | | |
| Inter government balances | 3,319 | 4,749 | 3,212 | 4,665 |
| Balances with bodies external to government | 44,174 | 67,147 | 40,982 | 63,847 |
| | **47,493** | **71,896** | **44,194** | **68,512** |

## 21. TRADE PAYABLES AND OTHER CURRENT LIABILITIES (CONTINUED)

| | Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **(iv) Movement in DETI payable balance in respect of total income surrendered:** | | |
| At 1 April | 4,160 | 18,637 |
| Other income surrendered (note 11) | 2,085 | 2,793 |
| Miscellaneous receipt surrenderable to DETI | - | 7 |
| BSP Programme receipts paid to DETI | (1,567) | (14,623) |
| Amount paid by Invest NI | (2,255) | (2,654) |
| **At 31 March** | **2,423** | **4,160** |

As at each year end the carrying values of these instruments approximate their fair value due to their short term nature.

## 22. PROVISIONS FOR LIABILITIES AND CHARGES

| | Group | | | |
|---|---|---|---|---|
| | Grants £'000 | Land & Property £'000 | Others £'000 | Total £'000 |
| **At 1 April 2010** | **21,852** | **4,058** | **764** | **26,674** |
| Charge to Net Expenditure | 18,089 | 1,192 | - | 19,281 |
| Release of provisions not required | (6,472) | - | - | (6,472) |
| Utilised in year | (12,283) | (383) | - | (12,666) |
| Amount transferred to accrued grant payables | (304) | - | - | (304) |
| **At 31 March 2011** | **20,882** | **4,867** | **764** | **26,513** |
| Charge to Net Expenditure | 16,218 | - | - | 16,218 |
| Release of provisions not required | (7,617) | (804) | (2) | (8,423) |
| Utilised in year | (11,697) | (2,598) | (262) | (14,557) |
| **At 31 March 2012** | **17,786** | **1,465** | **500** | **19,751** |

## 22. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

| | Invest NI | | | |
|---|---|---|---|---|
| | Grants £'000 | Land & Property £'000 | Others £'000 | Total £'000 |
| **At 1 April 2010** | **21,852** | **4,058** | **762** | **26,672** |
| Charge to Net Expenditure | 18,089 | 1,192 | - | 19,281 |
| Release of provisions not required | (6,472) | - | - | (6,472) |
| Utilised in year | (12,283) | (383) | - | (12,666) |
| Amount transferred to accrued grant payables | (304) | - | - | (304) |
| **At 31 March 2011** | **20,882** | **4,867** | **762** | **26,511** |
| Charge to Net Expenditure | 16,218 | - | - | 16,218 |
| Release of provisions not required | (7,617) | (804) | - | (8,421) |
| Utilised in year | (11,697) | (2,598) | (262) | (14,557) |
| **At 31 March 2012** | **17,786** | **1,465** | **500** | **19,751** |

**Grants**
The majority of grant provisions are due to be paid within one year, hence the effect of discounting is considered to be immaterial. For those beyond one year, it is not possible to estimate with certainty when the liability will crystallise.

**Land & Property**
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 IAS 37 is not provided on the grounds of commercial sensitivity, as to do so may seriously prejudice the outcome of the negotiation and settlement process.

The effect of discounting land and property provisions is considered to be immaterial.

**Other**
Included in other provisions are potential funding repayments due to other grant authorities. The effect of discounting other provisions is considered to be immaterial.

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

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

- enterprise, capital and revenue grants are derived from various internal statistics and financial analysis;
- for other grants such as business support and research and development 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;
  - 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 of the liability owed to third parties, an annual review is carried out to assess the amount of the provision that is subsequently claimed by client companies and therefore utilised. In recent years, possibly as a result of the economic uncertainties, this review has indicated that not all grant provisions have subsequently been claimed. The result of this was that an element of the provision amount was required to be released in the following financial year.

While we are content that the existing methodology for calculating grant provisions is appropriate, during 2012/13 we intend to carry out a formal review of the methodology to identify if any enhancements can be introduced to improve the overall accuracy of the provisions. Our review will focus on any adjustments that may be required to our assumptions to take account of the recent decline in business confidence in the context of the economic downturn.

## 24. CASH FLOW STATEMENT

**Adjustments for non-cash transactions**

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment (note 8(i)) | 545 | 702 |
| Amortisation of intangible assets (note 8(i)) | 353 | 461 |
| Notional costs (note 6) | 342 | 357 |
| Loss on disposal of property, plant and equipment | 1,186 | 949 |
| Profit on financial asset disposal | (2,221) | (413) |
| Impairment of property, plant and equipment (note 8(ii)) | 11,004 | 7,896 |
| Indexation of Intangible assets (note 8(ii)) | 3 | 35 |
| Debt and financial asset provision release/charge (note 7) | 2,989 | 3,241 |
| Share of results of associates (note 16) | 2,397 | 1,706 |
| Foreign exchange (gain)/loss (note 5) | (27) | (440) |
| **Total non-cash transactions** | **16,571** | **14,494** |

## 25. 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 the Group's financial assets and financial liabilities in accordance with the categories of financial instruments.

| 2012 | Available for sale – fair value £'000 | Available for sale – cost £'000 | Loans and receivables £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | - | 1,992 | - | 1,992 |
| Receivables | 47,886 | - | - | 47,886 |
| Investments in ordinary shares | 41 | 265 | - | 306 |
| Investments in preference shares | - | - | 4,468 | 4,468 |
| Fixed rate loans | - | - | 3,593 | 3,593 |
| Variable rate loans | - | - | 1,314 | 1,314 |
| | **47,927** | **2,257** | **9,375** | **59,559** |
| **Financial liabilities** | | | | |
| Trade payables | 5,580 | - | - | 5,580 |
| Grant payables | 28,024 | - | - | 28,024 |
| | **33,604** | **-** | **-** | **33,604** |

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

| 2011 | Available for sale – fair value £'000 | Available for sale – cost £'000 | Loans and receivables £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | - | 2,857 | - | 2,857 |
| Receivables | 39,845 | - | - | 39,845 |
| Investments in ordinary shares | 953 | 396 | - | 1,349 |
| Investments in preference shares | - | - | 6,528 | 6,528 |
| Fixed rate loans | - | - | 2,827 | 2,827 |
| Variable rate loans | - | - | 2,961 | 2,961 |
| | **40,798** | **3,253** | **12,316** | **56,367** |
| **Financial liabilities** | | | | |
| Trade payables | 5,389 | - | - | 5,389 |
| Grant payables | 53,350 | - | - | 53,350 |
| | **58,739** | **-** | **-** | **58,739** |

The following tables show the interest rate of the Group's financial assets:

| 2012 | Floating rate £'000 | Fixed rate £'000 | Non interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 1,992 | - | - | 1,992 |
| Receivables | - | - | 47,886 | 47,886 |
| Investments in ordinary shares | - | - | 306 | 306 |
| Investments in preference shares | - | 4,468 | - | 4,468 |
| Fixed rate loans | - | 3,593 | - | 3,593 |
| Variable rate loans | 1,314 | - | - | 1,314 |
| | **3,306** | **8,061** | **48,192** | **59,559** |

| 2011 | Floating rate £'000 | Fixed rate £'000 | Non interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 2,857 | - | - | 2,857 |
| Receivables | - | - | 39,845 | 39,845 |
| Investments in ordinary shares | - | - | 1,349 | 1,349 |
| Investments in preference shares | - | 6,528 | - | 6,528 |
| Fixed rate loans | - | 2,827 | - | 2,827 |
| Variable rate loans | 2,961 | - | - | 2,961 |
| | **5,818** | **9,355** | **41,194** | **56,367** |

**Remaining maturity**
As at 31 March 2012, 100 per cent (2011: 100 per cent) of trade and grant payables 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.

## 26. CAPITAL COMMITMENTS

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

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Contracted | 4,888 | 3,280 |

## 27. OPERATING LEASE ARRANGEMENTS

**Invest NI as lessee**
Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | Group | | Invest NI | |
|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| **Obligations under operating leases comprise: Property leases** | | | | |
| Not later than one year | 977 | 1,052 | 926 | 990 |
| Later than one year and not later than five years | 1,993 | 2,471 | 1,993 | 2,410 |
| Later than five years | 960 | 1,277 | 960 | 1,277 |
| | **3,930** | **4,800** | **3,879** | **4,677** |

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **Obligations under operating leases comprise: Other leases** | | |
| Not later than one year | 12 | 4 |
| Later than one year and not later than five years | 21 | - |
| | **33** | **4** |

Operating lease payments represent rentals payable by Invest NI for certain of its regional and international office properties. Leases are negotiated for periods of up to 25 years. There are no purchase options in the leases, but certain of the leases contain an option to extend for a further period at the then prevailing market rate.

**Invest NI as lessor**

Net property rental income earned during the year was £1,640,000 (2011: £1,666,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. At 31 March, Invest NI had contracted with tenants for the following future minimum lease payments:

| Obligations under operating leases comprise: | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **Property leases** | | |
| Not later than one year | 1,157 | 1,407 |
| Later than one year and not later than five years | 4,214 | 4,389 |
| Later than five years | 9,661 | 10,702 |
| | **15,032** | **16,498** |

## 28. OTHER FINANCIAL COMMITMENTS

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

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| **Segmental analysis:** | | |
| Innovation and Capability Development | 44,848 | 59,785 |
| Client Group and Entrepreneurship | 79,739 | 54,260 |
| Client Group and Business International | 98,107 | 108,105 |
| | **222,694** | **222,150** |

## 29. 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 Statement of Financial Position 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 total future minimum payments due under this PFI contract is as follows:

| | Group and Invest NI | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Within one year | 4,718 | 4,547 |
| In the second to fifth years | 18,496 | 17,638 |
| After five years | 62,620 | 63,783 |
| | **85,834** | **85,968** |

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.

## 30. 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.

Invest NI does not have any other contingent liabilities which are required to be disclosed under IAS 37 or for parliamentary reporting and accounting purposes (2011: none).

## 31. 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 receiving 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 NIS and UCIT and Women in Enterprise in the current and previous financial years. Other organisations which received funding from Invest NI have reported the following losses:

- Aspire Micro Loans: £55,000 relating to 25 cases (2011: £59,000 relating to 19 cases)
- West Belfast Enterprise Board: £15,000 relating to 2 cases (2011 (Restated): £24,000 relating to 2 cases)
- The Prince's Trust: £7,000 relating to 10 cases (2011: £1,000 relating to 2 cases)

NITECH, Crescent Capital II, Invest Growth Fund, QUBIF, UIF and Carbon Trust 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**

| | Group and Invest NI | | | | | |
|---|---|---|---|---|---|---|
| | 2012 Losses £'000 | 2012 No. of cases £>250k | 2012 No. of cases £<250k | 2011 Losses £'000 | 2011 No. of cases £>250k | 2011 No. of cases £<250k |
| **Waiver / Write off** | | | | | | |
| Others: | | | | | | |
| Grants recoverable | 1,577 | 0 | 43 | 2,410 | 2 | 44 |
| Others including investments and accrued income | 1,129 | 1 | 12 | 3,972 | 3 | 20 |

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 year end there are 45 cases of potential losses totalling £21,174,000 (2011 - 43 cases totalling £20,365,000) which are under management review. These cases have been notified to DETI and DFP as potential losses. The review process is on-going and since the year end approvals for waivers/write offs have been obtained for 8 of these cases totalling £340,000.

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

**(iii) Constructive losses**

| | Group and Invest NI | | | | | |
|---|---|---|---|---|---|---|
| | 2012 Losses £'000 | 2012 No. of cases £>250k | 2012 No. of cases £<250k | 2011 Losses £'000 | 2011 No. of cases £>250k | 2011 No. of cases £<250k |
| Total | - | - | - | 1,192 | 1 | - |

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. One of the existing leased properties has not yet been leased and one other lease was bought out at the year-end. Invest NI is continuing to actively market the vacant property and will keep its status under constant review. No new provisions were required at the year-end.

**(iv) Special payments**

There were no special payments made during the year (2011: no special payments made).

## 33. RELATED PARTY TRANSACTIONS

**Transactions with the Parent and other Government Departments**

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

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Receivables (amounts due within one year (note 18)): Balances with other central government bodies | - | - |
| Payables (amounts due within one year (note 21)): Balances with other central government bodies | 2,423 | 4,160 |

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

**Register of interests** (Refer to the key at end of note)
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 with subsidiaries**
Invest NI has had no transactions with NI-CO during the current year.

**Transactions involving Chief Executive and Senior Management Team**

A beneficial interest is when the Chief Executive or Senior Management Team member is either, directly or through a family connection, a material shareholder or receives a payment from the entity for their services.

**Financial assistance paid to the companies:**

| | | Nature of relationship | New financial assistance offered Year ended 31-03-12 £'000 | Amount paid Year ended 31-03-12 £'000 | New financial assistance offered Year ended 31-03-11 £'000 | Amount paid Year ended 31-03-11 £'000 |
|---|---|---|---|---|---|---|
| **SMT Member** | **Company** | | | | | |
| Ian Murphy | Market Resource Partners Limited | (2) | 99 | 168 | 848 | - |

**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. A beneficial interest is when the Board member is either, directly or through a family connection, a material shareholder or receives a payment from the entity for their services.

Transactions with these related entities 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 transactions in the tables below (inclusive of VAT where applicable and aggregate value in excess of £1,000) were made with entities in which Board members have had a beneficial interest during the year. On this basis, where disclosure was made in 2010-11 for bodies from which Board members resigned or retired during 2010-11, these are not replicated in the 2011-12 accounts.

**Financial assistance paid to the companies:**

| Board Member | Company | Nature of relationship | New financial assistance offered Year ended 31-03-12 £'000 | Amount paid Year ended 31-03-12 £'000 | New financial assistance offered Year ended 31-03-11 £'000 | Amount paid Year ended 31-03-11 £'000 |
|---|---|---|---|---|---|---|
| Mark Ennis | Creative Composites Limited | (2) | 141 | 151 | 79 | 36 |
| | Intelesens Limited | Non Executive Director and shareholder | 67 | 37 | 7 | 22 |
| Stephen Kingon | Mivan Limited | Non Executive Director** | - | 9 | 15 | 48 |
| | Anderson Spratt Group Limited (5) | Non Executive Director | - | - | - | 148 |
| | Balcas Timber Limited | Chairman | - | 45 | - | 534 |
| Bryan Keating | Mail Distiller Limited (3) | Non Executive Chairman | - | - | 4 | - |
| | Axis Three Limited (1) | Executive Chairman and shareholder | - | - | - | 149 |
| Ed Vernon | BT Ireland Limited * | Strategic Advisor | 568 | 705 | 84 | 594 |
| | Global Trust Certification (UK) Limited | (2) | - | - | 38 | - |
| | Belfast Harbour Commissioners | Board member | - | 2 | - | - |
| Roy Adair | Belfast Harbour Commissioners | Chief Executive | - | 2 | - | - |
| | First Derivatives PLC | (2) | - | 3,083 | 4,308 | 1,899 |

**Financial assistance paid to the companies: (continued)**

| Board Member | Company | Nature of relationship | New financial assistance offered Year ended 31-03-12 £'000 | Amount paid Year ended 31-03-12 £'000 | New financial assistance offered Year ended 31-03-11 £'000 | Amount paid Year ended 31-03-11 £'000 |
|---|---|---|---|---|---|---|
| Tim Brundle | University of Ulster | Director | 203 | 1,946 | 131 | 3,072 |
| | Innovation Ulster Limited | Executive Director | - | - | - | 1 |
| | Short Brothers plc | (2) | 1,292 | 9,184 | 5,138 | 12,561 |
| | Airpos Limited | Chairman (6) | 43 | - | 9 | 9 |
| David Dobbin | United Dairy Farmers Limited | Group Chief Executive | 120 | 343 | - | 196 |
| | Dale Farm Limited | Subsidiary company of United Dairy Farmers Limited | - | 308 | - | 973 |
| | Intertrade Ireland | Chairman*** | - | 100 | - | 99 |
| | Belfast Harbour Commissioners | Board member | - | 2 | - | - |
| Frank Hewitt | Northern Ireland Science Park | Chairman | 465 | 202 | 267 | 186 |
| Alan Lennon | Off the Wall Creations Limited | Chairman and shareholder | - | 10 | 18 | 3 |
| | The Wright Group Limited | Chairman | - | 417 | - | 819 |

Payments of £375,000 (2011: £1,125,000) were also made to Crescent Capital II LLP during the year. Crescent Capital is an associate of Invest Northern Ireland as described in note 16.

Payments of £752,500 (2011: £1,320,470) were also made to Invest Growth Fund during the year. Invest Growth Fund is an associate of Invest Northern Ireland as described in note 16.

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

| Board Member | Company | Nature of relationship | Amount paid Year ended 31-03-12 £'000 | Amount paid Year ended 31-03-11 £'000 |
|---|---|---|---|---|
| Stephen Kingon | Stephen Kingon Associates (4) | Principal** | 37 | 48 |
| | Anderson Spratt Group Holdings NI Limited | Non Executive Director** | 47 | - |
| | Northern Ireland Electricity Limited | Chairman ** | 1,195 | 583 |
| Ed Vernon | BT Ireland Limited* | Strategic Advisor | 141 | 376 |
| Tim Brundle | Innovation Ulster Limited | Executive Director | 311 | 339 |
| | University of Ulster | Director | 9 | 137 |
| David Dobbin | InterTradeIreland | Chairman*** | - | 17 |
| | Ernst & Young | (2) | 62 | 45 |
| Frank Hewitt | Northern Ireland Science Park | Chairman | - | 4 |

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

| Board Member | Company | Nature of relationship | Amount received Year ended 31-03-12 £'000 | Amount received Year ended 31-03-11 £'000 |
|---|---|---|---|---|
| Mark Ennis | Intelesens Limited | Non Executive Director | 1 | 5 |
| | Creative Composites Limited | (2) | - | 3 |
| Stephen Kingon | Mivan Limited | Non Executive Director** | 5 | 12 |
| | Northern Ireland Electricity Limited | Chairman** | 103 | 146 |
| Bryan Keating | Axis Three Limited (1) | Executive Chairman and Shareholder | 6 | - |
| | Mail Distiller Limited (3) | Non Executive Chairman | - | 2 |
| Ed Vernon | BT Ireland Limited* | Strategic Advisor | 2 | - |
| Tim Brundle | University of Ulster | Director | 2 | 10 |
| | Short Brothers plc | (2) | 8 | - |
| David Dobbin | Dale Farm Limited | Subsidiary company of United Dairy Farmers Limited | 9 | 14 |
| | Intertrade Ireland | Chairman*** | 1 | - |
| Alan Lennon | The Wright Group Limited | Chairman and shareholder | 7 | - |

**Balance owed to the company at 31 March:**

| Board Member | Company | Nature of relationship | Balance 31-03-12 £'000 | Balance 31-03-11 £'000 |
|---|---|---|---|---|
| Mark Ennis | Creative Composites Limited | (2) | 20 | 53 |
| | Ulster Bank Limited | (2) | 2 | - |
| Stephen Kingon | Mivan Limited | Non Executive Director | ** | 7 |
| | Balcas Timber Limited | Chairman | ** | 45 |
| | Stephen Kingon Associates | Principal | ** | 12 |
| | Northern Ireland Electricity Limited | Chairman | ** | 16 |
| Ed Vernon | BT Ireland Limited* | Strategic Advisor | 163 | 285 |
| Roy Adair | First Derivatives PLC | (2) | 672 | 1,284 |
| Tim Brundle | University of Ulster | Director | 419 | 1,417 |
| | Innovation Ulster Limited | Executive Director | 92 | 33 |
| | Short Brothers plc | (2) | 1,580 | 6,232 |
| David Dobbin | United Dairy Farmers | Group Chief Executive | 15 | 148 |
| | Dale Farm Limited | Subsidiary company of United Dairy Farmers Limited | 3 | 148 |
| Frank Hewitt | Northern Ireland Science Park | Chairman | 26 | 34 |
| Alan Lennon | The Wright Group Limited | Chairman | 69 | 343 |

**Loan balances owed from the company at 31 March:**
There were no loans outstanding to any company associated with Board members at 31 March 2012 (2011: None).

**Balance owed from the entity at 31 March:**

| Board Member | Company | Nature of relationship | Balance 31-03-12 £'000 | Balance 31-03-11 £'000 |
|---|---|---|---|---|
| Stephen Kingon | Northern Ireland Electricity Limited | Chairman | ** | 61 |
| Bryan Keating | Axis Three Limited (1) | Executive Chairman and shareholder | 3 | 4 |
| Ed Vernon | BT Ireland Limited* | Strategic Advisor | 2 | - |

**Balance owed from the entity at 31 March: (continued)**

| Board Member | Company | Nature of relationship | Balance 31-03-11 £'000 | Balance 31-03-10 £'000 |
|---|---|---|---|---|
| Tim Brundle | Short Brothers plc | (2) | 7 | - |
| | University of Ulster | Director | - | 4 |
| Frank Hewitt | Northern Ireland Science Park | Chairman | - | 4 |
| Alan Lennon | The Wright Group Limited | Chairman | 2 | - |

There were no provisions held against the above balances.

**Investments held in the company at 31 March:**
Invest NI holds share investments in the following companies in which Board members have a beneficial interest:

| Board Member | Company | Nature of relationship |
|---|---|---|
| Mark Ennis | Intelesens Limited | Non Executive Director and shareholder |
| Bryan Keating | Axis Three Limited | Executive Chairman and Shareholder |

Details of the number of shares held in each of the above companies can be found in Appendix A.

No dividends were received in respect of any of the shareholdings above.

**Key**

(1) Crescent Capital, NITECH and Invest Growth Fund hold investments in Axis Three Limited of £2,240,000, £250,000 and £50,000 respectively. Crescent Capital, NITECH and Invest Growth Fund are associates of Invest NI. The relationship between Invest NI and these bodies are described in note 16.

(2) Connected via family relations.

(3) Crescent Capital holds an investment of £1,240,000 in Mail Distiller Limited.

(4) Payments made to Stephen Kingon Associates Limited were in respect of his services as Chairman of Invest NI.

(5) Stephen Kingon is a Non Executive Director of Anderson Spratt Group Holdings Limited. Transactions and balances shown are with Anderson Spratt Group Limited.

(6) Invest Growth Fund holds an investment of £140,000 in AirPOS Limited.

* Transactions/balances shown are with the BT Group of companies.

** Stephen Kingon resigned as Chairman and Board member on 31 December 2011. Therefore no balance at 31 March 2012 is disclosed as no beneficial interest existed with the company at this date. The value of transactions disclosed represents amounts up until the date of resignation.

*** The Board member's tenure as Chairman ended during the year.

## 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 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 Statement of Comprehensive Net Expenditure and the Statement of Financial Position.

# Appendix A - Share Investments in Client Companies

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

| Company | Type of shares | No of shares 2012 | No of shares 2011 |
|---|---|---|---|
| Aepona Holdings Limited | £0.01 7.5% cumulative convertible redeemable preference shares | 1,075,000 | 1,075,000 |
| Aepona Holdings Limited | £0.01 'A' preference shares | 1,000,000 | 1,000,000 |
| Aepona Holdings Limited | £0.000001 'Z' ordinary shares | 90,909,091 | 90,909,091 |
| Aerospace Metal Finishers Limited | £1 5.5% non cumulative redeemable preference shares | 250,000 | 250,000 |
| Autonomy Corporation | Ordinary shares | - | 57,315 |
| AXIS Three Limited | 'A' ordinary shares | 1,469,986 | 1,469,986 |
| AXIS Three Limited | Ordinary Shares | 81,364 | 81,364 |
| Balcas Timber Limited | £1 "C" preferred ordinary shares | 1,350,000 | 1,350,000 |
| BiancaMed Limited | €0.01 Ordinary shares | - | 15,337 |
| Biznet IIS Limited | £1 8% redeemable cumulative preference shares | 37,500 | 37,500 |
| Biznet Solutions Limited | £1 8% redeemable cumulative preference shares | 89,550 | 89,550 |
| Bluechip Technologies Holdings Limited | £1 6% redeemable cumulative preference shares | 32,500 | 32,500 |
| Chieftain Trailers Limited | 5.5% non cumulative redeemable preference shares | 128,500 | 135,000 |
| Conexant Systems Inc | $0.01 Common Stock | 6,070 | 6,070 |
| Country Inns (Ulster) Limited | £1 8% "A" redeemable cumulative preference shares | 250,000 | 250,000 |
| CTS Corporation | Common stock | 4,964 | 4,964 |
| Datactics Limited | £1 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 | 4,200 | 4,200 |
| Global Email Company Limited | £0.00001 "B" ordinary shares | - | 57,173,148 |
| Heartsine Technologies Limited | Series D preferred stock | 232,192 | 232,192 |
| Heartsine Technologies Limited | Common stock | 293,141 | 293,141 |
| IceMOS Technology Corporation (USA) | Series A1 preferred stock | 2,500 | 2,500 |
| IceMOS Technology Corporation (USA) | Series A2 preferred stock | 9,997,500 | 9,997,500 |

| Company | Type of shares | No of shares 2012 | No of shares 2011 |
|---|---|---|---|
| IceMOS Technology Corporation (USA) | $0.01 Series "B" convertible preferred stock | 5,000,000 | 5,000,000 |
| Identity Exploration Limited (formerly Sycadex Limited) | £1 convertible redeemable preference shares | 60,000 | 60,000 |
| Intelesens Limited | Preferred A ordinary shares | 30,087 | 30,087 |
| Intelesens Limited | Preferred B ordinary shares | 15,044 | 15,044 |
| International Net & Twine Limited | £1 "A" redeemable cumulative preference shares | 125,000 | 125,000 |
| Intune Networks (Belfast) Limited | B Preference Shares | 3,436,322 | 1,260,470 |
| Intune Networks (Belfast) Limited | €0.001 "C" ordinary Shares | 1,885,163 | - |
| K-L Partners Holdings LLC (Kana Software Limited) | Common Stock | 193,783 | 193,783 |
| Learning Pool Limited | £1 10% convertible cumulative redeemable preference shares | 80,000 | 80,000 |
| Loch Rainbow Fisheries Limited | £1 redeemable preference shares | 60,000 | 60,000 |
| Medevol Limited | Ordinary shares | 100,000 | 100,000 |
| Naturelle Consumer Products Limited | £1 redeemable non cumulative preference shares | 16,500 | 52,500 |
| Provita Eurotech Limited | £1 redeemable non cumulative preference shares | 60,000 | 60,000 |
| Quantum Hosiery Limited | £1 non cumulative redeemable preference shares | 1,000,000 | 1,000,000 |
| Randox Laboratories Limited | £1 5% cumulative redeemable preference shares | - | 2,000,000 |
| Replify Limited | Preferred ordinary shares | 333,333 | 333,333 |
| SISAF Limited | Ordinary shares | 540 | 540 |
| Springfarm Architectural Mouldings Limited | £1 redeemable non cumulative preference shares | 330,000 | 330,000 |
| The Lowden Guitar Co. Limited | £1 redeemable preference shares | 25,000 | 25,000 |
| 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 |
| Ulster Engineering Limited | £1 redeemable non cumulative preference shares | 100,000 | 100,000 |
| Woodmarque Arch Joinery Limited | £1 redeemable non cumulative preference shares | 160,000 | 160,000 |

**(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 2012 | No of shares 2011 |
|---|---|---|---|
| Adamshill Limited | £1 redeemable cumulative preference shares | 250,000 | 250,000 |
| Andronics Limited | £1 8.5% cumulative preference shares | - | 225,000 |
| Andronics Limited | £1 ordinary shares | - | 375,000 |
| Alta Systems Limited | £1 7% convertible cumulative redeemable preference shares | 100,000 | 100,000 |
| BL Manufacturing Limited | £1 redeemable non cumulative preference shares | 20,000 | 20,000 |
| Buchanan Wire Mesh Limited | 5.5% cumulative redeemable preference shares | 75,000 | 75,000 |
| CNC Components (UK) Limited | £1 redeemable cumulative preference shares | 220,000 | 220,000 |
| Dark Water Studios | Ordinary shares | 8,696 | 8,696 |
| D Hopkins & Sons Limited | Ordinary shares | 13,400 | 13,400 |
| D Hopkins & Sons Limited | £1 redeemable non cumulative preference shares | 11,600 | 11,600 |
| Energy Conservation Systems (NI) Limited | £1 redeemable preference shares | 260,000 | 260,000 |
| 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 |
| Hydris Systems Limited | Ordinary shares | 10,000 | 10,000 |
| International Leathers (NI) Limited | £1 "C" redeemable cumulative preference shares | 200,000 | 200,000 |
| James Dunlop (NI) Limited | £1 "A" redeemable non cumulative preference shares | - | 150,000 |
| John Henning | £1 "A" redeemable cumulative preferences shares | 149,000 | 149,000 |
| K-Hub.com Limited | £1 redeemable non cumulative preference shares | - | 50,000 |
| Kathrina Fashions Limited | £1 redeemable preference shares | 25,000 | 25,000 |
| Leaf Plastics Limited | £1 redeemable non cumulative preference shares | 45,000 | 45,000 |
| Level Seven Creative Limited | £1 10% cumulative preference shares | 110,000 | 110,000 |
| Mallon Bros Limited | £1 redeemable preference shares | 27,000 | 27,000 |
| Modac (NI) Limited | £1 redeemable non cumulative preference shares | 35,000 | 35,000 |
| Northern Ireland Export Company Limited | £1 redeemable non cumulative preference shares | 102,000 | 102,000 |

| Company | Type of shares | No of shares 2012 | No of shares 2011 |
|---|---|---|---|
| Northern Ireland Export Company Limited | Ordinary Shares | 98,000 | 98,000 |
| Northern Whig Limited | £1 redeemable cumulative preference shares | 50,000 | 50,000 |
| 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 |
| Reflex Mouldings Limited | £1 cumulative redeemable preference shares | 200,000 | 200,000 |
| Sarcon (No 19) Limited (GK) | "B" redeemable cumulative preference shares | 70,000 | 70,000 |
| 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 |
| The Slimmers Network Limited | £1 redeemable cumulative preference shares | 75,000 | 75,000 |
| Tudor Journals Limited | £1 redeemable non cumulative preference shares | 60,000 | 60,000 |
| Ulster Partitions Limited | £1 redeemable non cumulative preference shares | 35,000 | 35,000 |
| United Fashion (Strelitz) | £1 "A" redeemable preference shares | 250,000 | 250,000 |
| Viking Cycles Limited | £1 redeemable preference shares | 150,000 | 150,000 |
| Whiteabbey Mechanical Services | £1 redeemable preference shares | 20,000 | 20,000 |
| William Taylor (Import/Export) Limited | £1 redeemable non cumulative preference shares | 15,000 | 15,000 |
| Woodlock Joinery Limited | £1 redeemable cumulative preference shares | - | 175,000 |

# Appendix B - Accounts Direction

**INVEST NORTHERN IRELAND**

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT (DETI), WITH THE APPROVAL OF THE DEPARTMENT OF FINANCE AND PERSONNEL (DFP), IN ACCORDANCE WITH PARAGRAPH 7 (2) OF SCHEDULE 1 TO THE INDUSTRIAL DEVELOPMENT ACT (NORTHERN IRELAND) 2002

1 This direction applies to Invest Northern Ireland (Invest NI).

2 Invest NI shall prepare accounts for the financial year ended 31 March 2012 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the department.

3 The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs at 31 March 2012 and subsequent financial year-ends, and of the income and expenditure, changes in tax payer's equity and cash flows for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the Northern Ireland Assembly or material transactions that have not conformed to the authorities which govern them.

4 Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with DETI and DFP.

5 This direction supersedes the direction dated 8 September 2010.

**IAIN McFARLANE**
**Acting Head of Finance Division**
**Department of Enterprise, Trade and Investment**

**29 February 2012**

# Notes

# Notes

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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