

Enterprise Ulster **ANNUAL REPORT**

2005/2006



INVESTOR IN PEOPLE



Enterprise Ulster

Annual Report 2005/2006

Enterprise Ulster Annual Report and Accounts For the Year ended 31 March 2006

Laid before the Houses of Parliament by the Department for Employment and Learning in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 11 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004.

Date: 26 April 2007

Laid before the Northern Ireland Assembly under Article 10(2) of the Enterprise Ulster (Northern Ireland) Order 1973 by the Department for Employment and Learning.

Date: 26 April 2007

Ordered by the House of Commons to be printed

Date: 26 April 2007



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Vision, Mission & Strategic Aims

The Minister
Department for Employment and Learning
Adelaide House
39/49 Adelaide Street
BELFAST
BT2 8FD

Date: 8th August 2006

Dear Minister

As required by Article (10) 1 of the Enterprise Ulster (Northern Ireland) Order 1973 (SI 1973 No. 1228 N.I.16), we enclose a report on the performance of the Corporation's functions for the period 1 April 2005 to 31 March 2006 inclusive.

Yours faithfully

J COWAN (CHAIRMAN)
J H EAGLESON (CHIEF EXECUTIVE)

VISION

Enterprise Ulster's vision for the future is one of a vibrant economy and progressive society in Northern Ireland, where all unemployed people will have the opportunities to develop their knowledge and skills to enable them to make a positive contribution to that economy and society.

MISSION

Enterprise Ulster's mission is to assist in the economic development of Northern Ireland by the provision of quality training that will enhance the capabilities, knowledge and skills of the unemployed.

STRATEGIC AIMS

The Enterprise Ulster Corporate Plan sets out the following 3 Strategic Aims:

Strategic Aim 1

To contribute to economic growth by assisting unemployed people return to work

Strategic Aim 2

To promote equality of opportunity

Strategic Aim 3

To gain recognition of excellence.

Board Members

Board Members

The following Members were appointed by the Minister and served during the period 1 April 2005 to 31 March 2006:-

J Cowan - Chairman
W Cameron, OBE
Ms A Quinn

On nomination of the Northern Ireland Committee,
Irish Congress of Trade Unions:-

Mrs S Butcher
J Cooper

On nomination of the Confederation of British
Industry/Northern Ireland Chamber of Commerce
and Industry:-

J Collins
Ms A Rutledge

Audit Committee

The following Members were elected by the Board and served during the period 1 April 2005 to 31 March 2006:-

W Cameron, OBE (Chairman)
Ms A Rutledge
J Collins



Joe Cowan
Chairman



Sylvia Butcher



William Cameron



Jim Collins



Jim Cooper



Alice Quinn



Anne Rutledge

Chairman's Foreword



In last year's Annual Report I said that the fundamental task facing Enterprise Ulster and the Department for Employment and Learning in 2005/06 would be to determine whether the significantly reduced organisation which Enterprise Ulster had become would have a viable and sustainable future as part of Northern Ireland's training infrastructure.

Following a meeting in late March, 2005, between the then Minister, Mr. Barry Gardiner and a delegation from the Enterprise Ulster Board a further options study was commissioned by the Department to determine whether Enterprise Ulster could continue to deliver essential training services across Northern Ireland in future years but outside the structure of a non-departmental public body. Ultimately the sustainability of any alternative options revolved around assurances about the availability of future training contracts and especially Training for Work which had been piloted by Enterprise Ulster over the past few years and now constituted its core business. No such assurances could be given in the changing administrative and training environment in which Northern Ireland now finds itself and consequently the Minister, Angela Smith, accepted the recommendations of her officials from the Department for Employment and Learning that Enterprise Ulster should be wound up and that the a public announcement to this effect should be made as part of the Review of Public Administration.

On 21st March 2006, the Secretary of State for Northern Ireland, Mr. Peter Hain, announced that the 81 Quangos in Northern Ireland which had been included in the Review of Public Administration would be reduced to 54 and this reduction would be achieved in the main by merging bodies or transferring complete functions to local or central Government. Three of the 81 public bodies were to be abolished, the largest of which was Enterprise Ulster. It is expected that the final details of winding up the organisation will be completed by the end of the 2006/07 financial year.

My fellow Board Members and I are disappointed and saddened that our representations and deliberations with Departmental officials and Ministers over the past 3 years have not resulted in a more positive and constructive outcome for the future of the Corporation, first established in 1973, to tackle problems of long-term male unemployment in Northern Ireland. Enterprise Ulster has adapted and modified its activities and programmes in response to the changing economic challenges, which have faced Northern Ireland over more than three decades. In a different political and administrative climate from that presently prevailing here we believe that our organisation with its outstanding track record and its networks and relationships at many levels throughout Northern Ireland from District Councils to local communities still had much to offer those from more disadvantaged and deprived circumstances who face multiple barriers to employment in what is frequently termed our fast changing, innovative, global competitive economy. Regrettably, the training experience, skills and expertise amongst Enterprise Ulster staff will now be lost to Northern Ireland. All staff will be made redundant and no alternative employment options have been offered by Central Government.

The Board commends all Enterprise Ulster staff for the professionalism, which they have shown over the past few trying and stressful years during which there was no certainty of what the future might hold for them. Staff, at all levels, have continued to work with commitment and dedication mindful that their first duty was to those in their training care. The Board and senior management are most appreciative of their continuing loyalty and steadfastness and wish them every success in finding new and suitable career opportunities for the future.

A handwritten signature in black ink that reads "J. Cowan". The signature is written in a cursive, slightly slanted style.

Joe Cowan
Chairman

Chief Executive's Report



The Secretary of State's announcement on 21st of March 2006 of the closure of Enterprise Ulster within the umbrella of the Review of Public Administration in Northern Ireland marked the end of a lengthy period of review of

the organisation's future and thereby clarified for employees and programme participants that their employment and training future with Enterprise Ulster would be short.

The policy issues and processes that led to the closure decision are recorded in last year's Annual Report and the Chairman's Foreword to this Report. The debate and discussions which took place at Board Meetings are recorded in Board minutes which may be accessed on the Enterprise Ulster website.

The current Chairman and Board Members, like their predecessors, have brought great knowledge and expertise to the Boardroom. These facets have been applied fully to supporting the case for the continuation of Enterprise Ulster and on behalf of the employees I wish to record our thanks for that support.

Given the ongoing review and uncertainty about the future of the Organisation the performance for the year must be considered as good. At the start of the year a quantum step was made in funding arrangements when systems were established to call off grant funding against output related performance rather than as previously based on Organisational need. Once early teething problems were resolved this system quickly became embedded in the Organisation and internal audit confirmed the soundness of the system and a high level of assurance in its' operation. The Senior Management Team was satisfied that a viable Organisation could be sustained within these funding arrangements.

The Organisation continued to record performance against Key Targets and the outcomes against the targets are recorded as follows.

Training for Work

Key Target 1

To have at least 33% of leavers enter employment before or within 13 weeks of leaving the programme, with employment being sustained for a further weeks.

Achievement 25% of leavers

A further 5% entered further training/education

Key Target 2

To have at least 60% of participants who complete their training achieve the targeted qualification specified in their Learning and Development Plan.

Achievement 47% - potential (subject to pending results being positive) 70%

A further 9% gained some units targeted

Key Target 3

To have 80% of participants either complete their training or leave the programme to take up employment (excluding disciplinary terminations).

Achievement 79.4% of participants

Key Target 4

To fill an annual average of 450 participant places. Achievement 398 participants on average

Other Programmes

Key Target 5

To provide work experience and training for an average of 148 New Deal participants

Achievement 108 New Deal participants on average

Key Target 6

- To provide placements for an average of 61 Direct Worktrack employees
- To provide placements for an average of 7 Secondary Worktrack employees

NB: Up to 30 September 2005

Achievement 56 Worktrack employees on average

Economically Inactive

An integral target within the pilot programme Design Document was to engage the economically inactive.

Chief Executive's Report

This target was reflected within the Operational Plan in terms of widening the outreach to such participants and in financial planning by setting a target of 33% of all participants to be receipt of Training Premium only.

The outturn figures at year end were:

Economically Inactive 60%

Training Premium only 28%

During the year the primary topic for discussions at Board Meetings and for Senior Management pursuit was determination of the future of the Organisation. Following the meeting in March 2005 with Minister Mr Barry Gardiner progress was halted over the period of the General Election until the new Minister Ms Angela Smith made the decision in July to appoint consultants Deloitte to carry out a further options study with the terms of reference being broadly in the following stages:

- Stage One involved an assessment of the range of options for the future of Enterprise Ulster, resulting in the presentation of an analysis of each option on both a qualitative and quantitative basis.
- Stage Two was dependent on the outcome of stage one, but was to involve the consultancy in developing and presenting a business case for the favoured option.

As stated in the Chairman's Foreword the sustainability of any alternative options revolved around assurances about the availability of future training contracts.

Running parallel to the Options Study the Board and Senior Management were addressing the actions required to meet the further reduction of £1/2 million in Grant for 2006/2007. These actions included the following:

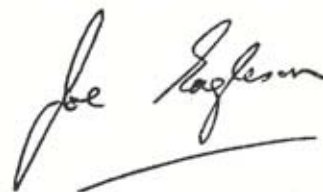
- Closure of 5 Area Sub Offices located in Carrickfergus, Ballymoney, Enniskillen, Downpatrick and Newtownards.
- The restructuring of the eight Area Teams to be managed by four District Managers.

- The refocusing of Job Descriptions and the realignment of staff within Area Offices.
- The flattening of the staffing structure within Area Offices.
- The restructuring of the Senior Management Team.
- Application to the Department to provide an enhanced redundancy policy for employees.

The progression of these actions resulted in 15 employees accepting voluntary redundancy though the proposal for enhanced redundancy policy was not approved for this round of redundancies. Whilst these actions were necessary for the efficient and effective management of the Organisation going forward in to the financial year 2006/2007 against the background of the announcement of closure their implementation proved nugatory in respect of the longer-term viability of the Organisation.

The Annual Accounts for the year are complicated by virtue of the fact that they have been prepared on a 'break-up' rather than 'on-going' basis. It therefore makes comparison to previous years nigh impossible and in any event virtually meaningless.

The challenge for the Board and Management during the forthcoming closure period is to effect an orderly rundown whilst maintaining customer satisfaction for programme participants and assisting employees with their future.



Joe Eagleson
Chief Executive

Management Commentary

The Board Members submit their foreword and the audited financial statements for the year ended 31 March 2006.

Board Members

The following served as Board Members during the year:

J Cowan	W Cameron	S Butcher
J Collins	A Rutledge	J Cooper
A Quinn		

Background information

Enterprise Ulster is a statutory employment training organisation established as a public corporation under The Enterprise Ulster (Northern Ireland) Order 1973. It is funded by the Department for Employment and Learning, which also has general oversight of the Corporation, though its management and control are vested in a Board, at present consisting of a Chairman and six Members.

Operating financial review

Enterprise Ulster is currently piloting a training programme, Training for Work, for the Department for Employment and Learning. Other activities include involvement in the New Deal Programme both as Lead Partner and member of consortia. The Corporation agrees key targets annually with the Department for Employment and Learning which focus on its net expenditure and the average cost per trainee for the year. As such, the key performance indicator agreed with the sponsoring Department is the requirement to break even (before notional cost of capital) taking one year with the next which was not achieved due to the impact of provisions arising on the cessation of the Corporation in 2007.

Results for the year

The results of the Corporation are set out in detail on page 13. The deficit for the year after notional costs was £3,457,472 (2005: £286,372). The movements on the Department for Employment and Learning account are set out in note 12 to the financial statements.

Fixed assets

The movement in fixed assets during the year is set out in note 8 to the financial statements.

Future developments

During March 2006 the findings of the Review of Public Administration in Northern Ireland were announced. As part of their findings Enterprise Ulster, as a Corporation, will be abolished on 31 March 2007 and will cease all operations from this date. These financial statements have been prepared on a break-up basis as due to the above circumstances it is inappropriate to prepare the accounts on a going concern basis. Government funding for 2006/2007 will be £4.272 million and, with involvement in the New Deal, the Corporation aims to employ and train an average of 327 people.

Remuneration report

Full details of the emoluments paid to the Chief Executive, Directors and Senior Management are given in note 6.

Disabled persons

The Corporation's policy is to recruit disabled and non-disabled employees and trainees on the same basis whenever possible. It states that disabled persons should not be treated differently in respect of training and career development.

Employee involvement

The Corporation has a Joint Negotiating Consultative Committee through which Management and Unions meet regularly.

Important events occurring after the year end

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

Payment to suppliers

Enterprise Ulster is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice, or similar demand, whichever is later. During the year 97% of bills were paid within this standard.

On behalf of the Members:

J Cowan	JH Eagleson
Chairman	Chief Executive

Date; 8 August 2006

Finance

Statement of Enterprise Ulster's and Chief Executive's responsibilities

Under Article 9(1) of The Enterprise Ulster (Northern Ireland) Order 1973, the Corporation is required to prepare a statement of accounts in the form and on the basis determined by the Department for Employment and Learning with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must give a true and fair view of the Corporation's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Corporation is required to:-

- observe the accounts direction issued by the Department for Employment and Learning 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 have been followed, and disclose and explain any material departures in the financial statements; and
- due to the circumstances outlined in Note 1 to the financial statements, the Chief Executive and Board feel it is inappropriate to prepare the accounts on a going concern basis.

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

On behalf of the Members:

J Cowan JH Eagleson
Chairman **Chief Executive**

Date: 8 August 2006

Statement on the system of Internal Control

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

These responsibilities are amplified in the Relationship Document and Financial Memorandum, which describe the policy and financial framework within which Enterprise Ulster operates.

In addition to the Statement, an Assurance Statement in respect of Enterprise Ulster has been provided to the Permanent Secretary to enable him to complete the Statement of Internal Control to accompany the Department's Accounts for 2005/06.

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

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

Enterprise Ulster has carried out appropriate procedures to ensure that the Corporation's objectives and risks have been identified and a control strategy for each of the significant risks determined. As a result, risk ownership has been allocated to the appropriate staff and the Corporation has set out its attitude to risk to the achievement of the Corporation's objectives.

Enterprise Ulster management has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. Risk management has been incorporated more fully into the corporate planning and decision making processes of the Corporation.

The Board receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress.

For the year ended 31 March 2006 Enterprise Ulster appointed The Beeches Management Centre to provide an Internal Audit service to standards defined in the Government Internal Audit Manual. They submitted regular reports, which included The Beeches Management Centre's independent opinion on the adequacy and effectiveness of the Corporation's system of internal control together with recommendations for improvement.

I had the procedures in place necessary to implement DFP guidance and, in addition to the actions mentioned above, in the coming year the Corporation plans to:

- Continue to regularly review and update the record of risks facing the organisation;
- Update the system to integrate key performance and risk indicators;
- Maintain and update the organisation-wide risk register; and
- Arrange for reports from Heads of Departments on internal control activities.

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 the Corporation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

J H Eagleson
Chief Executive

Date: 8 August 2006

The certificate of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of Enterprise Ulster for the year ended 31 March 2006 under the Enterprise Ulster (Northern Ireland) Order 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement

and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of Enterprise Ulster, Chief Executive and Auditor

Enterprise Ulster and the Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Enterprise Ulster (Northern Ireland) Order 1973 and Department of Employment and Learning directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Enterprise Ulster's and Chief Executive's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Enterprise Ulster (Northern Ireland) Order 1973 and Department of Employment and Learning directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if Enterprise Ulster has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed. I review whether the statement on pages 10 and 11 reflects Enterprise Ulster's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of Enterprise Ulster's corporate governance procedures or its risk and control procedures.

Finance

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Foreword, the Chief Executive's Report, the Membership of the Enterprise Ulster Board, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by Enterprise Ulster and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Enterprise Ulster's circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Basis of preparation – Closure of Enterprise Ulster

I draw your attention to Note 1 to the financial statements, which explains that the Corporation will cease operations on 31 March 2007. Accordingly the going concern basis is no longer appropriate. Provision has been included in these financial statements to reduce assets to their realisable values and to provide

for liabilities arising from the closure. Our opinion is not qualified in this respect.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Enterprise Ulster (Northern Ireland) Order 1973 and directions made thereunder by the Department of Employment and Learning, of the state of Enterprise Ulster's affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Enterprise Ulster (Northern Ireland) Order 1973 and Department of Employment and Learning directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
Emphasis of Matter – Material Uncertainty on Provisions

Emphasis of Matter - Material Uncertainty on Provisions

In forming my opinion, I have considered the adequacy of the disclosures made in the financial statements concerning the Corporation's pension liabilities on closure. As set out in Note 18 to the financial statements the pension contributions have been assessed by both the Northern Ireland Local Government Officers' Superannuation Committee Pension Scheme (NILGOSC) and by the Government Actuary's Department. The lower of the two valuations has been included in the financial statements with disclosure of the full potential liability. The final determination is uncertain at this time and depending on the final actuarial valuation on closure the liability might be material. My opinion is not qualified in this respect.

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

7 February 2007

Income and expenditure account for the year ended 31 March 2006

	Notes	2006 £	2005 £
Income			
Grant from Department for Employment & Learning	2	3,710,420	5,777,130
Project income		322,666	491,376
Sundry income		38,149	64,511
New Deal and Job Clubs	3	693,505	822,981
Worktrack	3	316,828	803,897
		<u>5,081,568</u>	<u>7,959,895</u>
Operating expenses			
Training for Work		2,814,518	4,545,562
Projects		334,526	751,303
Administration		820,378	820,037
New Deal and Job Clubs		457,146	549,659
Worktrack		276,787	781,068
Exceptional costs	4	3,835,685	784,981
		<u>8,539,040</u>	<u>8,232,610</u>
Deficit for the year before notional cost of capital		<u>(3,457,472)</u>	<u>(272,715)</u>
Notional cost of capital	1	-	(13,657)
Deficit for the year after notional costs		<u>(3,457,472)</u>	<u>(286,372)</u>
Credit in respect of notional costs			
Notional administration costs		65,061	47,675
Notional cost of capital	1	-	13,657
Deficit for the year before notional costs	12	<u><u>(3,392,411)</u></u>	<u><u>(225,040)</u></u>

All amounts above relate to continuing operations of the Corporation.

The Corporation has no recognised gains and losses other than the deficit above of £3,457,472 (2005: £286,372) and therefore no separate statement of total recognised gains and losses has been presented.

Finance

Balance sheet for the year ended 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	8	-	56,442
Current assets			
Debtors	9	363,957	341,303
Cash at bank and in hand		3,535	147,462
		<u>367,492</u>	<u>488,765</u>
Creditors: amounts falling due within one year	10	<u>(3,550,312)</u>	<u>(293,887)</u>
Net current assets		<u>(3,182,820)</u>	<u>194,878</u>
Total assets less current liabilities		<u>(3,182,820)</u>	<u>251,320</u>
Creditors: amounts falling due after more than one year			
Deferred income	11	-	41,729
Capital and reserves			
The Department for Employment & Learning account	12	(3,182,820)	193,363
Revaluation surplus	12	-	16,228
		<u>(3,182,820)</u>	<u>209,591</u>
		<u>(3,182,820)</u>	<u>251,320</u>

The financial statements on pages 13 to 22 were approved by the Board Members on 8 August 2006 and were signed on its behalf by:

J Cowan
Chairman

J H Eagleson
Chief Executive

Cash flow statement for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash outflow from continuing operating activities		(184,559)	(43,750)
Capital expenditure			
Purchase of tangible fixed assets		-	(2,000)
Sale of tangible fixed assets		-	106,615
Receipt of capital grant		-	2,000
Net cash inflow from capital expenditure		-	106,615
(Decrease)/Increase in cash in the year	14	(184,559)	62,865

		2006 £	2005 £
Reconciliation of operating deficit to net cash inflow from operating activities			
Continuing operating activities			
Operating deficit for the year before notional costs	(3,392,411)	(225,040)	
Depreciation of tangible fixed assets	24,937	31,968	
Profit on sale of tangible fixed assets	-	(106,615)	
Impairment of fixed assets	31,505	-	
(Increase)/decrease in trade debtors	(41,729)	(31,968)	
(Increase)/decrease in other debtors	(9,615)	123,537	
Decrease in prepayments and accrued income	(51,342)	21,023	
Increase in accruals and deferred income	38,303	19,694	
	3,215,793	123,651	
Net cash outflow from continuing operating activities		(184,559)	(43,750)

Finance

Notes to the financial statements for the year ended 31 March 2006

1 Principal accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention (as modified by the revaluation of certain assets), with the Northern Ireland Resource Accounting Manual, and with Article 9 (i) of The Enterprise Ulster (Northern Ireland) Order 1973. The Accounts Direction is reproduced as an appendix to these accounts.

Without limiting the information given, the accounts comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel insofar as those requirements are appropriate.

In March 2006 the Review of Public Administration in Northern Ireland reached a conclusion. As part of the findings Enterprise Ulster, as a body, is to be abolished from 31 March 2007.

Accordingly, the going concern presumption is not appropriate and these accounts have been prepared on a break-up basis with full provision being made for costs to closure (see Note 4) and any other liabilities, as well as all assets being reduced to their net realisable values. Information relating to significant accounting policies is set out in the following paragraphs.

Fixed assets

The guidance on the Financial Statements and accounts of Executive Non-Departmental Public Bodies requires fixed assets to be reflected in the financial statements at current cost.

Existing plant and equipment, fixtures, fittings and vehicles have been revalued using asset specific indices provided by the Office for National Statistics and then written down to their realisable current value.

Project income

Project income is the amount derived from the provision of goods and services falling within the Corporation's ordinary project activities after deduction of trade discounts and value added tax.

Department for Employment and Learning grant

Grant that is applied to specific capital expenditure is treated as deferred income, which is credited to the revenue account

over the useful lives of the related assets. Other grant income is credited to income in the year to which it relates.

Project expenditure

Expenditure incurred on projects in the year is written off against income of the same period.

Depreciation

The Corporation makes annual assessments of the effect of applying the principles of modified historical cost accounting to determine whether material differences have arisen. The cost of fixed assets is restated annually to reflect their replacement cost, using the relevant price indices at the financial year end. The revaluation surplus, net of the corresponding adjustment to accumulated depreciation, is credited to revaluation reserve.

Depreciation is calculated to write off the valuation of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. It is policy to provide a full year's depreciation in the year of purchase. The principal annual rates used for this purpose are:

	%
Furniture, fixtures, fittings and office equipment	10
Computers and electronic equipment (10% up to 1/4/92)	20

No adjustment is made to the transfer to revenue account for deferred capital grants, on the basis of immateriality.

Pensions

The corporation operates a defined benefit scheme for directors and employees. Pension costs are charged to the Income and Expenditure accounts as contributions become due.

Notional costs

The accounts make provision for the notional cost of administration services provided through the Department for Employment and Learning and for the notional interest cost of capital employed by the Corporation.

The notional cost of administration services provided is included under the total of Administration expenses in the revenue account. In addition the revenue account includes the notional cost of capital employed by the Corporation, calculated as 3.5% of the average capital employed over the financial year, together with the credit in respect of the notional cost of administration services provided after the surplus/deficit for the year.

2 Grant from the Department for Employment & Learning

	2006	2005
	£	£
Grant receivable	3,710,420	5,779,130
Less transfer to deferred credits (note 11)	-	(2,000)
Grant credited to revenue account	3,710,420	5,777,130

3 New Deal, Job Clubs and Worktrack

	2006	2005
	£	£
Income from New Deal and Job Clubs	693,505	822,981
Income from Worktrack	316,828	803,897
	1,010,333	1,626,878

4 Exceptional costs

	2006	2005
	£	£
Cost of redundancy	796,072	352,120
Pay in lieu of notice	66,863	104,224
Pension buyout	473,681	219,468
Lease settlement costs	353,069	-
Cessation costs - NILGOSC	2,146,000	-
VAT repayment	-	109,169
	3,835,685	784,981

As set out in Note 1, all costs to cessation on 31 March 2007 have been provided for in 2005/06. The exceptional costs which arose during 2004/2005 related to the restructuring of the Corporation.

5 Deficit of income over expenditure for the year

	2006	2005
	£	£
The deficit of income over expenditure is arrived at after charging:		
Depreciation	24,937	31,968
Impairment of fixed assets	31,505	-
Auditors' remuneration	6,750	5,912
and after crediting:		
Profit on disposal of fixed assets	-	106,615
Deferred credit release	41,729	31,968

Finance

6 Emoluments of Directors and Senior Management

	Salary including Performance Related Pay	Real increase in pension at 65	Total accrued pension at 31 March 2005	Cash equivalent transfer value at 31 March 2005	Cash equivalent transfer value at 31 March 2006	Real increase in CETV during the year
	£	£	£	£	£	£
JH Eagleson (Chief Executive)	57,509	749	27,013	463,376	495,376	19,726
D Mullan (Corporate Services Manager)	35,094	367	9,840	102,052	112,478	8,399
WJ Barbour (Finance Manager)	33,714	352	9,819	141,353	152,652	11,270
A Gregg (Operations Manger)	38,235	1,651	15,316	224,895	259,822	28,855
D McAleese (Operations Manager)	33,714	422	3,722	30,473	36,349	5,260
J Cowan (Chairman)	17,080	-	-	-	-	-
W Cameron (Director)	1,610	-	-	-	-	-
S Butcher (Director)	1,540	-	-	-	-	-
J Collins (Director)	1,330	-	-	-	-	-
A Rutledge (Director)	1,540	-	-	-	-	-
J Cooper (Director)	1,260	-	-	-	-	-
A Quinn (Director)	1,540	-	-	-	-	-

'Salary' includes gross salary, bonus and other benefits in kind subject to UK taxation.

The Directors, other than the Chairman, are remunerated on an attendance fee and expenses basis and the organisation does not make any pension contributions on behalf of the Chairman and Directors.

Pension costs

The Corporation participates in the Northern Ireland Local Government Officers' Superannuation Committee Pension Scheme (NILGOSC). This is a defined benefit scheme but the Corporation is unable to identify its share of the underlying assets and liabilities. In accordance with the provisions of FRS 17, the contributions to this scheme are accounted for on a defined contribution basis.

An Actuarial valuation of the scheme was carried out as at 31 March 2005. At that date there was a deficit in the scheme, and the funding level (ratio of assets to past service liabilities) was 85%. As a result, employer contributions to the scheme for the three years to 31 March 2008 will rise to 8.5% in the year to 31 March 2006, 11% in the year to 31 March 2007 and 13% in the year to 31 March 2008, compared to a long term rate of 17.3% and the previous rate of 4.6% to 31 March 2006.

	2006	2005
	£	£
The charge for the year in respect of this scheme amounted to:	78,330	64,126
Contributions outstanding/(prepaid) at the year end amounted to:	15,359	-

7 Employees and trainees

The actual number of employees within each category of persons at 31 March 2006 was:

	2006 Number	2005 Number
Staff grades (excluding Board Members other than the Chairman)	61	89
Manual grades	12	44
Training for Work	384	650
New Deal and Job Clubs	111	117
Worktrack	-	109
	<u>568</u>	<u>1,009</u>

The average number of employees within each category of person was:

	Number	Number
Staff grades (excluding Board Members other than the Chairman)	73	96
Manual grades	12	50
Training for Work	391	710
New Deal and Job Clubs	107	155
Worktrack	56	85
	<u>639</u>	<u>1,096</u>

The costs in respect of these employees and trainees were:

	2006 £	2005 £
Wages and salaries	1,324,032	2,116,299
Social security costs	106,400	173,234
Other pension costs	78,330	64,126
Benefit plus (trainees)	1,131,943	2,034,730
	<u>2,640,705</u>	<u>4,388,389</u>

Finance

8. Fixed Assets

	Furniture Fittings etc £	Total £
Valuation		
At 1 April 2005	525,246	525,246
Impairment	(525,246)	(525,246)
At 31 March 2006	<u>-</u>	<u>-</u>
Depreciation		
At 1 April 2005	468,804	468,804
Provision for the year	24,937	24,937
Impairment	(493,741)	(493,741)
At 31 March 2006	<u>-</u>	<u>-</u>
Net book value at 31 March 2006	<u>-</u>	<u>-</u>
At 31 March 2005	<u>56,442</u>	<u>56,442</u>

9 Debtors

	2006 £	2005 £
Trade debtors	292,681	283,066
Other debtors	54,910	3,568
Prepayments and accrued income	16,366	54,669
	<u>363,957</u>	<u>341,303</u>

10 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft	40,632	-
Accruals and deferred income	3,509,680	293,887
	<u>3,550,312</u>	<u>293,887</u>

11 Deferred income - capital grants

	2006 £	2005 £
At 1 April 2005	41,729	71,697
Additions - Grant from the Department for Employment and Learning	-	2,000
Released to income & expenditure account	(41,729)	(31,968)
At 31 March 2006	<u>-</u>	<u>41,729</u>

12 Capital and reserves

Department for Employment and Learning account (retained (deficit)/surplus)	2006 £	2005 £
At 1 April 2005	193,363	418,403
Deficit for the year	(3,392,411)	(225,040)
Transfer in respect of impairment of revalued assets	16,228	-
At 31 March 2006	(3,182,820)	193,363
	2006 £	2005 £
Revaluation reserve		
Balance at 1 April 2005	16,228	38,979
Deficit in respect of disposal of revalued assets (note 8)	-	(24,859)
Surplus on revaluation of fixed assets (note 8)	-	2,108
Transfer in respect of impairment of revalued assets	(16,228)	-
At 31 March 2006	-	16,228

13 Future capital expenditure

	2006 £	2005 £
Authorised by the Board but not contracted for	-	10,000

14 Reconciliation of net cash flow to movement in net resources

	2006 £	2005 £
Decrease/(increase) in cash in the year	(184,559)	62,865
Net resources at 1 April 2005	147,462	84,597
Net resources at 31 March 2006	(37,097)	147,462

15 Analysis of net resources

	At 1 April 2005 £	Cash Flow £	At 31 March 2006 £
Net cash			
Cash at bank and in hand	147,462	(184,559)	(37,097)

Finance

16 Key performance targets

The Corporation agrees key targets annually with the Department for Employment and Learning, which focus on its net expenditure and the average cost per trainee for the year. Details of performance against these targets are to be included in the Corporation's Annual Report. As such, the key performance indicator agreed with the sponsoring Department is the requirement to break even (before notional cost of capital) taking one year with the next:

Financial year ended 31 March	(Deficit)/surplus for the year £	Cumulative (deficit)/surplus (Note 12) £
2006	(3,392,411)	(3,182,820)
2005	(225,040)	193,363
2004	(54,350)	418,403
2003	(109,633)	472,753
2002	829	582,386
2001	62,697	581,557
2000	337,560	518,860

17 Related party transactions

Enterprise Ulster is a Non-Departmental Public Body (NDPB) sponsored by the Department for Employment & Learning.

The Department for Employment & Learning is regarded as a related party. During the year, Enterprise Ulster has had various transactions with the Department and with other entities for which the Department for Employment & Learning is regarded as the parent Department.

Enterprise Ulster purchased services during the year of £14,702 from a company in which a Board Member has an interest. There was no balance owing at the year end.

With the exception of the above none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with Enterprise Ulster during the year.

18 Contingent liabilities

Enterprise Ulster will cease operations during the financial year to 31 March 2007. As a result the organisation sought clarification from professional actuaries on the pension contribution required from Enterprise Ulster to meet its obligations to the pension scheme. The required contribution was advised by the Northern Ireland Local Government Officers' Superannuation Committee Pension Scheme (NILGOSC) as £6,438,000 based upon a range of assumptions with regard to future investment returns, mortality rates etc. The Government Actuary's Department has assessed the required contribution as £2,146,000. The final determination is uncertain at this time and the directors have provided £2,146,000 and consider there is a further potential liability of up to £4,292,000.

**Accounts direction given by the Department for Employment and Learning
with the approval of the Department of Finance and Personnel in accordance with Article
9 (1) of The Enterprise Ulster (Northern Ireland) Order 1973**

The annual accounts shall give a true and fair view of the Income and Expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement, Enterprise Ulster shall prepare accounts for the financial year ended 31 March 2006 and subsequent financial years in accordance with:

- (a) The new Government Financial Reporting Manual;
- (b) other guidance which the Department of Finance and Personnel may issue from time to time in respect of accounts which are required to give a true and fair view;
- (c) any other specific disclosures required by the Department

except where agreed otherwise with the Department of Finance and Personnel, in which case the exception shall be described in the notes to the accounts.

Signed by authority of the
Department for Employment and Learning

P McAuley

Date: 27 May 2005

Finance

Schedule 1

Application of the Accounting and Disclosure Requirements of the Companies (Northern Ireland) Order 1986 and Accounting Standards

Companies (Northern Ireland) Order 1986

1. The disclosure exemptions permitted by the Companies (Northern Ireland) Order 1986 shall not apply to Enterprise Ulster unless specifically approved by the Department of Finance and Personnel.
2. The Companies (Northern Ireland) Order 1986 requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Enterprise Ulster shall be contained in the foreword.
3. When preparing its income and expenditure account, Enterprise Ulster shall have regard to the profit and loss account format 2 prescribed in schedule 4 to the Companies (Northern Ireland) Order 1986;
4. When preparing its balance sheet, Enterprise Ulster shall have regard to the balance sheet format 1 prescribed in schedule 4 to the Companies (Northern Ireland) Order 1986. The balance sheet totals shall be struck at "Total assets less current liabilities".
5. Enterprise Ulster is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to The Companies (Northern Ireland) Order 1986.
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting standards

7. Enterprise Ulster is not required to include a note showing historical cost profit and losses as described in Financial Reporting Standard 3 (FRS 3).
-

Schedule 2

Additional disclosure requirements

1. The foreword shall, inter alia:
 - (a) state that the accounts have been prepared in a form directed by the Department for Employment and Learning with the approval of the Department of Finance and Personnel in accordance with Article 9(1) of The Enterprise Ulster (Northern Ireland) Order 1973;
 - (b) include a brief history of Enterprise Ulster and its statutory background.
2. The notes to the accounts shall include details of the key corporate financial targets set by the Department for Employment and Learning together with the performance achieved.

Organizational Chart



Area Offices

Area Offices and Sub Offices

District Council Areas

Belfast North & West

Howard Building, Twin Spires Centre, 155
Northumberland St, Belfast BT15 1AB
Tel: 028 9043 4009 Fax: 028 9024 0891
email: nbelfast@eulster.globalnet.co.uk

Belfast South & East

28 Castlereagh Street, Belfast BT5 4NH
Tel: 028 9045 1300 Fax: 028 9045 1306
email: sbelfast@eulster.globalnet.co.uk

Ballymena

94 Broughshane Street,
Ballymena BT43 6ED
Tel: 028 2565 3776 Fax: 028 2563 1160
email: ballymena@eulster.globalnet.co.uk

Coleraine

4-6 Long Commons, Coleraine BT52 1LH
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email: coleraine@eulster.globalnet.co.uk

Londonderry

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Omagh BT79 OAE
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Newry

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email: newry@eulster.globalnet.co.uk

Portadown

41A Church Street,
Portadown BT62 3EU
Tel: 028 38336697 Fax: 028 38391878
email: portadown@eulster.globalnet.co.uk

**Belfast (North & West),
Lisburn**

**Belfast (South & East),
North Down, Ards,
Castlereagh**

**Ballymena, Antrim, Larne,
Carrickfergus,
Newtownabbey,
Magherafelt**

**Coleraine, Ballymoney,
Moyle, Limavady**

Derry, Strabane

Omagh, Fermanagh

**Newry & Mourne,
Armagh,
Banbridge**

**Craigavon, Dungannon,
Cookstown, Armagh**



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