

For Six Month Period Ending November 30, 2006
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant
Hill & Knowlton, Inc.
- (b) Registration No.
3301
- (c) Business Address(es) of Registrant
607 14th Street NW Suite 300 Washington, DC 20005

2. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

- | | | |
|-----------------------|------------------------------|-----------------------------|
| (1) Residence address | Yes ☐ | No ☐ |
| (2) Citizenship | Yes ☐ | No ☐ |
| (3) Occupation | Yes ☐ | No ☐ |

(b) If an organization:

- | | | |
|--------------------------|------------------------------|--|
| (1) Name | Yes ☐ | No ☒ |
| (2) Ownership or control | Yes ☐ | No ☒ |
| (3) Branch offices | Yes ☐ | No ☒ |

(c) Explain fully all changes, if any, indicated in items (a) and (b) above.

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IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, AND 5(a).

3. If you have previously filed Exhibit C¹, state whether any changes therein have occurred during this 6 month period.
- Yes ☐ No ☒

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

¹ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (A waiver of the requirements to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

4. (a) Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information: See Attachment I (4-a)

Name	Position	Date Connection Ended
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- (b) Have any persons become partners, officers, directors or similar officials during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information: See Attachment I (4-b)

Name	Residence Address	Citizenship	Position	Date Assumed
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5. (a) Has any person named in item 4(b) rendered services directly in furtherance of the interests of any foreign principal? Yes ☒ No ☐

If yes, identify each such person and describe his service.

Burns, Robert Duncan, provided services for Dubai Press Club (through Hill & Knowlton, Inc. overseas affiliate(s))

Curry, Brent, provided services for UK Trade and Investment USA

Relic, Rebecca, provided services for Dubai Press Club (through Hill & Knowlton, Inc. overseas affiliate(s))

Wallace, Browyn, provided services for SABIC

- (b) Have any employee or individuals, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information:

Name	Position or connection See Attachment I (5-b)	Date terminated
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- (c) During this six month reporting period, has the registrant hired as employees or in any other capacity, any persons who rendered or will render services to the registrant directly in furtherance of the interests of any foreign principal(s) in other than a clerical or secretarial, or in a related or similar capacity? Yes ☒ No ☐

If yes, furnish the following information: See Attachment I (5-c)

Name	Residence Address	Citizenship	Position	Date Assumed
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6. Have short form registration statements been filed by all of the persons named in Items 5(a) and 5(c) of the supplemental statement? Yes ☒ No ☐

If no, list names of persons who have not filed the required statement.

II - FOREIGN PRINCIPAL

7. Has your connection with any foreign principal ended during this 6 month reporting period?
Yes ☒ No ☐

If yes, furnish the following information:

Name of foreign principal

Date of termination

Government of Pakistan
Qatar Foundation

August 2006
Prior to November 2006

8. Have you acquired any new foreign principal² during this 6 month reporting period?
Yes ☒ No ☐

If yes, furnish the following information:

Name and address of foreign principal

Date acquired

Dubai Press Club (through Hill &
Knowlton, Inc. overseas affiliate(s))

September 2006

9. In addition to those named in Items 7 and 8, if any, list foreign principals² whom you continued to represent during the 6 month reporting period.

Association of Dutch Insurers (Verbond van Verekeeraars)

SABIC

UK Trade and Investment USA

Attiku Abubakar (through the Weidenfeld Law Firm)

Beijing Organizing Committee for the Games of the XXIX Olympiad
(through Hill & Knowlton China)

10. EXHIBITS A AND B

- (a) Have you filed for each of the newly acquired foreign principals in Item 8 the following:

Exhibit A³ Yes ☒ No ☐

Exhibit B⁴ Yes ☒ No ☐

If no, please attach the required exhibit.

- (b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes ☒ No ☐

If yes, have you filed an amendment to these exhibits? Yes ☒ No ☐

If no, please attach the required amendment.

² The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

³ The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.

⁴ The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

III - ACTIVITIES

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11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 7, 8, and 9 of this statement? Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail your activities and services:
See attachment III (11)

-
12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity⁵ as defined below? Yes ☒ No ☐ See attachment III (11)

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places, of delivery, names of speakers and subject matter.

-
13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes ☐ No ☒ If yes, describe fully.

⁵ The term "political activities" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government, a foreign county or a foreign political party.

IV – FINANCIAL INFORMATION

14. (a) **RECEIPTS-MONIES**

During this 6 month reporting period, have you received from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes ☒ No ☐

If no, explain why.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies⁶

Date	From Whom See Attachment IV (14-a)	Purpose	Amount
------	---------------------------------------	---------	--------

Total

(b) **RECEIPTS-FUND RAISING CAMPAIGN**

During this 6 month reporting period, have you received, as part of a fund raising campaign⁷, any money on behalf of any foreign principal named in items 7, 8, and 9 of this statement? Yes ☐ No ☒

If yes, have you filed an Exhibit D to your registration? Yes ☐ No ☐

If yes, indicate the date the Exhibit D was filed. Date _____

(c) **RECEIPTS-THINGS OF VALUE**

During this 6 month reporting period, have you received any thing of value⁹ other than money from any foreign principal named in items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes ☐ No ☒

If yes, furnish the following information:

Name of foreign principal	Date received	Description of thing of value	Purpose
------------------------------	------------------	----------------------------------	---------

6, 7 A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. (See Rule 201(e).)

8 An Exhibit D, for which no printed form is provided, sets forth an amount of money collected or received as a result of a fund raising campaign and transmitted for a foreign principal.

9 Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competition, "kickbacks," and the like.

15. (a) **DISBURSEMENTS-MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8 and 9 of this statement? Yes ☒ No ☐ See attachment IV (15-a)

(2) transmitted monies to any such foreign principal? Yes ☐ No ☒

If no, explain in full detail why there were no disbursements made on behalf of any foreign principal.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount
------	---------	---------	--------

Total

(b) DISBURSEMENTS-THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value¹⁰ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8 and 9 of this statement?

Yes ☐ No ☒

If yes, furnish the following information:

N/A

Date Disposed	Name of person to whom given	On behalf of what foreign principal	Description of thing of value	Purpose
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(c) DISBURSEMENTS-POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value¹¹ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes ☐ No ☒

If yes, furnish the following information:

N/A

Date	Amount or thing of value	Name of political organization	Name of candidate
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^{10, 11} Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V – INFORMATIONAL MATERIALS

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any informational materials¹²?

Yes ☒ No ☐

IF YES, RESPOND TO THE REMAINING ITEMS IN SECTION V.

17. Identify each such foreign principal. SABIC, UK Trade & Investment USA

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating informational materials? Yes ☐ No ☒

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of informational materials include the use of any of the following:

☐ Radio or TV broadcasts

☒ Magazine or newspaper articles

☐ Motion picture films

☐ Letters or telegrams

☐ Advertising campaigns

☒ Press releases

☒ Pamphlets or other publications

☐ Lectures or speeches

☒ Other (specify) E-MAIL

20. During this 6 month reporting period, did you disseminate or cause to be disseminated informational materials among any of the following groups:

☐ Public Officials

☒ Newspapers

☐ Libraries

☐ Legislators

☐ Editors

☐ Educational institutions

☐ Government agencies

☐ Civic groups or associations

☐ Nationality groups

☒ Other (specify) Trade Publications, PR Newswire

21. What language was used in the informational materials:

☒ English

☐ Other (specify) _____

22. Did you file with the Registration Unit, U.S. Department of Justice a copy of each item of such informational materials disseminated or caused to be disseminated during this 6 month reporting period? Yes ☐ No ☐

Copies are filed as a part of this supplemental statement

23. Did you label each item of such informational materials with the statement required by Section 4(b) of the Act?

Yes ☐

No ☐

See Item # 22 above.

¹² The term informational materials includes any oral, visual, graphic, written, or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

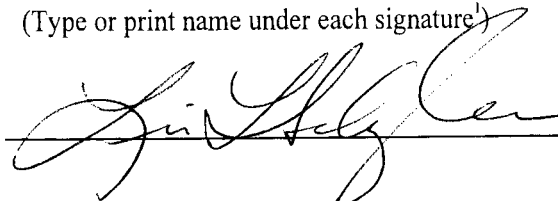
EXECUTION

In accordance with 28 U. S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)

January 30, 2007

(Type or print name under each signature)


LISA L. SCHUYLER

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¹ This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

UNITED STATES DEPARTMENT OF JUSTICE
FARA REGISTRATION UNIT
National Security Division
WASHINGTON, D.C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your Supplemental Statement:

1. Is your answer to Item 16 of Section V (Informational Materials – page 8 of Form CRM-154, formerly Form OBD-64-Supplemental Statement):

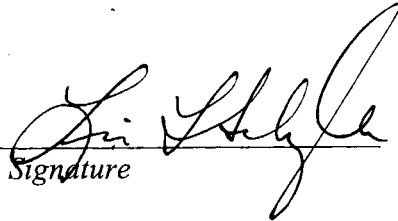
YES X or NO _____

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

YES _____ or NO _____

(If your answer to question 2 is "yes" please forward for our review copies of all material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)


Signature

January 30, 2007
Date

LISA L. SCHUYLER

Please type or print name of
Signatory on the line above

Chief Operating Officer
Title
Hill + Knowlton Washington



U.S. Department of Justice

Criminal Division

Washington, DC 20530

THIS FORM IS TO BE AN OFFICIAL ATTACHMENT TO YOUR CURRENT SUPPLEMENTAL STATEMENT
PLEASE EXECUTE IN TRIPLICATE

SHORT-FORM REGISTRATION INFORMATION SHEET

SECTION A

The Department records list active short-form registration statements for the following persons of your organization filed on the date indicated by each name. If a person is not still functioning in the same capacity directly on behalf of the foreign principal, please show the date of termination.

Short Form List for Registrant: Hill & Knowlton, Inc.

Last Name	First Name and Other Names	Registration Date	Termination Date	Role
Clampitt	Adam	01/05/2005		
Cox	James O. III	03/13/2002		
Dreisch	Lisa Michelle	01/05/2005		
Gaines	Sallie L.	01/05/2005		
Hymel	Gary	03/18/2003		
Kincaid	Jamie	01/05/2005		
Mackey	Judith Anne	01/05/2005		
Majorosova	Pavlina	01/05/2005		
Mankiewicz	Frank	07/18/1983		
Meyer	Don	01/05/2005		
Sendelbach	Patricia	01/05/2005		
Sfikas	Athanasia	01/05/2005		
Wallace	Bronwyn	06/10/2004		
Hendrickson	Lena	06/10/2005		
Bryant	Steve	06/10/2005		
Drummond	Jon W.	06/10/2005		
Inch	Anna R.	06/10/2005		
Meehan	Melissa	06/10/2005		
Bradshaw	Kimberlee M.	06/10/2005		
Finch	Anna	06/10/2005		
O'Connell	Cynthia F.	06/10/2005		
Costello	Harold J. (Harry)	06/10/2005		
Meltz	Elizabeth	06/10/2005		
Getzug	Steve	06/10/2005		
Bingham	Daniel P.	06/10/2005		
Davenport	Maureen	09/26/2005		
Clark	Paul S.	09/26/2005		
Sheller	Francis X.	09/26/2005		
Parsons	Kelli	09/26/2005		
Williams	Molly	01/30/2006		
Drevna	Nathan	01/30/2006		
Capehart	Jonathan	01/30/2006		
Bottary	Leo	01/30/2006		
Bartlett	Ron	01/30/2006		
Griscti	Paul	01/30/2006		
Vocke	Elizabeth Freid	01/30/2006		
Austin	Marcia	01/30/2006		
Hardin	Christi	01/27/2006		

Chang	Priscilla	01/27/2006	Prior to 06/2006
Brigham	Jennifer	01/27/2006	Prior to 06/2006
Lamkin	Lauren	01/27/2006	Prior to 06/2006
Juaristi	Amy	01/27/2006	10/03/2006
Sides	Jennifer	01/27/2006	Prior to 06/2006
Shenitzer	Ilana	01/27/2006	Prior to 06/2006
Pontrelli	Monica (Perez)	01/27/2006	Prior to 06/2006
Penn-Kraus	Rick	01/27/2006	Prior to 06/2006
Finnegan	Ian	03/15/2006	06/30/2006
Adams	Deborah	03/15/2006	06/30/2006
Levine	Jeffrey	03/15/2006	06/30/2006
Facter	Sarah	03/15/2006	06/30/2006
Warner	Timothy C.	03/15/2006	08/31/2006
Sandusky	Patrick	05/15/2006	
Kontos	Michael	05/15/2006	
Andrews	Mary Catherine	08/02/2006	08/31/2006
Helmick	Susan Elizabeth	08/02/2006	08/31/2006
Hensley	Jennifer N.	08/02/2006	
Nakanishi	Leigh	08/02/2006	
Viorst	Marla R.	08/02/2006	11/22/2006
Murphy	Rebecca	08/02/2006	
Rose	Erica	08/02/2006	
Baird	Patrick M.	08/02/2006	
Davis	Carrie	08/02/2006	09/22/2006
Garcia	Beatriz	08/02/2006	08/07/2006
Garcia	Krista	08/02/2006	09/08/2006
Gebhart	Devon	08/02/2006	
Goubran	Alexis	08/02/2006	10/03/2006
Lewis	Karyn	08/02/2006	
Lunzmann	Brianne	08/02/2006	
Mackin	Rory	08/02/2006	
McAlearney	Kelly	08/02/2006	09/05/2006
Robinson	Melissa	08/02/2006	
Saunders	Katherine	08/02/2006	
Yarmis	Jonathan L.	08/02/2006	
Tucker	Phyllis	08/14/2006	Prior to 06/2006
Poulos	Peter A.	08/14/2006	Prior to 06/2006
Elliott	Kevin R.	08/14/2006	Prior to 06/2006

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Additional names added by Hill & Knowlton, Inc.

Chang	Steve	01/31/2007
Charles	Patricia	01/31/2007
Cronin	Catherine	01/31/2007
Curry	Brent	01/31/2007
Gallagher	Katherine	01/31/2007
Goldberg	Judy	01/31/2007
Jones	Mark	01/31/2007
Lamb	Austin	01/31/2007
Mahoney	Anne	01/31/2007
McKay	Melissa	01/31/2007
Pierce	Jacqueline	01/31/2007
Purchia	Elizabeth	01/31/2007
Smith	Molly	01/31/2007
Woosley	Christine	01/31/2007
Zotaley	Krisanthi	01/31/2007
Relic	Rebecca	01/31/2007



U.S. Department of Justice

Criminal Division

Washington, DC 20530

SECTION B

In addition to those persons listed in Section A, list below all current employees rendering services directly on behalf of the foreign principals(s) who have not filed short-form registration statements. (Do not list clerks, secretaries, typists or employees in a similar or related capacity). If there is some question as to whether an employee has an obligation to file a short-form, please address a letter to the Registration Unit describing the activities and connection with the foreign principal.

Name	Function	Date Hired
N/A		

Signature: *Jim Schuler* Date: January 30, 2007
Title: Chief Operating Officer, Hill + Knowlton Washington

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Attachment I (4-a)

Last Name	First Name	POSITION	DATE CONNECTION ENDED
Adams	Tina-Marie	Senior Vice President	9/25/06
Barton	Sally	Senior Vice President	10/27/06
Bird	Timothy	Senior Vice President	8/31/06
Clampitt	Adam	Vice President	7/7/06
Daly	Quinn	General Manager	8/25/06
Dome	William	President	10/25/06
Drummond	Jon	Vice President	10/6/06
Foster	Anne	Senior Vice President	7/12/06
Frost Mackey	Judith	US Director - Corp & Fin	7/14/06
Garcia	Beatriz	Vice President	8/7/06
Goodman	Bonnie	Executive Vice President	11/1/06
Harley	Karen	Vice President	10/31/06
Hochstedler	Douglas	Vice President	11/3/06
Hulbert	Vince	Senior Vice President	8/31/06
Hurst	Rebecca	Senior Vice President	7/31/06
Hutter	Wendy	US Dir Bus Dev & Marktg	8/10/06
Kalvig	Shannon	Vice President	10/20/06
Mackay	David	Senior Vice President	6/15/06
Oestreicher	Paul	Head, US Healthcare Pract	7/7/06
Reno	Thomas	Executive Vice President	7/14/06
Shedlarz	Ellen	Chief Talent Officer	11/8/06
Sheehan	Maria	Vice President	11/18/06
Sheller	Francis	Senior Vice President	10/18/06
Spector	Gregory	Chief Executive Officer	8/31/06
Stankoven	Michael	Controller	10/5/06
Viorst	Marla	Senior Vice President	11/22/06
Wade	Harry	Senior Vice President	11/3/06

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Attachment I (4-b)

NAME	RESIDENCE ADDRESS	CITIZENSHIP	POSITION	DATE ASSUMED
Allen, Jin Li	One The Arbors, New Providence, NJ 07974	US	Senior Vice President	11/15/06
Andresescu, Ana	730 Florida Street, #24, San Francisco, CA 94110	US	Vice President	9/5/06
Barr, Ryan	400 East 55th Street, #9F, New York, NY 10022	US	Senior Vice President	7/24/06
Becker, Steven	2419 E. 34th Court, Spokane, WA 99223	US	Vice President	6/19/06
Brown, Christiaan	4823 186th Place, SW, Lynnwood, WA 98037	US	Vice President	7/24/06
Burns, Robert	2527 Q Street, NW, #108, Washington, DC 20007	US	Vice President	9/11/06
Curry, Brent	915 Peale Avenue, Park Ridge, IL 60068	US	Vice President	10/16/06
Dent, Daniel	7 Shea Drive, Holliston, MA 01746	US	Vice President	8/24/06
Derman, Mitchell	200 Pender Place, Rockville, MD 20850	US	Vice President	11/27/06
DeSalva, AnnaMaria	37 Chesterfield Road, Stamford, CT 06902	US	Worldwide Dir Healthcare	10/3/06
Etchison, Debbie	11204 Edson Park Pl #8 Rockville, MD 20852	US	Vice President	7/5/06
Grace, Malcolm	1380 Bryant Street, NE, #103, Washington, DC 20018	US	Director	8/1/06
Hampton, Mark	25 Plymouth Avenue, Mill Valley, CA 94941	US	Chief Executive Officer	8/14/06
Hochstedler, Douglas	321 East 22nd Street, #6T, New York, NY 10010	US	Vice President	6/30/06
Husemann, Claudia	105 West 72nd Street, #10A, New York, NY 10023	US	Senior Vice President	11/13/06
Imbres, Peter	236 South 1st Street, #2B, Brooklyn NY 11211	US	Vice President	11/27/06
Kalvig, Shannon	1030 N. Curson Avenue, #8, West Hollywood, CA 90046	US	Vice President	7/31/06
Kyne, David	53 Hollywood Court, Rockville Centre, NY 11570	US	Senior Vice President	11/13/06
Layman, Heather	3512 N. Ottawa Street, Arlington, VA 22213	US	Vice President	11/27/06
Mineta, Norman	1631 Cliff Drive, Edgewater, MD 21037	US	Vice Chairman	7/24/06
Nelson, Deborah	334 Constitution Avenue NE, Washington DC 20002	US	Vice President	11/21/06
Relic, Rebecca	3014 O Street, NW, Washington, DC 20007	US	Senior Vice President	6/5/06
Sharp, David	11647 73rd Place NE, Kirkland, WA 98034	US	Senior Counselor	10/1/06
Stavenas, Harald	10 EAST 29TH ST. Apt #20D, New York NY 10016	US	Vice President	6/7/06
Taylor, Nicola	1250 Green Street, San Francisco, CA 94109	UK	Senior Vice President	9/5/06
Tulipani, Robert	12 Drakes View Circle, Greenbrae, CA 94904	US	Vice President	9/25/06
Wiles, Nicolai	4603 Elwood Road, Austin, TX 78722	US	Account Director	10/26/06
Booth, Eric	4128 Avenida Sevilla, Cypress CA 90630	US	Vice President	11/1/06
Yekhtikian, Elizabeth	88 Josephine Avenue #2 Somerville, MA 02144	US	Account Director	7/1/06
Hahn, Mary	1208 W. 18th Avenue Spokane, WA 99203	US	Vice President	11/1/06
Wallace, Bronwyn	6146 Ella Lee Lane, Houston, TX 77057	US	Vice President	8/1/06

Attachment I (5-b)

NAME	POSITION OR CONNECTION	DATE TERMINATED
Clampitt, Adam	Vice President	7/7/2006
Mackey, Judith Anne	Senior Vice President	7/14/2006
Garcia, Beatriz	Vice President	8/7/06
Dreisch, Lisa Michelle	Account Supervisor	11/17/2006
Sheller, Francis	Senior Vice President	10/18/06
Hardin, Christi	Account Supervisor	6/30/06
Andrews, Mary Catherine	Consultant	8/31/06
Juaristi, Amy	Senior Account Executive	10/3/06
Drummond, Jon W	Vice President	10/6/2006
Vorst, Marla	Senior Vice President	11/22/2006
Chang, Priscilla	Account Coordinator	7/7/06
Brigham, Jennifer	Assistant Account Executive	10/27/06
Facter, Sarah	Account Executive	7/14/06
Adams, Deborah	Senior Account Supervisor	9/28/06

Attachment I (5-c)

NAME	CITIZENSHIP	POSITION	DATE ASSUMED	RESIDENCE ADDRESS
Lamb, Austin	US	Intern	09/06/06	2721 N. Wilton Avenue, #3N Chicago, IL 60614
Curry, Brent	US	Vice President	10/16/06	915 Peale Avenue, Park Ridge, IL 60068
Goldberg, Judy	US	Account Executive	09/11/06	3206 Revere Street #320 Houston, TX 77098
Gallagher, Katharine	US	Account Coordinator	09/05/06	19231 Kessington Lane, Houston, TX 77094
Burns, Robert Duncan	UK	Vice President	09/11/06	2527 Q St. NW #108; Washington, DC 20007
Purchia, Elizabeth	US	Assistant Account Executive	10/11/06	507 G Street SW, Washington, DC 20024
Relic, Rebecca Lauren	US	Senior Vice President	6/5/2006	3014 O Street NW, Washington, DC 20007
Charles, Patricia	US	Account Executive	7/17/2006	910 Erie Ave, Takoma Park, MD 20912

2007 JUN 21 PM 4:34
CBA/ISS/REGISTRATION UNIT

Attachment III (11)

Association of Dutch Insurers (Verbond van Verzekeraars):

Provided advice and counsel principally regarding retroactive policy claims.

SABIC:

Provided corporate communications counseling and media support.

UK Trade and Investment USA:

Provided media relations/public relations services on behalf of the UK government's inward investment agency, UK Trade & Investment.

Attiku Abubakar (through the Weidenfeld Law Firm)

Provided public relations and communications regarding U.S media relations.

Beijing Organizing Committee for the Games of the XXIX Olympiad (through Hill & Knowlton China)

Provided public relations communications and public relations counsel related to the Organization of the XXIX Olympic Games.

Government of Pakistan

Provided counsel to foreign principal on an international communications and media program to increase understanding of Pakistan and of issues affecting it.

Dubai Press Club (through Hill & Knowlton, Inc. overseas affiliate(s))

Provide counsel and public relations services to improve the understanding of Dubai, United Arab Emirates globally.

Attachment IV (14-a)

CLIENT	AMOUNT
Attiku Abubakar (through the Weidenfeld Law Firm)	\$ 22,072.35
Association of Dutch Insurers (Verbond van Verzekeraars):	\$ 9,038.96
UK Trade and Investment USA:	\$ 217,367.38
TOTAL	\$ 248,478.69

Attachment IV (15-a)

Description	UK Trade & Investments	Association of Dutch Insurers	SABIC	Beijing Organizing Committee for the Games of the XXIX Olympiad (through Hill & Knowlton China)	Attiku Abubakar (through the Weidenfeld Law Firm)	Government of Pakistan	Dubai Press Club (Through Hill & Knowlton, Inc overseas affiliate(s))
Copies/Printing	23.05			2.51			
Supplies/Publications	3.00		85.52	74.71			29.00
Meals/Entertainment/Travel	1,379.98		38,580.28	8,097.37	392.60	17,707.51	1,451.88
Misc. Fees & Expenses	2,197.25		7,308.33	5,065.10	68.39	5,047.99	
Consultants	695.00					4,000.00	7,000.00
Telephone/Fax	202.13	12.53	950.18	301.48	66.84		43.98
Photography			18.40				
Monitoring	562.61				231.07		
Press Clippings	568.97						834.60

2007 JUN 21 PM 4:34
 CNN/ISS/REGISTRATION UNIT

2017 JUN 21 PM 4:24
CRM/ISS/REGISTRATION UNIT

INFORMATIONAL MATERIALS

Riyadh, 18 June 2006

Immediate

Press release

SABIC AFFILIATE YANSAB SIGNS SR 13.125 BILLION (USD 3.5 BILLION) LOANS AND FACILITIES AGREEMENTS

(18 June, 2006) SABIC affiliate, Yanbu National Petrochemical Company (YANSAB), signed a package of loan contracts and facilities agreements valued at SR 13.125 billion (US\$ 3.5 billion) with the Public Investment Fund (PIF), and a group of local, regional and global banks to fund the construction of its petrochemical complex in Yanbu Industrial City. Mutlaq Al-Morished, Chairman of the Board of Directors of YANSAB and SABIC Vice President for Corporate Finance, signed the contracts on behalf of YANSAB. Agents of the lending banks signed the contracts on behalf of the lending institutions.

Mr. Mohamed Al-Mady, SABIC Vice Chairman and Chief Executive Officer said, "The participation of such a large number of banks and financial institutions to meet the company's credit requirements reflects the confidence that the world financial institutions attach to a sound and solid Saudi economy as well as the petrochemical industry in the Kingdom".

YANSAB will make use of the Islamic loans to finance a great deal of the capital investment. Mr. Al-Morished explained that the European export credit agencies' contribution to these loans amounts totaled SR 2.625 billion (US\$ 700 million), which is equal to 29% of the commercial financing. This clearly reflects the confidence of these institutions in the future of YANSAB and the petrochemical industry in the Kingdom as a whole. He added that this confidence is also reflected through the number of participating banks. There are 19 in all, including 9 international and 3 regional banks. The coverage of commercial loans has exceeded the required amount by

65%. The contribution of the PIF is SR 4 billion (US\$ 1.067 billion). Mr. Al-Morished lauded the PIF as well as the participating banks' confidence in SABIC.

YANSAB is a Saudi joint stock company. SABIC owns 55% of YANSAB. A group of 17 local and regional companies owns 10% of the company's shares. Saudi citizens own 35% following a public subscription process, which was described as the largest of its kind in the Saudi market.

YANSAB has completed awarding all engineering, procurement and construction contracts. The implementation works are well on track according to the plan. The complex is expected to go on stream and enter the stage of commercial production in 2008. It is one of the world's largest petrochemical complexes with an annual capacity exceeding 4 million metric tons of petrochemical products which will boost SABIC's contributions to national development plans and strengthen its competitive capabilities in the global markets. The complex will also create 1,500 promising job opportunities for Saudi nationals.

ENDS

Othman Al-Humaidi
General Manager, Corporate Communications

NOTES TO EDITORS:

Saudi Basic Industries Corporation (SABIC) is the largest public company in the Middle East, ranked by market capitalization (more than US\$ 150 billion), and one of the world's 10 largest petrochemicals manufacturers. The company is among the world's market leaders in the production of polyethylene, polypropylene, glycols, methanol, MTBE and fertilizers as well as the fourth largest polymer producer.

SABIC's profit rose to a record SR 19.2 billion (US\$ 5.1 billion) in 2005, a 35% increase on 2004 and the company's highest profit since inception. Sales revenues for 2005 totaled SR 78.3 billion (US\$ 20.8 billion), making SABIC the largest and most profitable public company in the Middle East.

SABIC operates six interlinked strategic business units: Basic Chemicals, Intermediates, Polyolefins, PVC and Polyester, Fertilizers and Metals. The company has significant research resources and has dedicated Research and Technology centers in Riyadh, Geleen in the Netherlands, Houston USA and Vadodara in India. SABIC has more than 17,000 employees worldwide.

SABIC has two large production sites in Saudi Arabia – in Al-Jubail and in Yanbu – comprising 18 world-scale complexes. Some of these complexes are operated with multi-national joint venture partners such as Exxon Mobil, Shell and Mitsubishi Chemicals. SABIC's overall production capacity has increased from 35.4 million metric tons in 2001 to 46.7 million metric tons of production in 2005.

Headquartered in Riyadh, SABIC was founded in 1976 when the Saudi Arabian Government decided to use the hydrocarbon gases associated with its oil production as the principal feedstock for production of chemicals, polymers and fertilizers. The Saudi Arabian Government owns 70% of SABIC shares with the remaining 30% held by private investors in Saudi Arabia and other Gulf Cooperation Council countries.

SABIC Europe, headquartered in Sittard, the Netherlands, employs nearly 2,450 people and operates two petrochemical production sites in Geleen, the Netherlands and Gelsenkirchen in Germany for the production of polypropylenes, polyethylenes and liquid hydrocarbons. These are marketed by its European network of sales offices and logistical hubs. In 2005, SABIC Europe produced 2.5 million metric tons of polyolefins and 3.1 million metric tons of basic chemicals, mainly for the European market.

2007 JUL 31 PM 4:35
ORIGINALS REGISTRATION UNIT
PRESS RELEASE

Gulf Petrochemicals and Chemicals Association Opens its Head Quarters in Dubai

Dubai, July 1 2006 – Four months to the day after its founding, the Gulf Petrochemicals and Chemicals Association (GPCA) today opened its head quarters in Dubai, United Arab Emirates. The new office on Sheikh Zayed Road, at the commercial heart of Dubai, will be the main administrative centre for the association as it builds its membership ranks and develops common positions on industry issues. These common positions will then form the basis of the association's work in representing the interests of members in the region and beyond.

The GPCA was founded in March 2006 by eight founding members, and already has a burgeoning list of companies wishing to become members or affiliates. Its mission is to offer its members networking opportunities through various platforms to meet and share knowledge; exchange opinions and experiences, promote free and fair trade and competition; and advocate the development, growth and prosperity of the petrochemicals and chemicals industry and related businesses in the Gulf.

The new office will play host to several staff as the work of the association grows. The initial focus will be on building the database of members and partner organisations and creating an identity for the GPCA. As part of this the GPCA website (www.gulf-pca.org) is due to go live in the coming weeks.

Mr. Mohamed Al-Mady, Vice Chairman and CEO of Saudi Basic Industries Corporation (SABIC), and the first Chairman of the GPCA, said at the opening, "The petrochemical and chemical industry is a major contributor to the wealth of the region and is one of the region's largest employers. The GPCA was established to ensure that the industry finds a common purpose and realises common ambitions in the region and on the international stage and to build a greater awareness of the

importance of the industry among our many stakeholders. The opening of this office today is a small but symbolically significant step in achieving this purpose.”

Mr Hamad Al-Terkait, President and CEO of EQUATE and Vice Chairman of GPCA, added, “Once we get the GPCA activities underway, one of our main priorities will be to establish certain specialist sub-committees allocated to tasks such as safety, health, the environment and quality. Human resources and technical committees will also be set up. In doing so, we hope to provide best practice solutions to some of the concerns facing the industry. For example, the enormous growth in the industry is placing unmanageable demands upon regional logistics and by developing cross-industry working groups we hope to provide solutions for our members.”

The office will be managed by **Secretary General of the GPCA, Mr Abdullah Bin Zaid Alhagbani**. At the launch he said, “Interest in the GPCA and what our plans are has been increasing since our launch in March and this office opening will be the first of many initiatives that we will undertake to build awareness and understanding of the petrochemicals and chemicals industries in the Gulf. In the coming months, we will establish an information website and be attending various events throughout the region to build our profile. We are looking forward to having a tangible base from which we can now set about achieving the stated aims of the association.”

In addition to acting as the industry’s spokesperson in all matters of public interest and general concern, the GPCA aims to encourage research related to the industry and provide solutions to scientific and technical issues, promote human resource development within the industry and organize industrial conferences and seminars. Through all this, it will promote the relationship and mutual co-operation among companies, institutions, research centres, organisations dedicated to the industry’s safety and environmental matters, products standardisation authorities and committees, and other organisations and non-profit bodies related to the industry.

- ENDS -

For more information, please contact:

Chris Pratt or Preeti Bhandarkar at Hill & Knowlton on +971 4 33 44 930
or e-mail: chris.pratt@hillandknowlton.com / preeti.bhandarkar@hillandknowlton.com

Notes to editors:

1. The founding members of the GPCA are Borouge Pte Ltd (BOROUGE) – UAE, EQUATE Petrochemical Co. (EQUATE) – Kuwait, Gulf Petrochemical Industries Co. (GPIC) – Bahrain, Petrochemical Industries Co. (PIC) – Kuwait, Qatar Vinyl Co. Ltd (QVC) – Qatar, Qatar Petrochemical Co. Ltd (QAPCO) – Qatar, Saudi Basic Industries Corporation (SABIC) – KSA and Tasnee Petrochemicals (TASNEE) – KSA.
2. The GPCA can be reached at PO Box 123055, Dubai, UAE. Telephone +971 4 321 5766

2007 JUL 31 PM 4:35

Riyadh, 4 July, 2006

COMMUNICATIONS UNIT

Immediate

Correction

SABIC SET TO LAUNCH ITS DEBUT ISLAMIC SUKUK IN THE WAKE OF GAINING APPROVAL FROM CAPITAL MARKET AUTHORITY (CMA)

(Riyadh, 4 July, 2006) The Saudi Capital Market Authority (CMA) has given approval to SABIC to launch issuance of Sukuk in a total amount up to SAR 3 billion. The minimum value set for each of these Sukuk is SR 50,000. The minimum subscription shall be SR 500,000 (10 Sukuk per subscriber). If the amount is greater than SR 500,000, it will be calculated in multiples of SR 50,000. This Sukuk will be the first to be launched in Saudi Arabia under the new Capital Market Law. HSBC Group, one of the world's largest banking and financial services organizations, has been appointed as the lead manager and book runner for this pioneering issuance.

To be issued directly by SABIC, the SABIC Sukuk will be the first to be approved by a Shariah Committee of a Saudi Arabian Bank, the SABB Amanah Shariah Supervisory Committee. The Sukuk will also score first on a number of other fronts, notably the first to be admitted on the official list of the CMA, the first fully tradable Sukuk to be issued in the Kingdom, and the first to be settled/cleared through Tadawul (Saudi Stock Exchange). The Sukuk will establish a template for other Sukuk and non-equity capital market issuances to follow, thereby further facilitating innovation and economic growth in Saudi Arabia.

Initially, issuance shall be limited to financial institutions and major companies. Individuals may participate through various bank investment funds. Other issuances will expand to cover individuals directly following completion of essential mechanisms of the component authorities.

SABIC Sukuk is unique in many ways and with minimal risks. It is directly underpinned by a financially sound world leading company with diversified investments in basic industries.

SABIC has increasingly begun utilizing Islamic financing techniques for its fundraising. The company recently raised the largest ever Islamic finance tranche in a Greenfield project with the financing for the YANSAB affiliate, in addition to a recent one billion US\$ Murabaha finance agreement with Deutsche Bank. This Sukuk demonstrates SABIC's continued commitment towards developing the scope and breadth of Islamic financing.

SABIC Sukuk further demonstrates SABIC's endeavors to diversify the sources of finance for its investment projects which will contribute to developing the Saudi Capital Market and help develop the Saudi economy.

More detailed information on the Sukuk is available on the SABIC and SABB Bank websites.

ENDS

Othman Al-Humaidi
General Manager, Corporate Communications

NOTES TO EDITORS:

Saudi Basic Industries Corporation (SABIC) is the largest public company in the Middle East, ranked by market capitalization (more than US\$ 150 billion), and one of the world's 10 largest petrochemicals manufacturers. The company is among the world's market leaders in the production of polyethylene, polypropylene, glycols, methanol, MTBE and fertilizers as well as the fourth largest polymer producer.

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SABIC operates six interlinked strategic business units: Basic Chemicals, Intermediates, Polyolefins, PVC and Polyester, Fertilizers and Metals. The company has significant research resources and has dedicated Research and Technology centers in Riyadh, Geleen in the Netherlands, Houston USA and Vadodara in India. SABIC has more than 17,000 employees worldwide.

SABIC has two large production sites in Saudi Arabia – in Al-Jubail and in Yanbu – comprising 18 world-scale complexes. Some of these complexes are operated with multi-national joint venture partners such as Exxon Mobil, Shell and Mitsubishi Chemicals. SABIC's overall production capacity has increased from 35.4 million metric tons in 2001 to 46.7 million metric tons of production in 2005.

Headquartered in Riyadh, SABIC was founded in 1976 when the Saudi Arabian Government decided to use the hydrocarbon gases associated with its oil production as the principal feedstock for production of chemicals, polymers and fertilizers. The Saudi Arabian Government owns 70% of SABIC shares with the remaining 30% held by private investors in Saudi Arabia and other Gulf Cooperation Council countries.

SABIC Europe, headquartered in Sittard, the Netherlands, employs nearly 2,450 people and operates two petrochemical production sites in Geleen, the Netherlands and Gelsenkirchen in Germany for the production of polypropylenes, polyethylenes and liquid hydrocarbons. These are marketed by its European network of sales offices and logistical hubs. In 2005, SABIC Europe produced 2.5 million metric tons of polyolefins and 3.1 million metric tons of basic chemicals, mainly for the European market.

2007 JUN 31 PM 4:35

Riyadh, 15 July, 2006

COM/ISS/REGISTRATION UNIT

Immediate

Press release

SABIC APPOINTS FINANCIAL ADVISORS AND LEAD ARRANGERS FOR SAUDI KAYAN FINANCIAL LOAN AND A FINANCIAL ADVISOR AND LEAD MANAGER FOR THE COMPANY'S PUBLIC SUBSCRIPTION OF SHARES

(Saturday, July 15, 2006), the Saudi Basic Industries Corporation (SABIC), entered today into agreement with BNP Paribas, Arab Banking Corporation ABC and SAMBA as financial advisors and lead arrangers for approximately US\$ 4.8 billion loan for SABIC affiliate, SAUDI KAYAN. The Saudi Kayan Company, currently under formation, plans to construct a world scale giant petrochemical complex in Al-Jubail, Kingdom of Saudi Arabia, with an annual capacity exceeding 4 million metric tons of chemical products, some of which will be manufactured for the first time in the Kingdom of Saudi Arabia.

SABIC also signed today, an agreement with SAMBA Financial Group appointing it as financial advisor and IPO manager for the Saudi Kayan Petrochemical Company's public subscription. The new company will offer 45% of its capital for public subscription, most likely in 4Q2006, after obtaining necessary approvals.

Mutlaq Al-Morished, Vice President, SABIC Corporate Finance signed both agreements at SABIC headquarters in Riyadh in the presence of Mr. Mohamed Al-Mady, SABIC Vice Chairman and CEO and Mr. Issa Ibn Mohammed Al-Issa, SAMBA Managing Director and CEO.

Mohamed Al-Mady, said: "The new company's capital amounts to 12 billion Saudi Riyals. SABIC owns 35% of this capital while KAYAN Petrochemicals Company owns 20%. The remaining 45% shall be offered for public subscription following the approval of the competent authorities.

"The offering of this percentage is consistent with the wise policy pursued by the Saudi government to pave the way for citizens to invest in industrial projects with long-term economic viability, especially since it comes after unprecedented demand experienced by the underwriting of SABIC's YANSAB affiliate".

Mr. Al-Mady expressed great optimism on the future of the new company, especially as it will add new specialized products into the Saudi marketplace that will be produced in Saudi Arabia for the first time. Such products include: aminoethanols, aminomethyls, dimethylformamide, choline chloride, dimethylethanol, dimethylethanolamine, ethoxylates, phenol, cumene and polycarbonate. This is in addition to ethylene, propylene, polypropylene, ethylene glycol, butene-1 and others, all of which contribute to the enrichment of the Saudi petrochemical industries, strengthening SABIC's global competitiveness, and constitute a basis for the development of national downstream industries.

Mr. Al-Issa expressed his thanks to SABIC for its confidence in SAMBA by appointing it as financial adviser to the underwriting of SAUDI KAYAN which represents the culmination of a pioneering role in the management of many successful underwritings of other important clients in the Kingdom. He emphasized that SAMBA is harnessing its potential for this promising company which is expected to contribute to supporting the national economy.

ENDS

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2007 JUL 31 PM 4:35

Riyadh, 17 July, 2006

CRM/ISS/REGISTRATION UNIT

Immediate

Press release

SABIC ANNOUNCES US\$2.6 BILLION (8.8 SAUDI RIYALS) PROFIT IN FIRST HALF OF 2006 AND DISTRIBUTION OF DIVIDENDS TO SHAREHOLDERS AT 1.5 RIYALS PER SHARE FOR FIRST HALF OF THE YEAR

(Riyadh, 17 July, 2006) The Saudi Basic Industries Corporation (SABIC) reported a net profit of SR 4.6 billion in the second quarter 2006. The total profits generated in the first half of 2006 amount to SR 8.8 billion compared to SR 9.8 billion in the same period last year.

Mohamed Al-Mady, SABIC Vice Chairman & CEO said, "SABIC's profits in the second quarter 2006 exceeded the profits reported in the first quarter 2006 by 9 percent. This is due to an increase in the quantity of sales and an improvement of prices, in spite of the substantial negative impact of the rise in the prices of liquid raw materials and iron ore, which led to the reduction in the profits of the first half of this year by 22 percent.

"The quantity of production for the first half of 2006 is approximately 23.5 million tons, compared with 22.5 million tons for the same period of the previous year. The quantities sold amount to 18.8 million metric tons compared to 17.3 million metric tons for the same period of the previous year, generating an income of SR 40.2 billion compared to 37.1 billion riyals for the same period last year.

"The SABIC Board of Directors, under the chairmanship of His Highness Prince Saud bin Abdallah bin Thunayan Al-Saud, has approved the distribution of semi-annual cash dividends amounting to 3.75 billion riyals at 1.5 riyal per share (representing 15 percent of the corporate capital). The date of profit eligibility will be for the owners of the

company's shares registered in the records of the Securities Deposit Center at the end of trading on Monday, July 31, 2006. The company will start payment after three weeks from the date of eligibility.

“The second quarter of the current year has witnessed the commissioning operations of SAFCO Project IV, a second Ethylene Glycol plant at the UNITED affiliate, and the long steel products plant within the HADEED affiliate. SABIC is moving ahead with the implementation of its expansion plans to reach a total annual capacity of more than 64 million metric tons over the next two years and reach 100 million metric tons in 2015. In this regard, we have initiated the implementation steps for the YANSAB affiliate in Yanbu Industrial City with an annual capacity exceeding 4 million metric tons of petrochemical products. In addition, the SAUDI KAYAN affiliate, which adds a similar capacity in addition to the SHARQ pilot expansion project with an annual capacity exceeding 2.8 million metric tons”.

Al-Mady went on further to say, "The company launched the issuance of Sukuk of up to 3 billion riyals as part of its efforts to diversify the sources of financing its industrial projects. The work is on schedule and is proceeding in accordance with the objectives set out in the SABIC 2020 Strategic Planning Project, a pilot project which reflects SABIC's leadership aspirations.”

ENDS

Othman Al-Humaidi
General Manager, Corporate Communications

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107 JUN 31 PM 4:36

Riyadh, 24 July, 2006

Immediate

Press release

SABIC OFFERS DEBUT SAR 3 BILLION SUKUK WITH SIGNING OF KEY DOCUMENTS AND UNDERWRITING AGREEMENT

(Riyadh, 24 July, 2006) SABIC today signed the underwriting agreement for its debut Sukuk issuance for a total amount of SAR 3 billion, the first public Sukuk issuance in the Saudi market under the new Capital Market Law. The underwriting agreement was signed with the Lead Manager, HSBC Saudi Arabia Limited ("HSBC"), and a group of Co-Managers that included Banque Saudi Fransi, Gulf International Bank, National Commercial Bank, Samba Financial Group, Saudi Hollandi Bank, and The Saudi British Bank ("SABB"). HSBC is also acting as the Sukukholders' Agent, while SABB Amanah of SABB is the Shariah Coordinator and SABB is the Payments Administrator for this landmark transaction. The offering, which was open only to Saudi Arabian investors, proved to be a tremendous success and attracted orders from a diverse base of investors. Based on the final allocation, 49% of the SAR 3 billion was allotted to pension, mutual & other funds, 15% to Corporates & Institutions, and 36% to Banks in Saudi Arabia.

Mr. Mohamed Al-Mady, SABIC Vice Chairman and Chief Executive Officer said, "With this debut issuance, SABIC is pleased to have led the way in opening up the non-equity capital market sector in the Kingdom. We are gratified that we were able to achieve our key objectives with this transaction, namely further development of the Kingdom's capital markets and providing investors with greater investment choice, and the first step in diversification of our funding sources."

Mr. Mutlaq H. Al-Morished, SABIC Vice President, Corporate Finance, said, "The issuance in a Sukuk format also demonstrates SABIC's continuing commitment to promote and lead Islamic financing. The participation of a diverse investor base within

the Kingdom reflects the confidence in SABIC and its growth prospects. Such confidence was also evident in the substantial oversubscription in the offering, resulting in scaling down in allotments despite issuing at the maximum approved amount of SAR 3 billion.”

Mr. Timothy Gray, Chief Executive Officer of HSBC Saudi Arabia Limited said, “We are delighted to have assisted SABIC in this landmark issuance. This transaction further underscores HSBC’s leadership and drive in capital markets innovation. The transaction is also testimony to HSBC’s key strengths in structuring complex transactions and offering clients Islamic finance solutions. We are grateful to SABIC for having given HSBC this opportunity to structure and lead the transaction, and to the Capital Market Authority and Tadawul for their support for this innovative and first-time issuance.”

The transaction achieved a number of firsts:

- The largest-ever corporate Sukuk issuance in the region
- The first public Sukuk/bond in Saudi Arabia, and the first to be admitted to CMA’s Official List.
- The first capital market transaction to be approved under a bookbuilding format in Saudi Arabia
- The first publicly tradeable Sukuk/bond in KSA, and the first to be cleared/settled through Tadawul
- The first Sukuk to be approved by a Shariah committee of a Saudi Arabian bank for public offer in KSA

The settlement date for the Sukuk has been fixed for 29th July 2006, and the Sukuk is expected to begin trading a few days thereafter.

ENDS

Othman Al-Humaidi
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Headquartered in Riyadh, SABIC was founded in 1976 when the Saudi Arabian Government decided to use the hydrocarbon gases associated with its oil production as the principal feedstock for production of chemicals, polymers and fertilizers. The Saudi Arabian Government owns 70% of SABIC shares with the remaining 30% held by private investors in Saudi Arabia and other Gulf Cooperation Council countries.

SABIC Europe, headquartered in Sittard, the Netherlands, employs nearly 2,450 people and operates two petrochemical production sites in Geleen, the Netherlands and Gelsenkirchen in Germany for the production of polypropylenes, polyethylenes and liquid hydrocarbons. These are marketed by its European network of sales offices and logistical hubs. In 2005, SABIC Europe produced 2.5 million metric tons of polyolefins and 3.1 million metric tons of basic chemicals, mainly for the European market.

CHANGES AND DISCUSSION

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2007 JUN 31 PM 4:36

Sittard, 6 September, 2006

688/188/REGISTRATION UNIT

Immediate

Press release

OPENING OF SABIC EUROPE'S NEW HEAD OFFICE BY HH PRINCE SAUD BIN ABDULLAH IBN THUNAYAN AL-SAUD AND HE JOOP WIJN

Yesterday (Tuesday evening) the head office of SABIC Europe in Sittard was opened by HH Prince Saud bin Abdullah Ibn Thunayan Al-Saud (Chairman SABIC) and Joop Wijn (Minister of Economic Affairs of The Netherlands).

HH Prince Saud bin Abdullah Ibn Thunayan Al-Saud underlined the importance of the new Head office for SABIC, "This building with its unique techniques will be a tribute for the revitalization of energies and the incentive to unleash the creativities and capabilities and help enhance corporate achievements."

During his speech **HE Joop Wijn** focussed on the already long lasting ties between Saudi Arabia and The Netherlands, especially since SABIC came to Europe, "The petrochemical industries clustered at the Chemelot complex are of great importance of the Dutch economy." Furthermore he mentioned "Saudi Arabia is The Netherlands' foremost trade partner in the Middle East. "

The mission of SABIC in Europe and in that respect the establishment of the new head office in Europe was especially underlined by **Frans Noteborn**, CEO of SABIC Europe, "SABIC Europe has a mission to grow. This challenge and the opportunity to design and built a new European head office created the unique possibility to optimize the European business and service organization, our working methods, our IT and communication technology and did challenge the people involved to become the owner and design of their future working environment and working methods. "

Other guests of honour were the CEO of SABIC, Mohamed Al-Mady, the Mayor of Sittard-Geleen, Jean Bronckers, the Governor of the province of Limburg Léon Frissen, the President of the Council of Europe Parliamentary Assembly, René van der Linden, and the CEO of SABIC Europe, Frans Noteborn. In their speeches they underlined the relationship between Saudi-Arabia and The Netherlands and the importance of having SABIC Europe headquartered in Sittard-Geleen.

SABIC Europe (Sittard, The Netherlands) is a SABIC subsidiary which includes all of SABIC's activities in Europe and employs around 2,300 people. Its Head Office is in Sittard and there are production sites in Geleen (The Netherlands) and Gelsenkirchen (Germany), with a Research & Technology center in The Netherlands. The company had sales of 6.5 million metric tons of petrochemicals and a turnover of 5 billion euros in 2005.

The construction of the SABIC Europe headquarters building commenced in 2004. It is a 6 stories building and accommodates more than 550 employees.

ENDS

Othman Al-Humaidi
General Manager, Corporate Communications

NOTES TO EDITORS:

Saudi Basic Industries Corporation (SABIC) is the largest public company in the Middle East, ranked by market capitalization (more than US\$ 150 billion), and one of the world's 10 largest petrochemicals manufacturers. The company is among the world's market leaders in the production of polyethylene, polypropylene, glycols, methanol, MTBE and fertilizers as well as the fourth largest polymer producer.

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2007 JUN 31 PM 4:36
Riyadh, 26 November, 2006

Immediate

Press release

PRINCE SAUD BIN THUNAYAN AL-SAUD RECEIVES PRIME MINISTER OF SINGAPORE AT SABIC HEADQUARTERS

(Riyadh, November 26, 2006) Mr. Lee Hsien Loong, Prime Minister of the Republic of Singapore and an official delegation visited today the headquarters of the Saudi Basic Industries Corporation (SABIC). He was welcomed by His Highness Prince Saud bin Thunayan Al-Saud, Chairman of the Royal Commission for Jubail and Yanbu and SABIC Chairman; Mohamed Al-Mady, SABIC Vice Chairman & CEO and senior officials.

The Prime Minister and his companions listened to a presentation on the achievements of the Royal Commission for Jubail and Yanbu and its role in developing and converting the two industrial cities to the latest global industrial centers which encompass essential advanced facilities. He also listened to a presentation on SABIC's growth, its production, marketing and technical strategies as well as its leading role in promoting commercial exchanges between the Kingdom of Saudi Arabia and its trading partners.

The two sides discussed ways of boosting economic relations between the two friendly countries and developing joint efforts between SABIC and the production sectors in Singapore. This was especially in relation to the company's subsidiary, SABIC Asia Pacific, headquartered in Singapore and running SABIC's operations in the Asian markets.

ENDS

Othman Al-Humaidi
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2007 JUN 31 PM 4:36
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FOR IMMEDIATE RELEASE

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**UK TRADE & INVESTMENT WORKS WITH COGNIA
TO EXPAND OPERATIONS IN UNITED KINGDOM**

New York, NY—July 24, 2006 Cognia Corporation, a developer and distributor of information products and services that facilitate the use of biological and chemical information, announced that it will expand its presence in the United Kingdom, aiming to add 50 jobs by the year's end. UK Trade & Investment, the government organization devoted to fostering investment between the UK and overseas companies, has helped to facilitate the expansion by working closely with Cognia's corporate executives.

Cognia, headquartered in New York City, expanded operations into the UK in early 2005 with an agreement to work with the University of Edinburgh, Scotland. The original program involved a three-year contract with the University, with ten Cognia employees working onsite. But today, 18 months into the agreement, the program has far exceeded expectations. Cognia has tripled its size in Scotland and set up EU headquarters in South Gyle. Scotland has a reputation for being the best at "text mining"—a process of analyzing large quantities of text to identify and extract valuable

information. Text mining is a key skill in the development of Cognia's information platform.

"Beyond being an excellent economic move for our company, we have been overwhelmingly impressed with the caliber of talent we've been able to attract and retain in the UK," said Robert Merold, Chief Executive Officer of Cognia Corporation. "UK Trade & Investment is a great resource and has been instrumental in guiding us through the transition into the European marketplace. Our experience doing business in Scotland has been superb, and we plan to have operations up and running in England by the end of 2006."

Cognia aims to continue growth in the UK with the addition of a corporate service office in Cambridge, England, an expansion that will add an estimated 50 employees. Cambridge, with 125 biotech companies, is one of Cognia's most lucrative markets.

About Cognia:

Cognia develops and distributes information solutions for pharmaceutical and biotechnology companies designed to cost-effectively accelerate discovery and research processes by harnessing the power of disparate information. Cognia's information management platform, Cognia Molecular, provides a relational database structure that carefully considers the myriad complexities of biology as well as input tools for integrating proprietary, commercial and public information, and analysis tools for analysis and visualization. Cognia also provides Integrated Content Modules and Curation Services. For more information, please visit www.cognia.com or email Cognia at productinfo@cognia.com.

About UK Trade & Investment:

UK Trade & Investment is the British Government's international business development agency, supporting companies in the UK doing business internationally and overseas enterprises seeking to establish a market footprint in the UK. The integrated services offered by UK Trade & Investment bring together a network of business sector specialists and support teams in over 200 British embassies and Foreign and Commonwealth Office (FCO) posts overseas, as well as key experts in government departments across the UK.

As a government agency, UK Trade & Investment is uniquely positioned to offer expanding companies access to a growing network of global business advisors and bespoke market entry intelligence and guidance on operational issues. With its government connections, in-depth knowledge of UK regional business, ties to leading institutions, science and technology resources, as well as its global network, UK Trade & Investment is a unique strategic resource for companies that want to operate in the number one business location in Europe. For more information visit:
www.uktradeinvest.gov.uk.

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UK: Open for Business

Fast Facts:

- The UK is the world's fourth largest economy
- A European market of over 450 million consumers can be accessed from the UK
- The UK is home to over 6,500 US companies
- The UK is home to over a third of Europe's science parks
- The UK attracts 36% of all US investment in to Europe
- The UK is enjoying its 53rd consecutive quarter of growth
- With less than 1 percent of the world's population, the UK is responsible for 5.5 per cent of global R&D
- There are more than 95,000 software and computer service companies based in the UK
- The UK is the leading location in Europe for software investment
- The UK has Europe's largest semiconductor design industry

General Themes:

- The UK is one of the most agile and competitive economies in the world. Economists predict that its record eight years of growth should continue well into the next decade.
- The UK has generated a dynamic business culture. The UK Government works closely with foreign investor partners. Last year, more than 30% of all foreign investment in the UK came from the expansion of existing investors.
- The UK is a springboard to growth, offering foreign investors access into the European market of over 450 million consumers. Yet the country free from many of the regulations that have stifled corporate growth within the EU.
- The government agency, UK Trade & Investment, understands that corporate success in the twenty-first century is dependent upon growth through knowledge and technology, underpinned by R&D. So the UK has committed to bring down the barriers to success in order to speed up market entry and growth.
- Highlights of Britain; awards, sparkling economic performance and record of innovation include:
 - The UK ranked the highest of any European country in attractiveness as a foreign direct investment destination, according to the latest Foreign Direct Investment Confidence Index®.

- UNCTAD reported in 2005, the UK was the world's largest recipient of foreign direct investment, well ahead of the US and China. FDI into the UK grew 182% last year to US\$219 bn, the highest figure ever recorded for a European country and twice the total FDI into the US.
- The influential 2005 Milken Institute Capital Access Index ranked the United Kingdom first, ahead of Hong Kong, Singapore, and the United States.

Transatlantic Business:

- The US remains the UK's largest investor and most important economic alliance. We continue to enjoy a position as the largest recipient of US foreign direct investment, and our trade interests here, have never been stronger. Opportunities for business on both side of the Atlantic abound.
- Every day over one million UK citizens go to work for US companies in the UK and in the US over one million US citizens go to work for UK companies

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For additional information about UKT&I and about its resources and services, please visit UKT&I's website at: <http://www.uktradeinvestusa.com> or for general queries contact:

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**Policy
formation
will take
the business
perspective
fully into
account**

2007 JUN 21 PM 10:37

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UK INWARD INVESTMENT 2005/2006
REPORT BY UK IN THE INVESTMENT

www.ukinwardinvestment.co.uk

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FOREWORD

Inward Investment Annual Review 2005/06: Joint Foreword by Secretary of State for Foreign and Commonwealth Affairs The Rt Hon Margaret Beckett MP and Secretary of State for Trade and Industry The Rt Hon Alistair Darling MP.

We are determined that the UK economy meets the challenge of globalisation. This year's UK Trade & Investment Inward Investment Annual Review contains ample evidence of this, detailing the UK's many investment successes in the past year, especially from Asian economies. UK Trade & Investment is the Government body that helps overseas companies wishing to invest in the UK and supports UK companies looking to develop international business. This report sets out the inward investment decisions reported to UK Trade & Investment by Regional Development Agencies and the devolved administrations in Scotland, Northern Ireland and Wales. It includes new investments, expansions, and acquisitions.

The report demonstrates that the UK continues to be the popular choice of location for foreign direct investment in Europe. The number of new jobs created is encouraging and a vital contribution to our continuing prosperity.

We are now in our tenth year of uninterrupted economic growth and this is the tenth successive year our economy has outpaced those of the Euro area. The UK's economic stability, our commitment to free trade and our culture of scientific discovery and innovation are key contributors to this. These successes are also in no small part due to the work of UK Trade & Investment and its private and public sector partners throughout the UK in promoting the UK around the globe, and attracting inward investment. But in the face of global challenges there can be no room for complacency. As well as winning new investment we need to build on existing investment in the UK – nearly a third of this year's investment projects are expansions.

We are still the top European investment location, ahead of tough competition. Strong results from the Asia Pacific region show that the UK is winning foreign direct investment from Japan, India and China, but we are also increasingly attracting projects from emerging markets such as Mexico and South Africa.

The reasons for this are clear. The City of London is the financial capital of the world, and English is the language of science, business and the Internet. The UK has the second strongest research base in the world (behind only the USA), and our continuing investment in the science base makes the UK an ideal place to conduct R&D. Amgen, the world's largest biotechnology company, is nearly doubling its R&D capacity in the UK. The Japanese pharmaceutical giant Eisai is also building on a long-term successful research presence in the UK and centralising its European operations in the UK.

Overseas investment helps to stimulate competition and introduce innovation – bringing in new skills and processes. Inward investors are long-term players within their local communities, creating jobs, opportunity and prosperity. Acquisitions by overseas firms are a further vote of confidence in our businesses – a sign of strength in our economy.

We have a long history of openness to other cultures. This is true now more than ever. This report from UK Trade & Investment highlights the success of this approach in attracting inward investment from all around the world. The UK remains the top location in Europe for inward investment and the UK's economic and business environment fits it uniquely to maintain this position in future.

Margaret Beckett *Alistair Darling*

The Rt Hon
Margaret Beckett MP
Secretary of State
for Foreign and
Commonwealth Affairs

The Rt Hon
Alistair Darling MP
Secretary of State
for Trade and Industry

CHIEF EXECUTIVE'S REPORT – MOVING UP THE VALUE CHAIN

In a competitive global economy, maintaining "business as usual" won't do.
To stay ahead of competitors the UK is wooing a new breed of inward investors.



AC

Andrew Cahn
Chief Executive,
UK Trade & Investment

UK INWARD INVESTMENT SUCCESS BY COUNTRY 2005/06

COUNTRY	PROJECTS	NEW JOBS
USA	446	14,431
JAPAN	84	2,054
INDIA	76	1,449
CANADA	75	1,938
GERMANY	67	1,822
FRANCE	59	2,780
AUSTRALIA	53	1,047
IRELAND	44	1,104
NETHERLANDS	30	680
NORWAY	28	212
SWEDEN	28	131
CHINA	27	1,017
REST OF EU	77	2,641
REST OF WORLD	126	2,771
TOTAL	1,220	34,077

Source: UK Trade & Investment

I am pleased to report that the UK continues to be one of the world's most attractive economies for inward investors. In 2005/06, over 1,200 foreign companies chose to invest in the UK, more than the record level set in 2004/05. Over 40 per cent of these projects were new investments, more than a quarter were expansions of earlier investments, and the rest were mainly mergers and acquisitions.

This is a UK-wide success and the principal inward investment agencies – the nine English Regional Development Agencies and the devolved administrations in Scotland, Wales and Northern Ireland – have been crucial in contributing to this record number of projects. I would also like to pay tribute to the work of William Pedder who recently completed a five-year contract leading our inward investment operation so effectively, and welcome Brian Shaw who has taken over inward investment and other responsibilities.

All this investment brings us enormous benefits. Not just by creating new jobs but by bringing new ideas and methods, and by helping to commercialise the excellent work being done in our universities and science centres. It supports the continuing invigoration of both our manufacturing and service sectors – which in turn further increases our attractiveness to investors at home and abroad.

In a competitive global economy these benefits have to be earned and won. That is why successive UK Governments have striven to make the UK attractive to inward investors – fostering a climate of innovation and flexibility by liberalising markets and helping smaller, entrepreneurial companies to flourish.

MOVING UP THE VALUE CHAIN

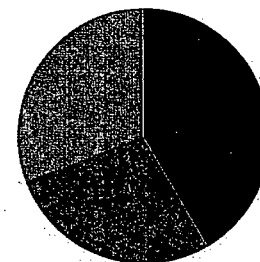
Our offer to investors must constantly evolve. We face increasingly effective competition from countries such as the new members of the EU in Central and Eastern Europe, and from economies such as India and China. To stay competitive we must keep moving up the value chain.

So far, we have done this very successfully – and not only in the services sector. For decades people have been forecasting the demise of our manufacturing sector. Certainly, much traditional industry has migrated to lower-wage economies. In affluent economies, demand for services tends to outstrip demand for goods; so growth in the UK service sector has outstripped manufacturing growth for many years. In manufacturing, as in services, we've kept moving up the value chain – into the most technically demanding, high value-added, knowledge-based areas where we have a real competitive edge.

Moving up the value chain means applying our strengths to attract investment in high value activities: R&D, science and technology, design and European headquarters. We do this through the strength of our universities, our creativity, and our clusters of high-tech capability and expertise. And by offering these in a flexible yet stable environment where inward investment is welcomed, businesses can plan for the long term with confidence, and foreign-owned companies can expect fair and equal treatment in areas such as tax and regulation.

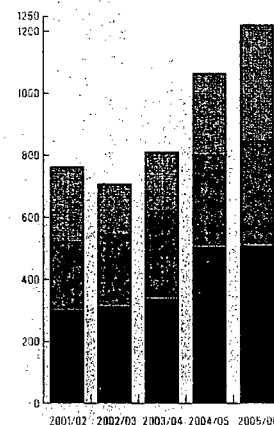
These conditions have made the UK a great place for overseas companies to grow. And another way to keep moving up the value chain is to attract dynamic companies with high growth potential. These are typically smaller, high-tech businesses based on innovation. Identifying and attracting them is not easy, and while some will succeed spectacularly, others will fail. But, increasingly, these are the businesses that the UK needs. We must find them, attract them – and stand by them. They need to be nurtured and helped to grow.

INWARD INVESTMENT BY CATEGORY 2005/06



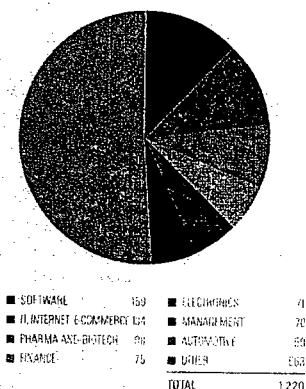
TOTAL	1,220
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INWARD INVESTMENT BY CATEGORY 2001/02 TO 2005/06

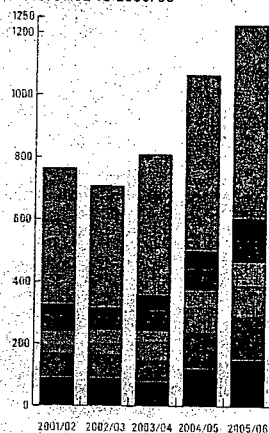


Source: UK Trade & Investment

PROJECTS BY SECTORS
2005/06



PROJECTS BY SECTORS
2001/02 TO 2005/06



Source: UK Trade & Investment

In its 2006 Budget the UK Government set out the next steps it intends to take to strengthen the nation's economic and productivity growth. These included measures to:

- simplify science funding and maximise its impact,
- expand R&D support for mid-sized companies and improve science teaching,
- strengthen the UK's reputation as one of the world's best locations for higher education and boost support for international students in the UK,
- further enhance workforce skill levels,
- further reduce burdens on business, and
- boost access to finance for early-stage companies with real growth potential.

All these will help to make the UK more attractive to the kind of inward investors we seek.

MARKETING THE UK

It is not enough to have a competitive offer – that offer must also be marketed effectively. If the UK is to capitalise on its strengths it must be out in the marketplace selling its strengths better than the competition. That is why the Government has called on UK Trade & Investment to build on existing strengths and achievements to ensure we make the UK a location of choice for many more high value-added international businesses. And we will be publishing our plan for changes in our approach.

Marketing is a personal business. It requires targeting of companies with propositions precisely tailored to their individual needs. It means developing and managing long-term relationships. And it includes harnessing our good relationships in international markets to help them grow.

MARKETING OUR ACADEMIC STRENGTH

The Government's strategy aims to build on the UK's strengths in scientific discovery to attract knowledge-intensive businesses. The diversity of the UK's academic and research base is one of the nation's greatest assets. In a study recently commissioned for UK Trade & Investment, researchers talked to companies in China, India, the USA and Scandinavia – all potential investors in the UK. They were remarkably unanimous in recognising the UK's excellent reputation for R&D.

We need to work with the universities, Research Councils UK and other organisations to present a more coherent, accessible and commercially relevant picture. We must strive for greater efficiency in helping overseas companies to find the right people to work with in UK universities. Not least because the range of opportunities is set to grow ever greater. The Government has committed to an unprecedented increase in public funding for science and innovation: by 2007/08 total UK science spending will be £5.4 billion, representing average annual real-terms growth of 5.8 per cent.

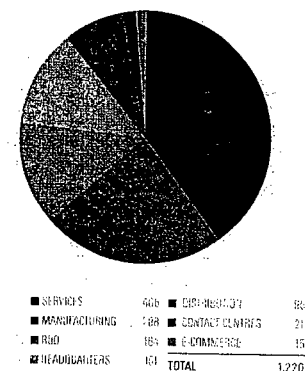
INVESTMENT GROWTH CONTINUES

The global economy remains in good shape and continuing corporate optimism fuelled further growth in foreign direct investment worldwide in 2005/06. The UK again fared particularly well. After an exceptional year in 2004/05 the number of investments in the UK rose by a further 14 per cent, with 1,220 projects reported to UK Trade & Investment. The number of new projects remained steady, while expansions, and mergers and acquisitions both grew significantly. In total, the year's projects created just over 34,000 new jobs, and safeguarded a further 55,789 jobs.

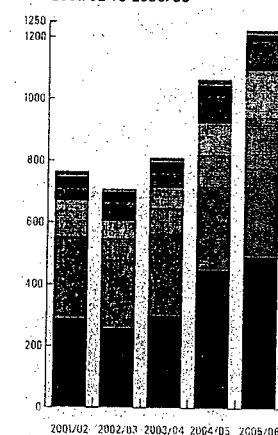
The diversity of projects reflected the breadth of the UK economy. Around 40 per cent of projects were in the services sector, accounting for a third of new jobs. But manufacturing accounted for almost a quarter of projects, 27 per cent of new jobs and almost three-quarters of secured jobs. Software and information and communications technology accounted for the largest share of projects, followed by pharmaceutical and biotechnology, finance, electronics and management.

I look forward to the year ahead.

PROJECTS BY OPERATION TYPE
2005/06



PROJECTS BY OPERATION TYPE
2001/02 TO 2005/06



Source: UK Trade & Investment

GLOBAL OVERVIEW

In another record year for inward investment the UK attracted further growth in projects from Europe, Asia Pacific and Africa. Projects from the Americas remained at near-record levels.

THE AMERICAS

The Americas maintained the pattern of strong investment seen in recent years, with total projects almost matching the previous year's record level. The region remained the largest source of inward investment, with 524 decisions to locate or expand in the UK. The USA and Canada were the UK's first and fourth largest investing countries respectively.

Companies from North America see Europe as an important market and the UK as their natural European base. The USA remained by far the UK's largest investing country in 2005/06, with 446 projects.



The previous year's total was exceptional, boosted by the activation of projects postponed during a period of depressed business confidence. The 2005/06 figure, showing a return to the underlying growth rate of earlier years, was 42 per cent above 2003/04.

US companies continue to favour the UK, particularly London, for their headquarters (HQs) and there were 52 such projects during the year. Several companies, such as Gilead and Allergan, relocated their European HQs to the UK from France.

The UK also continued to attract R&D investment from companies such as Kodak (expanding its R&D facilities) and Anigen (establishing its European Development

Centre). UK Trade & Investment is focusing effort on attracting more R&D investment in ICT, life sciences and other technology sectors such as renewable energy.

Canada recovered from the economic setbacks of 2003 and was the fourth largest investor with 75 projects, up from 67 in 2004/05. Investment was led by life sciences, with ICT and financial and business services among the top-rating sectors. The UK is having particular success in attracting small- and medium-sized companies seeking expansion into Europe – for Canadian companies it can often be more attractive to internationalise into Europe than to try to establish a presence in the large but intensely competitive US market.

Latin America is now emerging as another significant source of investment: the largest single acquisition of a UK company last year was the US\$5.8 billion purchase of concrete company RMC by Mexico's Cemex. Since then the UK has won another success from Mexico and others are expected imminently from Brazil.

EUROPE

Investment from Europe continued to grow strongly and the UK maintained its leading share despite increasingly active competition from France, Germany and the accession states. The total number of projects from European countries rose 24 per cent to 380, building on the 50 per cent increase over the previous two years. Germany was the UK's fifth largest inward investor, followed by France.

The principal target sectors in Europe are ICT, life sciences, environmental technology and renewable energy, in addition to traditional sectors such as food and drink, and logistics. While the UK has maintained its success in traditional sectors, over the past year it has done especially well with high-tech "micronationals", particularly from Scandinavia. These businesses, often spin outs from universities, are moving into international markets at ever earlier stages in their development and value the support they receive in the UK. Increasingly, serial entrepreneurs in this field are returning with their second and even third businesses.

Other significant trends include growth in the hotels and hospitality sector, particularly at the higher end of the market. There is also a new generation of Spanish business people who look towards the UK as the first step in their internationalisation, rather than their traditional focus on Latin America.

UK Trade & Investment is active in most European markets and looking towards promising new markets including Portugal, Turkey and Estonia. Israel was the third largest source of companies listing on the UK's Alternative Investment Market (AIM), and Iceland continues to be a significant player in mergers and acquisitions, particularly in the retail sector.

ASIA PACIFIC AND AFRICA

The flow of projects from Asia Pacific and Africa continued to increase, rising 40 per cent to 316 projects from 14 countries. Growth was particularly strong from Japan – the UK's second largest investor – and also from India. The UK Trade & Investment team in South Africa has made an encouraging start.

As Japan's economic recovery continues, the UK is benefiting from years of long-term relationship building. The number of projects rose 47 per cent to 84. Highlights included the decision by Eisai Pharmaceuticals to establish a £75 million European hub in Hatfield, bringing together its European HQ, discovery research, clinical development and manufacturing operations, as well as UK sales and marketing. This will ultimately create 300 new jobs.

Projects from India increased by 111 per cent to 76 making India the UK's third largest investor. While ICT remains the dominant sector, there was strong growth in pharmaceuticals and engineering. More companies are looking outside London, particularly in engineering, where Indian companies have been acquiring businesses around the country. For example El Forge acquired Shakespeare's Forgings, safeguarding 103 jobs in the West Midlands.

Australia was another strong performer, providing 53 projects, across a good spread of sectors. UK Trade & Investment's collaboration with New Zealand Trade and Enterprise (NZTE), launched in 2004, helped increase projects from New Zealand from nine to 16. This is part



of NZTE's Beachhead Programme which helps fast-growing New Zealand companies to globalise. In the UK the programme's original focus was on ICT companies; the scope has now been broadened to include biotechnology, creative industries and specialised manufacturing companies.

There was again a steady flow of projects from Taiwan, Hong Kong and Korea – with Pantech of Korea creating 50 new jobs.

China offers long-term prospects, although at present many companies' attention is fully absorbed by the scale of opportunities in the home market. With that in mind, the UK network in China is focusing on the highest quality opportunities. The UK won 27 projects last year and continues to build good relationships with leading companies to ensure its ongoing success.

UK Trade & Investment's new team in South Africa helped win 11 projects during the year and has identified a substantial pipeline of opportunities, particularly in healthcare and small technology companies.

RESEARCH AND DEVELOPMENT

With a highly productive science base, backed by increasing government support and business-friendly networks, the UK is a prime choice for R&D investment.

R&D is a strategic imperative in the knowledge economy. To stay ahead, companies must constantly strengthen their capabilities and find innovative ways of satisfying customer demands.

The UK has long been known for the quality of its R&D and its outstanding science base. A government-backed strategy is building on these strengths and helping UK-based companies to access these capabilities and move up the value chain.

The plan is ambitious: by 2014 the Government wants 2.5 per cent of GDP to be spent on R&D.

The UK is already the Organisation for Economic Co-operation and Development's (OECD) fourth highest spending nation on research. It invested the equivalent of US\$33.7 billion in 2004, with industry sources accounting for 44 per cent. The Government provided over 30 per cent.

But these figures don't tell the whole story. Quality is what really counts and the UK's performance is outstanding. Per capita, UK scientists publish more often and are more frequently cited than their colleagues in any other nation.

THE UK SCIENCE BASE

The UK's science base ranks second only to the USA on the majority of indicators, and in the natural sciences it is number one. The breadth of capability is impressive – the UK placed second in seven of the ten science-based research disciplines, and is ranked third or fourth in the remaining

categories. This performance has been consistent over time, despite increased activity in developing economies and a step-change in research spending in China.

The key to the UK's research strength is the quality of its academic institutions. Eight of the world's top 50 universities are in the UK, including the top two for science, Oxford and Cambridge, while four of the top five universities in Europe are British. And, in proportion to research dollars spent, the UK produces three times more university spinouts than the USA.

The excellence of UK research is acknowledged internationally. In

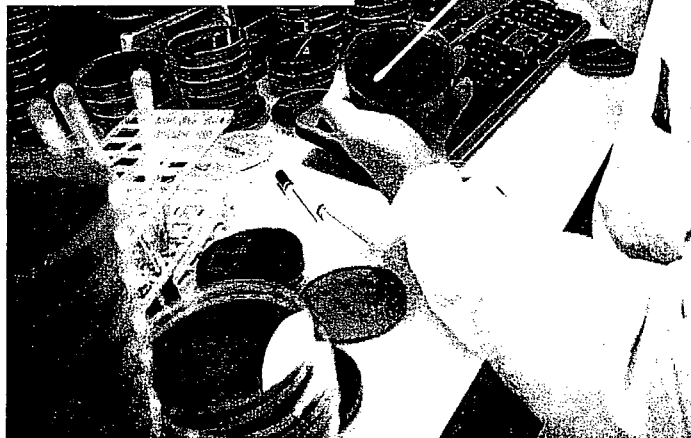
absolute terms, its 1.2 per cent share of world citations is well ahead of other G8 nations and second only to the USA. Judged by impact, it has overtaken the USA in pre-clinical and health, and in biological sciences.

Science spending in the UK for 2008 is forecast to be £5.4 billion, an annual growth rate since 2004 of 5.7 per cent.

BRINGING FOREIGN COMPANIES INTO THE UK

Around 25 per cent of business R&D is funded by overseas-based businesses. Many foreign companies, attracted by the quality of the research, have established R&D centres in the UK.

"THE UK OFFERED TECSPHERE THE BEST VALUE IN TERMS OF CUTTING-EDGE DEVELOPMENT SKILLS AT A COMPETITIVE COST. IT ALSO PROVIDED FLEXIBILITY THROUGH LABOUR LAWS THAT COULDN'T BE FOUND ANYWHERE ELSE." MICHAEL KNIGHT, TECHNICAL MANAGER, TECSPHERE LIMITED



Generous tax credits for research are available. Allowances of up to 150 per cent are claimable by any UK-based business engaged in R&D. Smaller companies qualify for special allowances, and the Government recently demonstrated its commitment by doubling the threshold for eligibility.

UK Trade & Investment has a key role to play in supporting R&D. It maintains relationships across disciplines and at a variety of levels – with governments, industry partners and the research community. It can also introduce inward investors to the networks they need to commercialise their R&D.



EXPORTING OPPORTUNITIES

Academic institutions in the UK have always had an international perspective. Over 14 per cent of the UK's students come from overseas, more than anywhere else in Europe. Experience shows that academic relationships begun in UK institutions foster international partnerships in the future.

Participation in large-scale, international projects keeps UK research at the forefront of global developments. These kinds of projects are often influential, as they frame the next phase of economic development. Large-scale research projects can generate specialist manufacturing and prototyping contracts.

AMGEN

- Sector experience
Biotechnology
- Location
London and Cambridge
- Country of origin
USA

FURTHER INVESTMENT FROM WORLD'S LARGEST BIOTECHNOLOGY COMPANY

Amgen, the world's largest biotechnology company employing 18,000 people worldwide, has made a significant R&D investment in the UK with plans to create a European Development Centre in London. The Centre will double the capacity of Amgen's current UK-based R&D facilities and will support all aspects of drug development including clinical research, biostatistics and regulatory affairs.

London was selected as a major scientific hub for the company for two main reasons. Firstly, ready access to a talented scientific labour pool, and excellent communications with its HQ on the US west coast. The Government's recent commitment to attract more R&D investment also made the expansion attractive for the company.

Furthermore, Amgen has expanded its Cambridge facilities, where it has been based for 15 years, recruiting more than 100 people over the past 12 months.

RESEARCH AND DEVELOPMENT CONTINUED

TECHNOLOGY STRATEGY

In 2004 the Government adopted a ten-year science and innovation investment plan with the specific intention of strengthening the commercial relevance of the UK's research programme. It created an independent Technology Strategy Board (TSB) as a business-led organisation that gives guidance and direction on funding priorities.

The TSB has been working to ensure that business priorities drive research. It acts as a catalyst for increased activity and fosters innovation that exploits and commercialises new technology.

The Technology Programme which the TSB also oversees, provides £200 million of support annually for collaborative R&D.

Regional sector clusters, developed by the TSB, participate actively in specific technology areas through Knowledge Transfer Networks. These are gateways for UK-based companies that want to access or collaborate on technology with leading organisations across the UK and around the world.

EMERGING TECHNOLOGY AREAS

The TSB has identified six promising key emerging technology areas for special attention, which reinforce existing strengths in high value-added areas of the UK economy. They are bioscience and healthcare; advanced materials; electronics and photonics; sustainable production and consumption; design engineering and advanced manufacturing; and information and communication technologies.

The UK has the largest and most mature bioscience industry in Europe, generating £2.1 billion in revenue in 2004. The country has a world leading research position in life sciences and related measurement sciences, and each of the top ten pharmaceutical companies has a significant presence.

The advanced materials sector is the second key area. The UK has world-class capability in photovoltaic and fuel cells research; it is the acknowledged international leader in organic semiconductors and has particular strengths in nanotechnology research.

The UK has a leading science base in electronics and photonics, and many innovative smaller companies adept at exploiting research-led innovation. Many inward investors have set up world-class R&D centres.

Sustainability is another important area – the UK is a leading researcher of resource-efficient products and processes. Pollution control and management is a key strength in both research and industry. There is a strong research base in energy efficiency technologies and considerable scope for international collaboration.

The UK's capability in design engineering and advanced manufacturing is based on strong traditions of excellence. Several universities run Innovative Manufacturing Research Centres which research design, manufacturing and management of processes, machines and systems, and collaborate closely with industry partners.

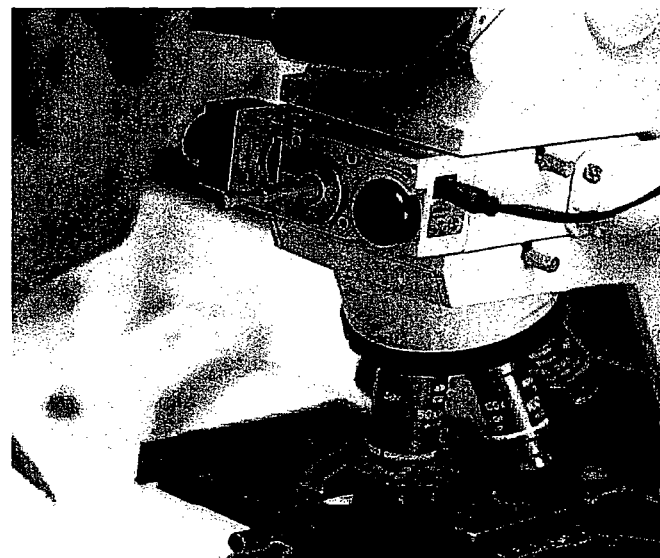


Finally, information and communication technologies form the backbone of any knowledge economy. Many multinationals have located in the UK around clusters of activity in London and the South East, Cambridge, Bristol and Manchester among others. These clusters support a variety of sectors, including life sciences, healthcare, aerospace, financial services, telecommunications, computer games and broadcasting, not to mention the research base itself, all of which are inherently global. Synergies between leading-edge research, suppliers and the user base underpin the UK's capability.

Globalisation and the relentless pace of technological development are dominating the business environment. Competitors, suppliers and collaborators can be anywhere. The UK's science base, its open culture, business-friendly networks and global reach make it the first choice for R&D.

"WE CHOSE TO SET UP OUR NEW EUROPEAN RESEARCH LABORATORY IN CAMBRIDGE, PARTLY DUE TO ITS PROXIMITY TO ONE OF THE WORLD'S TOP UNIVERSITIES. BUT CAMBRIDGE UNIVERSITY IS BY NO MEANS THE ONLY REASON WE CAME HERE. THE CAMBRIDGE PHENOMENON IS ALSO ABOUT INVESTMENT, INNOVATION, TECHNOLOGY AND START-UPS. WE HAVE ALREADY HAD VERY FRUITFUL DISCUSSIONS WITH A NUMBER OF START-UPS."

DR SAM WELLER, HEAD OF EUROPEAN RESEARCH DIVISION, KODAK



SAP

- Sector experience
Software solutions
- Location
Belfast
- Country of origin
Germany

FIRST UK RESEARCH CENTRE FOR SAP
SAP AG is the world's leading provider of business software solutions, employing 30,000 people in more than 50 countries with a turnover of over US\$7 billion. SAP invested £1.5 million to set up a leading-edge research centre in the emerging field of grid computing, in Belfast, Northern Ireland.

This highly innovative project will create between six and 14 jobs, taking advantage of local universities, particularly Queen's University, a world leader in grid computing research.

Invest Northern Ireland is supporting the investment via its Start Programme, which aims to increase the amount of industrial research undertaken by companies either on their own or in partnership with local universities.

GLOBAL ENTREPRENEURS

The Global Entrepreneurs Programme helps people with exceptional potential to make the UK their business base. Last year it once again doubled its success rate.

Entrepreneurship is global. Old barriers to entry for national markets are crumbling in the face of improved technology and increased competitiveness. Entrepreneurs need capital, talent, access to markets and a supportive environment. Increasingly, they are looking for these beyond national borders. Moving to the UK to start a new business demonstrates commitment and ambition – both qualities that immediately enrich UK business culture.

The UK has important strengths for business: a proud history of innovation and trade, light-touch regulation, competitive taxes, the English language, and a pivotal geographic location and time zone. The entrepreneurial environment is underpinned by continuing economic stability. International start-ups are strongly supported with mentoring schemes, practical support, R&D grants, and access to business and science networks. Advantages like these explain why, for many, the UK is an attractive place to grow a business.

For its part, the UK Government recognises the wide-ranging economic and strategic benefits of encouraging entrepreneurship. Today's entrepreneurs form tomorrow's economy. But the case for supporting them is not only about long-term potential. Entrepreneurs bring energy and talent – they are natural innovators.

UK Trade & Investment launched the Global Entrepreneurs Programme as a pilot with the objective of expanding the UK's entrepreneurial gene pool by making it easy for

people with exceptional talent or intellectual property to make the UK their business base. Demonstrably it has done this, doubling its success rate in each year since its inception in 2002. In 2005/06, the Programme achieved 22 successes, bringing its total number to 48. Global Entrepreneurs achieved this success using a three-pronged strategy which puts people, ideas and capital together.

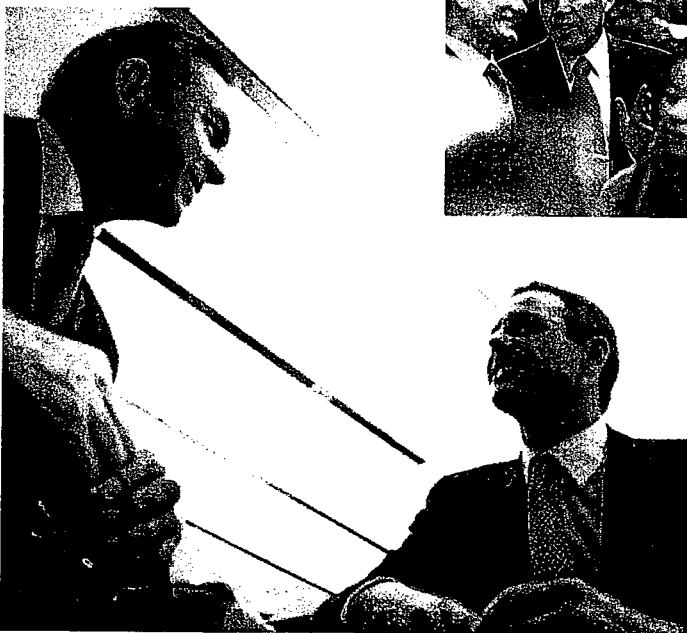
The Programme supports international projects with strong intellectual property and encourages foreign entrepreneurs to develop these within the UK. It looks at sources of funding both in the UK and overseas, and develops key relationships with venture capitalists (VCs), "business angels" and other investors. Additionally, it persuades successful, serial entrepreneurs to adopt directorships and consultancy positions in UK-based start-ups.

The Programme focuses on fields of activity that have international objectives even at the start-up stage and aims to identify projects and early-stage businesses with long-term strategic potential. Currently, life sciences, technology and renewable energy are priority sectors. It has a global remit, but its main efforts are centred in Indian, Australian and North American markets.

A network of Dealmakers, successful entrepreneurs who advance the UK's case among their peers, spearheads the Global Entrepreneurs Programme. They have specialist expertise in specific sectors, and their knowledge and active participation deliver a soft landing for start-ups.

Dealmakers get to know each client personally, acting as mentors, and providing access to networks and the benefit of their experience.

The Programme can provide practical assistance with important issues such as grant applications and immigration. It also supports clients' fundraising activities but does not provide direct funding or financial advice. Roadshows can be arranged, helping to encourage competitive interest among VCs. This process has helped to raise more than US\$100 million since 2003.



"OM ENERGY'S CUTTING-EDGE TECHNOLOGY PROMISES TO CONTRIBUTE SIGNIFICANTLY TO HYDROGEN TECHNOLOGY DEVELOPMENT IN THE UK. WE ARE VERY PLEASED THAT THE COMPANY RECOGNISED THE BENEFITS OF THE UK IN DEVELOPING ITS TECHNOLOGY AND ESTABLISHING ITS BUSINESS."
ERIC VAN DER KLEW, UK TRADE & INVESTMENT DEALMAKER



Support doesn't end when funding has closed. Many find the mentoring service particularly useful and the Programme is developing ways to involve more international entrepreneurs who give time rather than money.

The UK is a natural destination for international start-ups. Protection for intellectual property is pragmatic and effective. The universities are first class, there is a large pool of specialist skills, and the quality of UK science is internationally acknowledged. And when the time comes to sell or broaden the shareholder base, the UK offers a wealth of options. It has the world's second largest VC market, and the London-based Alternative Investment Market (AIM) offers a straightforward and inexpensive exit via an actively traded exchange.

OM ENERGY LTD

- Sector experience R&D
- Location London
- Country of origin Russia

PIONEERING NEW TECHNOLOGY

Pioneering company OM Energy Ltd, which has developed a technology that extracts hydrogen from water, has been established as a UK company with assistance from the Global Entrepreneurs Programme.

The hydrogen produced by this technology could be used to power fuel cells, or mixed with petrol to create a cost-effective and environmentally friendly fuel.

The Programme helped the company secure initial financing, and guided it through the process of forming a UK holding company to best protect its intellectual property. The Programme is now helping it to develop a commercialisation plan and will continue to provide aftercare into the future.

- is being co-ordinated by UKTI and HM Treasury with the broad range of private and public sector players who have a stake in the sector's future success, to ensure the needs and aspirations of the financial and business services sector throughout the UK are fully incorporated;
- will identify where the Government can add most value for business, while ensuring the best possible value for the taxpayer;
- will determine priorities among overseas markets and among the following activities which will feature as part of the marketing plan:
 - a programme of outward missions by Ministers and the Lord Mayor of London, engaging with foreign finance ministries, regulators, financial institutions, foreign companies, multinationals and foreign journalists, to focus on both commercial opportunities and structural barriers
 - the creation of new UKTI diplomatic positions dedicated to financial services in China and India
 - a programme of inward missions to the UK by foreign Ministers and overseas regulators among others, which provides visitors with good access to the right people
 - facilitation of short-term secondments for overseas government officials and regulators to City institutions, regulatory authorities and relevant partners in the City and the regions
 - promotion of UK standards of professional and financial qualification in key markets, to establish them as the global standard for high quality, internationally portable qualifications
 - seminars, round tables, events and publicity material to promote the sector and its expertise internationally, with translations provided to meet the needs of priority markets

- the study of opportunities for the promotion of UK expertise in specific markets, such as bonds, derivatives, venture capital, asset management and other related services necessary for the expansion of new economies
- scoping missions and events in the UK and overseas to enable individual sectors, such as Public Private Partnerships, legal, alternative dispute resolution, accountancy and business education, to research and access potential overseas markets.

UKTI will lobby overseas on regulatory issues and barriers to trade and investment. Alongside DTI it will work to ensure that the financial service industry's market access objectives are reflected in the European Community's trade and investment policy. We will highlight the importance of financial and business services – which the UK is well placed to provide – as part of the basic infrastructure of an economy and a key to sustainable development.

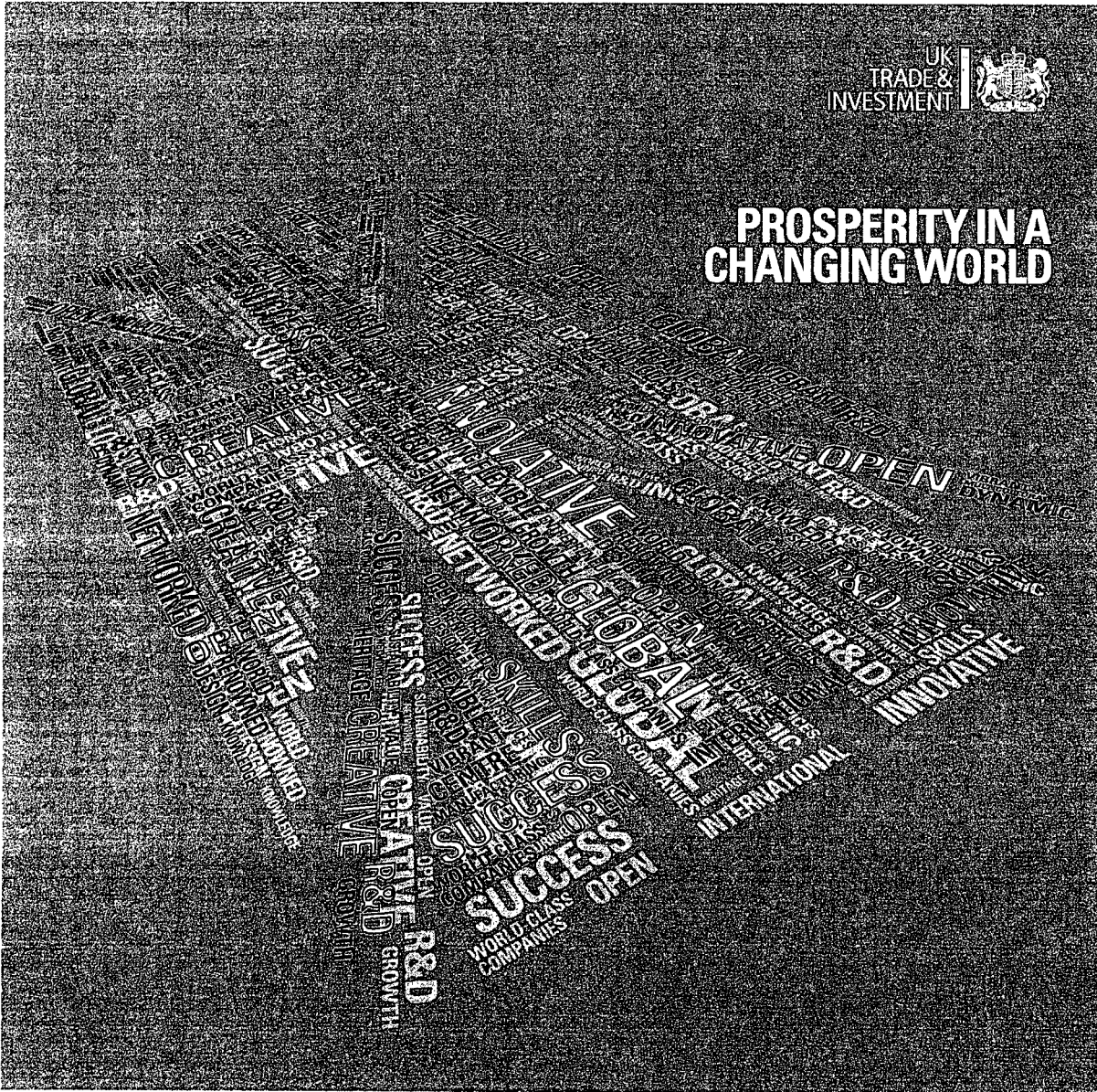
Working with our financial services partners, UKTI will develop a communications programme aimed at building awareness and reinforcing the reputation of the UK as a global leader in financial services among influencers and decision-makers in key markets worldwide.

We will reinforce the UKTI Financial Services Team with expertise from the private sector.

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PROSPERITY IN A CHANGING WORLD



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THE IMPORTANCE OF TRADE AND INVESTMENT

The activity set out in this strategy contributes to a number of government objectives.

- It supports HM Treasury's aims on globalisation, set out in *Globalisation and the UK: strength and opportunity to meet the economic challenge* – available on the Treasury website at www.hm-treasury.gov.uk
- It plays a key role in delivering the Department of Trade and Industry's aims of working to create the conditions for business success and helping the UK respond to the challenge of globalisation
- It contributes to the Foreign and Commonwealth Office's Strategic Priorities – see the White Paper *Active Diplomacy for a Changing World: The UK's International Priorities (Cm 6762)* published earlier this year, and available on the FCO website at www.fco.gov.uk
- It contributes to the HM Treasury, DTI and Department for Education and Skills *Science & Innovation Investment Framework 2004–2014*.
- It supports the devolved administrations and the Regional Development Agencies to achieve their economic objectives.
- It underpins the Government's commitment to sustainable growth in developing countries by promoting the UK as a competitive source of high quality financial, professional, telecommunications, transport and infrastructure services – vital for economic development.

FOREWORD

By: Rt Hon Gordon Brown MP, Rt Hon Margaret Beckett MP,
Rt Hon Alistair Darling MP, and Rt Hon Ian McCartney MP

The UK must think globally. Future economic prosperity will only come from UK companies exploiting opportunities overseas and by attracting the best overseas companies to invest here.

We need to make sure we seize new opportunities if we are to keep the UK well positioned in the changing world economy.

This strategy sets out how UK Trade & Investment will pull together the Government's efforts over the next five years to do that. There are some key themes:

Marketing – we will use professional marketing skills and adopt a more target-driven, entrepreneurial approach to promoting UK strengths. We must understand what businesses need, hunt out the best opportunities for the UK, and match UK and overseas partners.

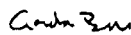
Partnership – many organisations are involved in marketing the UK business environment. We will use our resources to maximum effect by co-ordinating the work of central and regional government with that of the private sector.

Focus – Government efforts will be targeted where they can make the most difference. This means focusing on important sectors and technologies where the UK has a comparative advantage, and on the overseas markets which offer the greatest opportunities. We must market our strengths.

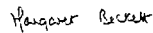
We want the UK to be the first country that others turn to when they are looking for a business partner.

To achieve this we have tasked UK Trade & Investment over this five-year strategy to become the most successful organisation of its kind in the world.

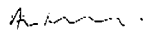
By 2012 we will have attracted a new wave of high-value investment to the UK. UK companies will be a prime source of quality goods, services and investment the world over. The London Olympics will be one reflection of the UK's global business success.



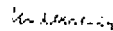
Rt Hon Gordon Brown MP
Chancellor of the Exchequer



Rt Hon Margaret Beckett MP
Secretary of State for Foreign and Commonwealth Affairs



Rt Hon Alistair Darling MP
Secretary of State for Trade and Industry



Rt Hon Ian McCartney MP
Minister of State for Trade, Investment and Foreign Affairs

July 2006

"This strategy sets the course for UK Trade & Investment for the coming five years. We will help business to internationalise and contribute to the prosperity of the UK. We will make the marketing of the UK professional and world-class. To deliver this we need to change how we work, the skills we use and the way we serve UK business and inward investors. We start from a good position. UKTI is well regarded internationally, our staff are dedicated and we have met our targets. But now we must do much more: we must change our culture and raise our game. My team and I are committed to that."

Andrew Cahn: UK Trade & Investment Chief Executive

**Globalisation
is a huge
opportunity
for the UK**

01 THE UK IN THE GLOBAL ECONOMY

The UK offers tremendous strengths
as a place in which and with which
to do business

THE UK IN A CHANGING WORLD

The UK is a vibrant and dynamic economy. Its strength has fostered a high standard of living and a self-confident society.

This is underpinned by investment in public services and infrastructure – education, health, law and order, transport and the environment.

A climate of creativity makes for innovation in every aspect of life including science, finance, design and the arts. And our multicultural population stimulates diversity of thought and talent.

Skills

The positive, adaptive mind-set of the people has made for a nation open to new ideas and eager to exploit them.

A high-quality education system and an infusion of international talent have helped to create a highly skilled and creative workforce.

Our excellent universities, with their particular strengths in science and research, nurture talent and foster innovation and ingenuity.

English, as the global language of commerce, finance, law, diplomacy and the internet that everyone wants to learn, has helped the nation develop its international reputation for expertise in those fields.

All this goes to create our international leadership in a wide range of high-value industries, from finance, accounting, legal and consultancy services to pharmaceuticals, high-technology manufacturing, and creative industries such as design, music, architecture, fashion and graphics.

London has become not only the world's greatest global financial centre, but also a magnet for the rest of the world and is that world in microcosm: a fitting host for the 2012 Olympic Games.

Stability and standards

Political and economic stability and high safeguards of business probity are hallmarks of the UK.

The well-established legal system promotes fair competition, the protection of intellectual property, world-class environmental, health and safety standards and a flexible labour market, fair to employer and employee.

"We chose Manchester because it has excellent transport links and business infrastructure, a wide and deep pool of talent and aligns with regulatory and customer expectations of diversifying our business locations. The strength of the labour market has more than matched our expectations, and the financial services and general business communities are close-knit and supported by public sector bodies."

Jackie Williams: Managing Director, Bank of New York, Manchester

The UK's regulatory system is light-touch but not soft-touch: flexible and highly pragmatic, yet bound by respect for rules and standards.

And our sophisticated financial markets offer business the wherewithal to invest and expand with minimum friction.

International openness

Our geography and history have always given the UK a fundamentally international outlook. The country now boasts a community speaking 300 languages.

Our commitment to free trade means that we have a strong, internationalised economy, more open to trade and investment than that of almost any other leading country.

Competition from overseas has driven UK businesses to adapt and develop their offerings, making them highly successful worldwide.

The ease of access the country offers to overseas markets and its standing as the business gateway to the European Union help make the UK tremendously attractive as a place in and with which to do business.

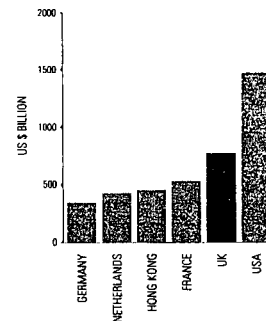
The result is a cadre of internationally successful UK companies and continuing invigoration of the UK markets.

We have successful companies across many sectors. These range from some of the world's largest multinationals to small companies at the cutting edge of technology.

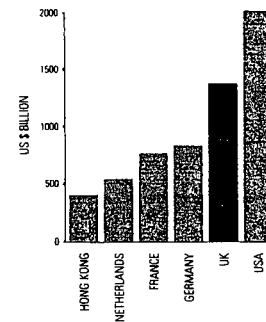
It's no surprise that the UK has become a destination of choice for overseas companies.

We have led the way in attracting foreign direct investment (FDI) in recent years. In 2004 the UK's accumulated stock of FDI amounted to US\$772 billion, second only to the USA and well ahead of China. The UK is the home of 26 per cent of all European headquarters for companies from North America and Asia-Pacific – and the numbers of companies choosing the UK is increasing. In 2005/06, there were 1,220 inward investment decisions, an all-time record.

UK companies lead the way in outward investment too. We are second only to the USA with accumulated stock of outward FDI of US\$1,378 billion. The UK is the largest European investor in China.



Largest recipients of inward FDI stock 2004



Largest providers of outward FDI stock 2004

Source: UNCTAD World Investment Report

The challenge of globalisation

But globalisation means competition is intensifying at a pace of change that is unprecedented. Companies are internationalising earlier and in novel ways. New communication technologies and falling transport costs are breaking down geographical barriers to trade and economic integration.

Emerging economies – currently led by India and China – are growing rapidly, with Asia now out-producing Europe for the first time for centuries. Our competitors recognise the importance of FDI and are raising their game in seeking to attract it.

In the midst of the biggest industrial and economic restructuring the world has ever seen, the UK's prosperity depends on harnessing the best knowledge and skills from around the world and marketing our business strengths effectively overseas.

Globalisation is a huge opportunity for the UK, but we need a step change in our efforts if we are to keep ahead of the competition.

It is for business to seize the opportunities. But it is for Government to create the environment in which business can flourish.

Government's role

In the face of globalisation, Government has a role to play to facilitate access to world markets so that UK businesses can achieve the full potential benefits of international opportunities, whether through trade, joint ventures or other forms of investment. This is particularly true in the emerging economies.

It is also for Government to ensure that the UK maintains and strengthens its appeal as a business environment, so as to attract and retain high-value business. Our skills infrastructure, legal environment and regulatory framework are all crucial to the UK's attractiveness in this respect, and the business voice must be heard as policy is developed.

Government support for trade and investment can add real value to the economy. For more details see page 41.

The responsibility for facilitating international business growth and investment is shared among several government departments, the devolved administrations and the Regional Development Agencies (RDAs).

91. HEALTH AND GENERAL ECONOMY

We will ensure that all work together to avoid duplication or fragmentation and to get the best value for business.

UK Trade & Investment (UKTI) is now taking the lead with a five-year strategy to maximise the UK's ability to attract FDI, win market share in the new high growth economies, and help business internationalise in a globalised world. This document describes that strategy.

The UK healthcare industry depends on a wide range of scientific disciplines and industrial sectors, including engineering, informatics and biotechnology. With a strong academic and industrial culture the UK forms the ideal base for converging technologies to develop innovative products for marketing across Europe and beyond.

"There is a huge local talent pool – the academic knowledge is second to none. It is a significant source for us to help deliver new solutions and drive innovation."
Dr. Armin Kandl, Managing Director, Siemens Magnet Technology



**world-class
marketing
of the UK's
business
strengths**

02 MARKETING "BUSINESS UK"

Central to our strategy is the world-class marketing of the UK's business strengths – both its strengths as a place for overseas businesses to invest and the strengths of existing UK businesses as trade or investment partners

To make the whole greater than the sum of the parts, UK Trade & Investment will work in partnership with the nine English Regional Development Agencies (RDAs), the devolved administrations in Northern Ireland, Scotland and Wales, other government departments, as well as national bodies including VisitBritain, the British Council, trade associations and other business organisations.

Market research

Since effective marketing starts from a good understanding of who one's customers are, what they want and how they perceive the offer made to them, that's where our marketing strategy starts.

We are not of course starting from scratch.

We know the characteristics of the overseas businesses we want to attract as investors and the characteristics of those UK businesses where targeted government trade support can most benefit the economy – see the next section.

We have good intelligence on what these potential investment and trade partners are looking for, though more work remains to be done on the priorities for particular sectors in particular geographical markets.

We have good data on how the UK is perceived in comparison to its competitors, but will need to keep this constantly up to date by listening to clients.

To ensure that all existing intelligence about the demands of overseas businesses and perceptions of the UK are fully exploited, UK Trade & Investment is undertaking a thorough review of existing research with its partners. In a fast-changing world, perceptions can quickly become outdated. We will conduct fresh market research where necessary – for example, in new high-growth economies or under-researched sectors.

"The English Regional Development Agencies have a key part to play in helping UKTI deliver this strategy. Our regional economic strategies are designed to create the conditions in which high-value, global businesses will thrive. We welcome your plans to join up government agencies' promotional activities. We will work with you strengthen the 'Team UK' message and approach overseas."

Bryan Jackson
Chairman, East Midlands RDA
on behalf of the Regional
Development Agencies

Making a difference

We will undertake activity where we have good evidence that it can make a difference to perceptions of "Business UK". And, so as to ensure that activity really makes a difference, UKTI will lead the effort to ensure that everything we do – from the production of marketing materials to the organisation of ministerial visits – is well planned, co-ordinated and followed up.

It is in everyone's interests for the marketing activities of UKTI and all its partners – RDAs, devolved administrations, other government departments and business organisations – to be mutually reinforcing. We have therefore set in motion the development of a strategic marketing exercise to identify the distinctive attributes of the UK business offer that distinguish it positively from its competitors and combine to create a compelling proposition.

This proposition will be persuasive and a concept that our partners will want to use in their marketing activity, yet be sufficiently flexible to be adaptable for different local market or sector needs. It will be a lynchpin in uniting all promotional activity about "Business UK".

Conveying the message

We will ensure that the mechanisms we choose to reach our customers are the most effective and represent good value for money.

The power of face-to-face communication cannot be underestimated. HRH The Duke of York, in his role as the UK's Special Representative for International Trade and Investment, undertakes valuable work on behalf of the UK.

We will ensure that the time of Ministers and other senior representatives in making overseas trips and welcoming foreign visitors is planned to take account of the needs of this strategy and is followed through vigorously.

Recognising the value of personal recommendation, we will also work with universities and business schools to enable overseas students and alumni to act as supporters of "Business UK".

All markets are different. We will need to tailor our delivery case-by-case to ensure we get the messages right. We will build on the strengths and expertise of UKTI's overseas network, using local marketing expertise and local partner organisations, and draw on the FCO's wider skills in public diplomacy.

"Many regions contain aerospace companies which are promoted by their regional organisations. To avoid buyers seeing a succession of missions and market researchers, which would confuse and irritate them, better co-ordination with regional organisations is vital, so as to strengthen the overall UK message."

[Dr Sally Hawes, Director General, SBAC]

PROSPERITY IN A CHANGING WORLD

We will focus on specific sectors and technology clusters where we can make the most difference. The box on page 16 sets out how we will approach this for one particular sector – financial and business services.

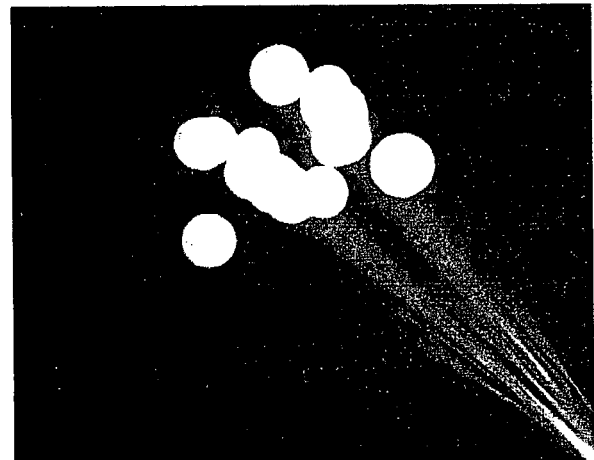
We will make targeted interventions with high-value clients – whether they be UK-owned companies or overseas-owned companies new to, or already established in, the UK.

We will produce high quality marketing materials that are valued by our clients and partners and ensure that they are made easily accessible.

And all this will be co-ordinated by UKTI through a new cross-government group, specially established to implement a joined-up programme of activities to market “Business UK”.

A liberal and competitive telecommunications tradition has helped place the UK at the forefront of global telecoms development. The competing mobile operators and virtual networks, allied to a plethora of technology companies with expertise across the supply chain, ensure the UK maintains its position as a vibrant, innovative market leader – the partner of choice for many companies around the world.

“The UK presence at the 2006 3GSM World (Telecommunications) Conference was well coordinated and professional. The UK has a lot of successful innovative firms and this is an excellent example of the way in which UKTI can take the leading role in showcasing our business strengths, as a nation, for maximum impact internationally.” Mike Smart, MDA Chairman & Vice President, 02



A COMPELLING PROPOSITION

Every product should have its unique selling point. We must choose from the many strengths of “Business UK” and develop a compelling proposition to promote it in the global marketplace.

The UK already has a strong business reputation, thanks to its customers’ myriad positive experiences. Some of its strengths are also claimed by competitors. Some are more powerful than others for different businesses, in different sectors and different markets. But there is no doubt that the UK is near the top of the premier division.

In a globalised world where competition is ever more intense, we need to manage this reputation more effectively to retain and improve on this position.

What really does set the UK apart as a place to do business, or as a provider of goods and services for the rest of the world? Although different strengths will appeal more or less to different customers, we will identify a marketing proposition which underlies them all.

Using the findings of research – including a review of competitor activity – our aim is to create the proposition that will most resonate with our target customers and stakeholders. It will be:

- differentiated, to set us apart positively from our competitors,
- true – based on people’s experience and supported by evidence, and
- dynamic, to reflect the ever-changing world.

We have started work on this already.

Working with our stakeholders, we have already identified six themes as qualities that define what the UK has to offer.

They are:

- a stable business environment that benefits from a well-established legal system,
- a flexible, highly pragmatic approach to business – yet one bound by respect for rules and regulations,
- a climate of creativity that makes for innovation in every aspect of life including music, fashion, design, science and finance,
- a capital city that is a magnet for the rest of the world and is that world in microcosm: a global financial centre and a place which in six years’ time will host the Olympic Games,
- proficiency in the language that everyone wants to learn, the global language of commerce, finance, law, diplomacy and the internet – English, and
- a multicultural population that stimulates diversity of thought and talent and also results in a fundamentally international outlook.

A series of creative workshops and brainstorming sessions is scheduled over the next six months to develop and test the proposition.

We will deliver the agreed proposition and a marketing implementation plan, ready for first use, early in 2007.

"We have operations in Canada and the USA and we felt that the best way to move into Europe would be through London. The UK capital offers us fantastic commercial opportunities. Being based in London allows a growing business to reach so many new and potential clients because it is a hub for international business. It's a city with a pool of highly qualified staff and enables us to build a solid and thriving business" Greg Huron
Director, Blackwater Tax Recovery Consultants Ltd



MARKETING THE CITY OF LONDON AND THE UK FINANCIAL SERVICES SECTOR

The UK financial services sector is, by any measure, a success story.

For many years it has been growing at more than double the rate of the economy. Its productivity is rising at more than three times the average rate. Financial and business services now account for more than 9 per cent of the UK's gross domestic product and contribute around £16 billion net surplus to the UK's balance of payments.

Similarly, London is the world's greatest global financial centre – the location for 70 per cent of the global secondary bond market, over 40 per cent of the derivatives market, over 30 per cent of world foreign exchange business, over 40 per cent of cross-border equities trading and 20 per cent of cross-border bank lending.

However, globalisation has brought new challenges:

- Growing competition with other major financial centres like New York, Tokyo and Frankfurt and from new lower-cost financial centres.
- The need to win business in emerging growth markets, including China, India, Russia and Brazil, as well as in established markets.
- Underpinning economic growth in the developing world – through the provision of a competitive source of high quality financial and professional services.

The marketing strategy being developed to address these issues:

- is founded on a programme of analysis to determine the UK's comparative strengths and weaknesses against key competitors in business and financial services; will identify why companies may choose, or choose not, to bring business to the UK and any long-term risks; and will identify solutions;

Sharing insight

Through its unique role and relationships – such as the work of UK embassies and high commissions with governments overseas – Government gains political, economic and business insights, often with commercial implications. We will be developing ways to give business increased access to the insight captured by our overseas Posts.

We will increase the research we undertake in partnership with business schools on companies' experiences in a changing world economy.

We will regularly publish this research so that businesses can be better informed, more discriminating and better able to cope with the challenges, as well as to exploit the opportunities, offered by new markets.

The work of the Chancellor's Asia Task Force – which is successfully bringing together experts from industry, education and Government to focus on boosting UK trade with, and securing investment from, the emerging economies in Asia – is an early example of success in this field.

Offering high-level support

Ministers recognise the potential value to business of their overseas visits, their hosting of overseas visitors and the part they can play in securing inward investment.

One of the remits of a new group – to be chaired by the Minister for Trade and Investment and including representatives of other government departments and of business – will be to establish mechanisms for the planning and coordination of this visit and reception programme to maximise its value to UK business.

Our diplomats around the world, who have excellent access to governments and insight into the local economies, will also continue to help promote UK business interests, particularly where direct government-to-government contact is essential to ensure a level playing field for UK companies.

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COMM/REGISTRATION UNIT

03 MANUFACTURING INDUSTRIES

The environment sector is one of the fastest growing industries in the UK, with a strong track record in delivering solutions across the whole manufacturing industries spectrum. Evidence from the City suggests that the macroeconomic climate is right for growth in the environmental goods and services sector in the UK, particularly in the areas of waste management and renewable energy.

EcoMethane, an integrated project development group dedicated to providing sustainable power solutions through harnessing methane emissions, is developing the MARCA project in Brazil.

The project involves the capture and flaring of landfill gas emitted from municipal solid waste generated locally. When a suitable power purchase agreement is in place, the project development team, that includes UK companies Biogas Technology Ltd and ENERG, will install and operate the equipment necessary to generate electricity from this renewable source.

EcoMethane has been developing the project under the Clean Development Mechanism of the Kyoto Protocol and has placed the carbon credits in the marketplace. The company estimates that the project will reduce emissions by 2.1 million tonnes of CO₂e over the next 21 years. ENERG participated in an UKTI-sponsored mission to Brazil in 2003 which led to the establishment of the partnership with EcoMethane. ENERG has since called on UKTI for lobbying support to secure the partnership arrangement.



Listening

Government wants to hear from business, to learn of its priorities and understand the barriers it faces, as well as its success stories.

We are already taking action in areas where we are aware of concerns.

Planning issues, which are high on the list of inward investor issues, are being addressed by Ministers through the Barker enquiry and transport infrastructure issues by the Eddington Review. Tax simplification is being pursued by HM Treasury in parallel with the Better Regulation Executive's drive for regulatory simplification. On skills, the Government is working to ensure availability of scarce skills through training and targeted immigration, while its ten-year Science & Innovation Investment Framework seeks to make university R&D more available for commercial exploitation.

We will improve the mechanisms available to internationally-minded UK businesses and expanding overseas companies to enable better dialogue to take place.

The Minister for Trade and Investment and the UKTI Chief Executive will hold regular business meetings around the country for inward investors and major UK companies for this purpose.

We will also hold a series of annual high-level meetings with stakeholders and the private sector to review progress in creating prosperity on the basis of this strategy.

UKTI will help ensure that business views and needs are made known to relevant government departments and agencies. Policy formation will take the business perspective fully into account.

UKTI's Chief Executive will chair a new panel of senior government officials, drawn from relevant departments, to focus on the impact of regulatory policy on the UK's position as a global business hub and on inward investment, linking to Government's Better Regulation agenda.

"To meet the challenges of globalisation we need a strong advocate at the heart of Government, championing the international trade and investment interests of UK business. I want to work with UKTI to ensure that is what this strategy delivers." Richard Lambert, Director-General, CBI

Developing services to facilitate business success

UKTI will continue to draw together a range of government resources to help business make the most of opportunities to internationalise.

Our network of overseas missions is a hugely valuable asset. UKTI's overseas teams – made up of UK-based diplomats and skilled, professional staff recruited locally – will continue to work as an integral part of the UK's broader overseas presence. Our Posts abroad will perform, as now, a wide range of work for business:

- Specific work for individual trade and investment clients, ranging from market research to lobbying senior decision-makers.
- Networking, contact-building and door-opening for business – up to and including the highest levels of business and Government.
- Work on economic, regulatory, energy, sustainable development and trade policy issues.
- Encouraging emerging-market governments to see the benefits of policies that allow UK companies to compete and win business there.
- Building links to the UK's science base, via the activities of the UK's overseas Science & Innovation Network of specialised officers.
- Providing a platform for UK excellence and enhancing the UK's reputation across the board through events and marketing activity by public diplomacy staff for whom promoting business will be one of three top priorities from 2007.
- Visa, consular and security information services to businesses worldwide.

We will also build on our already strong partnerships with the RDAs and the devolved administrations.

UKTI will continue to act as the international trade arm of the RDAs and will ensure it works increasingly effectively with them to attract investment. We will keep these arrangements under review, always on the lookout for ways of driving up the quality of services to business, and ensure that the service provided integrates effectively with other parts of the business support frameworks in the regions.

PROSPECTS IN A CHANGING WORLD

We will review our combined presence overseas and, taking account of the recommendations recently made by the Trade and Industry Select Committee, make sure that this valuable resource delivers what is best for the UK. Working together, UKTI and the RDAs will aim to meet the objectives of both this national strategy and Regional Economic Strategies.

In the area of inward investment, we will seek to achieve long-term relationships with high-value investors through our newly developed Growth Opportunities Strategy. We will support foreign-owned companies more intensively once they arrive in the UK and ensure they look to UKTI, the RDAs and the devolved administrations as their partners of choice in supporting their continued growth, including into other foreign markets. In this way, we will influence them earlier in their life cycle to look to the UK as the best place in the world to grow their business.

On trade development, UKTI will build on its extensive experience helping UK businesses succeed in global markets. This remains a key role for Government.

We will sharpen our focus on emerging markets, as set out in the next section of this document.

Not only will UKTI help companies develop their export capability – a very important part of its service for many companies – but it will also offer:

- information on local regulations, often supported by government-to-government lobbying to improve market access for UK firms,
- advice on local partners, commercial services like lawyers and accountants, and on setting up joint ventures or local investments, and
- market research, ranging from simple checks on whether a market exists for a particular product through to more complex work supporting product launches or significant investments in global markets by UK businesses.

This work will be subject to a more developed charging regime than at present, reflecting its value to business.

Since the UK economy is now increasingly competitive in the supply of services as well as goods in the global economy, support for outward investment as well as UK exports will become an increasingly important part of UKTI's portfolio of services.

Dynamic and vibrant industries in music, design, screen and publishing put the UK at the forefront of the creative industries. Our diversity of talent, creative depth and pioneering ideas have earned the UK an international reputation for fresh thinking and innovation. London is the design capital of the world. We will be building on that strength.



Small and medium-sized enterprises (SMEs) will continue to be a key client group. UKTI's highly successful "Passport to Export" programme for new-to-export companies will continue and will be developed further to focus on particular customer groups that have the greatest potential to add value to the economy, notably innovative companies and companies in specialised sectors (for example, legal services).

We will increase the support we offer to help experienced exporters make early inroads in emerging markets, with a new experimental programme designed specifically to help experienced exporters expand into and within the high-growth Asian markets.

We are introducing a new R&D programme aimed at encouraging investment by multinationals into the UK. We will offer tailored support to UK-based R&D-intensive businesses, designed to increase the effectiveness of their engagement with multinationals and help them penetrate overseas markets. See the box on page 29.

All government activities on R&D and innovation will be joined-up. In particular, we will seek to ensure that the DTI Global Watch service and UKTI services are mutually supportive, with any duplication eliminated. And, working with the RDAs and the Science and Industry Councils, we will ensure that the new activities link effectively with the R&D and innovation agendas in the regions.

We are extending eligibility for the Tradeshow Access Programme to experienced exporters, both to those seeking to do business in emerging markets and to innovative companies wishing to exhibit at high-technology events.

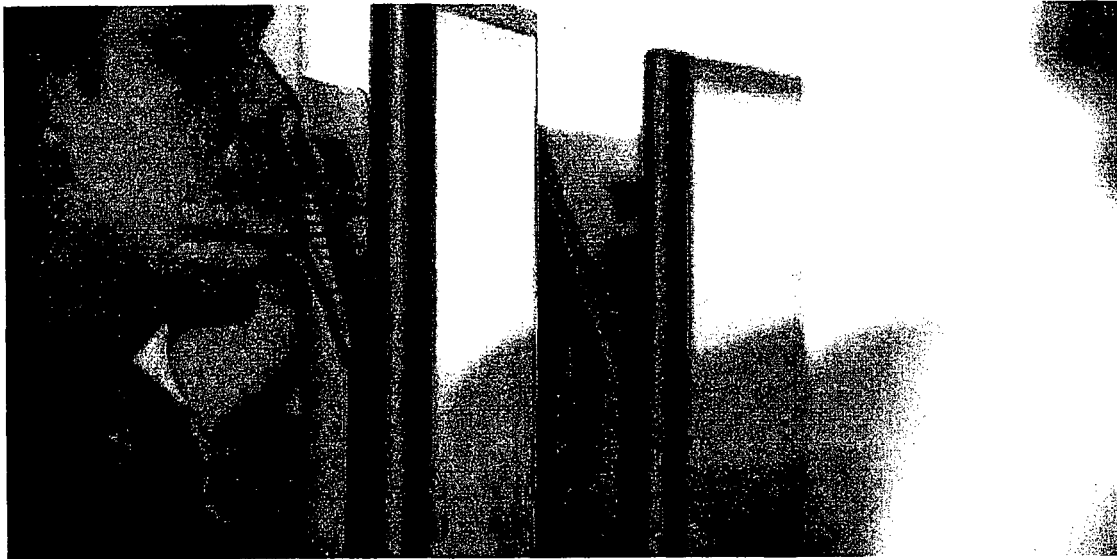
03 WORKING WITH BUSINESS

The UK is renowned for a software and computer services sector that lies at the forefront of development and growth. We are also highly regarded worldwide for our innovation and creativity in producing new intellectual property generated by the customisation and integration necessary for today's enterprise solutions.

SAP AG, the world's leading provider of business software solutions, invested £1.5 million to set up a leading-edge research centre in the emerging field of grid computing, in Belfast, Northern Ireland.

This highly innovative project will take advantage of local universities, particularly Queen's University, a world leader in grid computing research.

Invest Northern Ireland is supporting the investment via its Start Programme, which aims to increase the amount of industrial research undertaken by companies either on their own or in partnership with local universities.



PROSPECTS IN A CHANGING WORLD

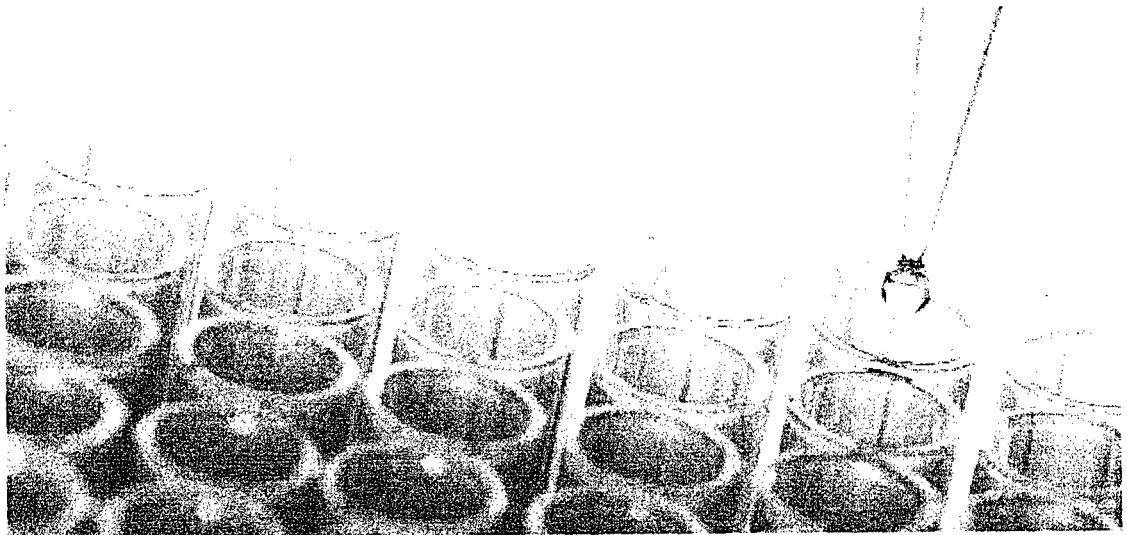
The UK is internationally recognised as being at the forefront of innovation in bioscience, and its pharmaceutical and biotechnology industries are major global players. Our outstanding science base is supported by the Government's long-term commitment to biotechnology and pharmaceuticals.

London-based biopharma company, Lipoxen, has entered into a major partnership agreement with the Serum Institute of India, the leading vaccine manufacturer, opening up global markets for their products.

Lipoxen approached UK Trade & Investment to help it evaluate the Indian biotechnology market. Advice was provided on cultural business issues, raising the company's international profile, and how to obtain detailed research. Biotech sector specialists provided tailored support.

Scott Maguire, Lipoxen's CEO said: "This agreement is a landmark for our company and this deal would not have been possible without UK Trade & Investment's support. As we expand globally we are hopeful that we will continue to receive similar help from UKTI."

Since Lipoxen began its collaboration with the Serum Institute of India it has doubled its lab staff in the UK. Extra investment in UK R&D as a result of this activity is approximately £700,000.



R&D PROGRAMME

The UK's creativity and innovation, its openness to new ideas and influences and its inventiveness mean that it is well placed to take advantage of the opportunities of globalisation. Total expenditure by affiliates of foreign companies (in 2001) accounted for 45 per cent of total UK business investment in R&D: equivalent figures are France 19 per cent, Germany 25 per cent, and USA 14 per cent.

In an increasingly competitive global marketplace, where multinationals seek out the most attractive locations to undertake their R&D, these figures confirm the attractiveness of the UK for R&D investment.

The Government will ensure that the UK continues to foster the conditions for business success. A £9 million programme of intensive support for innovative and R&D-intensive companies is therefore being developed, in consultation with the RDAs, to:

- promote to multinationals and overseas companies the benefits of undertaking R&D in the UK,
- help multinationals and overseas companies to collaborate with UK companies and/or research organisations,
- help R&D-intensive UK companies to penetrate overseas markets and multinational supply chains, and
- support the sustainable internationalisation of new R&D-intensive UK companies.

For overseas-owned companies, the programme will include the pinpointing and showcasing of relevant R&D excellence in UK research establishments and the wider knowledge supply chain.

For UK-based businesses and organisations the programme will include tailored support to enable them to engage effectively with multinationals and to penetrate overseas markets sustainably, thereby maximising the return on their R&D investment.

Key elements of the programme are:

- determining priority companies both for inward investment and as potential high-value exporters,
- targeting priority overseas companies with cross-public sector virtual teams, spearheaded by UKTI and involving the RDAs and others, and
- deploying a new cadre of up to 20 specialists with expertise in key technology sectors over the next two years.

**We will
sharpen
our focus
on emerging
markets**

03 WORKING WITH BUSINESS

The second component of our strategy is to improve the effectiveness of government and business working together in partnership. Internationalisation is key to business success. We aim to raise the level of the UK's performance – helping the best companies get better and others to improve

GLOBAL PARTNERSHIPS

It's not easy for small companies to go international. UK Trade & Investment's Global Partnerships Programme means they don't have to do it alone.

Starting a new operation overseas can be complicated, particularly for smaller companies. One way to make it easier is to find a local partner. To help innovative technology-led companies build strategic relationships with UK companies, UK Trade & Investment devised the Global Partnerships Programme three years ago.

The scheme is open to overseas companies that are willing to share new technology in order to build a business with a UK partner. It is designed to put them directly in touch with a carefully selected short list of potential UK partner companies.

During the year the Programme resulted in 12 partnerships, five involving companies from the

of sectors. Initially, the Programme was confined to a relatively small number of markets, but as its success has spread it is being promoted more widely. In the past year there have been good approaches from a growing number of countries including Austria, China, Denmark, Iceland, India, Israel, Italy, Japan, Mexico, Spain, Sweden and Taiwan.

In April 2006, UK Trade & Investment surveyed the 31 companies that have formed partnerships since the Programme began. Almost half the partnerships remained active and had established tangible business opportunities, often with help from the local Regional Development Agency.

Global Partnerships offers companies a low-risk way to explore opportunities. It is free, confidential and takes careful account of intellectual property issues. The number of approaches continues to rise, and further growth is expected this year as the Programme is promoted more widely.

The Programme is also continually being enhanced, making it easier for companies to use. Aftercare support is being developed to help participants make the transition from initial contact to partnership. The Department of Trade and Industry's 23 International Technology Promoters contribute their specialist sector expertise to ensure the partnering reports offer top quality leads.

"WE SAW ENOUGH TO CONVINCE US TO FORM A JOINT VENTURE WITH SEVERAL KEY PEOPLE IN THE UK AND OPEN AN OFFICE AND WAREHOUSE. THIS UK OFFICE WILL BE THE LAUNCH PAD FOR SALES INTO THE EU... OVERALL, WE GIVE THE PROGRAMME HIGH MARKS. THE PROGRAMME HAS INTRODUCED US TO SOME VERY GOOD PARTNERS AND I FEEL GREATLY SPEEDED THE PROCESS. WE ARE ALREADY SEEING TANGIBLE RESULTS. IT WOULD HAVE TAKEN A YEAR OR MORE TO GET TO THIS POINT WITHOUT GLOBAL PARTNERSHIP'S VALUABLE ASSISTANCE."
PAT HELTON, PRESIDENT, CSG INTERNATIONAL MARKETING ARM OF GENESIS AIR

USA, four from France, two from Canada and one from Korea. Five were in ICT and electronics, five in life sciences and two in energy and environmental technologies.

Last year was the first time the scheme resulted in partnerships with French companies. It is now attracting considerable interest from France and receiving good applications from a wide range

of projects in life sciences, renewable energy and engineering were the most likely to result in joint product development and commercialisation, with a slightly lower success rate in ICT. The research suggests that the Global Partnerships scheme considerably enhances the competitive position of the companies and substantially boosted turnover in specific cases.



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ORANGE REGISTRATION UNIT



YORK DATA SERVICES

- Sector experience
IT infrastructure solutions
- Location
York
- Country of origin
UK

PARTNERSHIP DRIVES COMPANY FORWARD

York Data Services supports UK businesses through the provision of high-performance integrated communications solutions. The company has grown from the prestigious York Science Park, where it was established to service the needs of the Park's data-dependent organisations.

Through UK Trade & Investment's Global Partnerships Programme, York Data Services was able to find the latest technology and a US partner company to collaborate with on applying it in the UK market.

"The biggest benefit of the Global Partnerships Programme was being able to interact with the chosen company almost from day one. Having UK Trade & Investment as the intermediary in the process gave it a stamp of approval," says Mark Fordyce, Chairman and Co-Founder, York Data Services.

INVESTOR DEVELOPMENT

Expansions by existing inward investors accounted for over a quarter of last year's projects – and nearly two-thirds of new jobs created. Clearly, they're worth encouraging.



Overseas-owned companies already based in the UK are a valuable source of additional inward investment. When their experience has been positive and profitable there is every chance they will want to expand, adding important activity to their investment portfolio.

On average, company expansions add more jobs and value added per employee than other inward investment. In many cases, expansion investment brings high value-added functions to the initial investment.

In 2005/06 the UK welcomed over 330 expansion projects – just over a quarter of all inward investment projects for the year. These projects accounted for almost two-thirds of all the new jobs created by inward investment.

AN ONGOING RELATIONSHIP

UK Trade & Investment's Investor Development network works with existing investors to help them further develop their business in the UK. With a comprehensive knowledge of the UK marketplace and best practices, the network supports businesses and develops long-term partnerships with overseas-owned companies.

The decision to invest in a particular region marks the start of a continuing and mutually beneficial relationship between the investor, UK Trade & Investment and the relevant Regional Development Agency or devolved administrations.

READILY AVAILABLE SUPPORT

The Investor Development network focuses on aftercare, providing advice, knowledge and support through one point of contact, with a thorough understanding of the client's business.

Clients receive both strategic and operational backup in the crucial early years of their investment. The Investor Development network helps to identify suitable service providers, skill clusters and available infrastructure, equipping clients with accurate and objective information to support their decision-making process. The network advise on practical issues such as immigration, financial incentives and staff recruitment, and provide guidance in developing new markets and potential customers.

A FULLY INTEGRATED NETWORK

The aim is to make doing business in the UK as simple and profitable as possible for overseas investors. The network ensures investors' concerns are heard in central government and finds the right people to solve operational issues. UK Trade & Investment's strong links – with government agencies at all levels, the academic world and business networks across Europe – can help companies to retain their international competitiveness.

New investors, who usually have a smaller market presence and need additional assistance to access the skills they require, are provided with specific links with the Regional Development Agencies or devolved administrations in the UK that can provide assistance specific to their location.

"THERE IS A HUGE LOCAL TALENT POOL – THE ACADEMIC KNOWLEDGE IS SECOND TO NONE. IT IS A SIGNIFICANT KNOWLEDGE SOURCE FOR US TO HELP DELIVER NEW SOLUTIONS AND DRIVE INNOVATION."

DR. ARTHUR KAINDL, MANAGING DIRECTOR, SIEMENS MAGNET TECHNOLOGY

LOOKING TO THE FUTURE

The Investor Development programme looks at future prospects, not just current requirements. By building a clear picture of investors' needs, the network can help investors

forge links with business, research institutes and university departments to accelerate their corporate plans.

In 2006/07 UK Trade & Investment is developing a new range of services that will focus more closely on the bespoke needs of existing and potential investors. These services will allow them to develop a UK presence from which they can build their global business.



SIEMENS MAGNET TECHNOLOGY

- Sector experience
Healthcare appliances
- Location
Oxford
- Country of origin
Germany

LOCATING AT THE HEART OF MRI EXCELLENCE

Siemens Magnet Technology is the world's leading designer and manufacturer of super-conducting magnets for medical applications. Siemens decided to invest in the UK because it has one of the largest medical device markets in the world:

When Siemens invested in the UK the market offered excellent opportunities for magnetic resonance imaging (MRI) solutions. More importantly, the company wanted to utilise the skills and experience of UK scientists and researchers. Today, increased government spending, further investments in the private healthcare sector and private finance initiative activity continues to see the market grow, with sales expected to increase by 6 per cent in real terms by 2009.

The company has successfully worked with UK Trade & Investment to gain access to UK business networks to help raise its profile.

AUTOMOTIVE

With car production running at twice the levels of the 1980s the UK automotive industry continues to be a world leader in motorsport and engineering design.

The continued restructuring of the automotive industry brought plant closures around the world last year. In the UK however, this continues to be offset by new developments: the country attracts approximately 60 per cent of Europe's automotive inward investment. In 2005 it produced 1.6 million cars – close to the peak output of the 1970s – plus over 200,000 commercial vehicles. Export volumes are at record levels, with over 73 per cent of cars and 62 per cent of commercial vehicles sold abroad.

This robust performance is due largely to unprecedented investment by leading manufacturers from the USA, Europe and Japan. BMW, Honda, Toyota and Nissan are all expected to increase their UK production this year, with new models including Nissan's SUV people carrier, designed and engineered in the company's UK facilities.

By size, the UK industry ranks ninth in the world and fourth in Europe. But its impact and influence are disproportionately large. Seven of the world's leading car manufacturers and 19 of the top 20 component manufacturers have plants in the UK. BMW, Ford, Toyota and Volkswagen all import UK-built cars into their own home markets. And the UK commands at least 80 per cent of the global motorsport market. No other European country has such diversity and strength.

In addition to the more than 170 vehicle-making companies, including truck and bus companies, over 100 specialist sports car builders and the makers of

most Formula One cars have a presence in the UK. Two of Europe's ten most productive plants are in the UK and value added per employee has risen 45 per cent in three years.

Vehicle manufacturing provides 221,000 jobs and contributes £9.8 billion value added to the economy. More than 2,600 component makers contribute over £4.8 billion added value and employ 132,000 people. The UK is Europe's second largest consumer vehicle market – buying more than 2.4 million cars in 2005 – and the retail and service sector adds another 65,000 businesses employing 550,000 people.



DRIVING FORCE IN POWERTRAINS

The UK is a centre of excellence in powertrain design and production. It produces close to three million engines a year, worth around £3 billion. Ford sources 25 per cent of its global engine requirement from the UK, including 50 per cent of its diesels, and its Bridgend plant is on schedule to produce a million units a year by 2010. Following BMW's decision to transfer engine production from Brazil, all its four-cylinder engines are now UK-built.



LEADERSHIP IN MOTORSPORT

The credibility of the UK's design engineering is enhanced by its dominance in global motorsport. UK design, production and team management includes Formula One, IndyCar, World Rally Championship and the British Touring Car Championships. The motorsport sector has annual sales of £4.6 billion and employs 38,000 people. In 2005 Honda opened a new £30 million wind tunnel for

"WE ARE REALLY IMPRESSED WITH THE MENARD ENGINEERING LIMITED FACILITIES AT OUR BASE IN LEAFIELD, OXFORDSHIRE. THE LOCAL INDUSTRY HAS BEEN AMAZING WITH PEOPLE BENDING OVER BACKWARDS TO HELP US. EVERYONE HAS BEEN INCREDIBLY SUPPORTIVE. LEAFIELD IS VERY MUCH CAPABLE OF HANDLING AN F1 PROJECT."

MARK PRESTON, CHIEF TECHNICAL OFFICER, SUPER AGURI F1 TEAM

STRONG GOVERNMENT SUPPORT

The UK Government aims to maximise opportunities for the industry through a partnership approach to policymaking, regulation and R&D. It supports the SMMT Industry Forum which has worked with over 450 car and component manufacturers to deliver quality and productivity benefits valued at £118 million. In 2004 it launched the Automotive Academy to raise skills standards throughout the industry. And it has contributed half the £100 million funding for over 100 projects in the Foresight Vehicle Mobility programme which fosters efficient knowledge transfer between academia and industry.

In 2005 the Government also helped to establish the Low Carbon and Fuel Cells Centre of Excellence and the innovIS Centre of Excellence for intelligent transport systems to help build UK competitive advantage in these fields.

AHEAD IN INNOVATION AND STYLE

The UK's independent design engineering sector is in demand worldwide for its flexibility, responsiveness and innovation. Its 7,500 people generate sales of around £650 million, around two-thirds from overseas, and it is underpinned by world-class universities. The UK is also a major influence in styling: UK-trained designers work for manufacturers worldwide, and Nissan recently relocated its design studio from Germany to London. The sector is now winning increasing business from car makers in China and India.

ASIMCO

- Sector experience
Automotive
- Location
Nuneaton
- Country of origin
Beijing

BUILDING A SUCCESSFUL EUROPEAN COMPONENT BUSINESS
Beijing-based ASIMCO Technologies is among the largest components firms in China. It manufactures a wide range of automotive products including diesel fuel, brake and suspension, and engine components.

The company was keen to take advantage of mature markets such as the UK to extend its global reach. It established a UK-based company, ASIMCO Technologies UK. This operation provides sales and marketing, project management, quality management, and technical and logistics support to ASIMCO Technologies' customers in Europe. The operation benefits from direct access to extensive engineering and testing capabilities, and daily interaction with a wide variety of European technology leaders.

UK Trade & Investment at the British Embassy in Beijing worked closely with ASIMCO Technologies to offer advice on office locations and recruitment, and assistance with visa applications.

BUSINESS AND FINANCIAL SERVICES

Today, communications technology means that European headquarters and contact centres can be located virtually anywhere – and the location of choice is the UK.

BUSINESS SERVICES

In 2005/06 151 companies chose the UK for their headquarters. The UK is the leading European headquarters (EHQ) location for companies from other regions. This market is dominated by US companies, which overwhelmingly favour the UK: in 2002 to 2004, the UK's 38 per cent share was over four times that of nearest rival the Netherlands. Among Japanese companies the UK runs a close second to Germany: the UK has Europe's largest Japanese community – some 51,000 strong – and London has more Japanese EHQs than any other city.

The UK's strengths include its stable economic and political environment, good transport and communications, sound legal and regulatory environment, ready access to finance – and moderate tax. The overall tax burden is

European Cities Monitor global survey it was voted best European city for business for the sixteenth year running, extending its lead over nearest rival Paris.



multilingual workforce: the UK is home to 1.4 million foreign nationals. Uniquely in Europe, the UK has a specific quality assurance standard for call centres, and a national Career and Skills Framework supports recruitment and training.

While new lower-value, cost-driven operations now tend to gravitate offshore, the UK excels in knowledge-based services such as multilingual technical support, healthcare and legal services, more sophisticated sales and marketing, and pharmaceutical applications. For example, 70 per cent of the 1,000 staff at IBM's centre in Scotland are graduates, serving 25 countries in 21 languages. Higher added-value operations like these are now the main drivers of growth, and the total of agent positions is forecast to reach 650,000 by 2007.

FINANCIAL SERVICES

The UK's strength in financial services derives primarily from London's position as one of the world's great financial centres.

The UK has several large financial sectors: the Edinburgh and Glasgow cluster alone is one of Europe's ten largest. Across the country over one million people work in financial services. But London is in a class of its own – admired for the breadth and depth of its capability, for its dynamism and its innovation.

The City of London contributes around 2.5 per cent to the UK's GDP. It is a leading centre for securities dealing, with 43 per cent of the global market in foreign equities trading, and the world's most important centre

for foreign exchange trading with 31 per cent market share. It is a world leader in cross-border lending, with 20 per cent share, as well as in international bond issues and trading, and public-private partnership financing. Approximately half of all European investment banking is conducted through London.

As a leader in financial innovation London is a key player in fast-growing markets such as derivatives and hedge funds. In the three years to April 2004 its share of the global over-the-counter (OTC) derivatives market grew from 36 per cent to 43 per cent. In exchange-traded derivatives it accounts for well over three-quarters of Europe's 41 per cent market share.

London metals trading totals some US\$3 trillion a year and over 90 per cent of all international business in non-ferrous metal futures is transacted at the London Metals Exchange. London's ICE Futures is Europe's leading derivatives exchange for energy products.

London is Europe's leading centre for the management of hedge funds, which continue to multiply in both size and number. The total value of European hedge fund assets based in the UK has grown fourfold since 2002 and reached US\$300 billion at the end of 2005. In March 2006 the Financial Services Authority, which regulates UK financial markets, cleared the way for hedge funds to be marketed to retail investors in the UK – signalling opportunities for further strong growth.

STATE BANK OF INDIA

- Sector experience
Public sector banking
- Location
Birmingham, Leicester, London and Manchester
- Country of origin
India

BUILDING A UK BANK NETWORK
The State Bank of India (SBI) is the largest bank in India. The SBI group has a market share of 25 per cent in India with over 13,800 branches, and operates 5,800 cash machines. The Bank also has 75 offices in 30 countries.

SBI has been in the UK for over 80 years with three branches in London. It has recently opened other branches in Manchester, Leicester and Birmingham. The North West Development Agency (NWDA) and Manchester's Investment Agency (MIDAS) worked closely with the Bank to establish the Manchester base, while the East Midlands Development Agency (EMDA) and Invest Leicestershire assisted in Leicester with advice and the appropriate business support.

The Bank is active in retail, corporate and wholesale banking.

"WE CHOSE MANCHESTER BECAUSE IT HAS EXCELLENT TRANSPORT LINKS AND BUSINESS INFRASTRUCTURE, A WIDE AND DEEP POOL OF TALENT AND ALIGNS WITH REGULATORY AND CUSTOMER EXPECTATIONS OF DIVERSIFYING OUR BUSINESS LOCATIONS. THE STRENGTH OF THE LABOUR MARKET HAS MORE THAN MATCHED OUR EXPECTATIONS, AND THE FINANCIAL SERVICES AND GENERAL BUSINESS COMMUNITIES ARE CLOSE-KNIT AND SUPPORTED BY PUBLIC SECTOR BODIES."

JACKIE WILLIAMS, MANAGING DIRECTOR, BANK OF NEW YORK, MANCHESTER

well below the EU average, and corporate tax rates compare favourably with major EU countries such as Belgium, France, Germany, Italy and Spain.

The UK also benefits from the huge popularity of its capital. As Europe's premier business location, London has unrivalled resources and professional services from corporate law to design. In the 2005

CONTACT CENTRES

The UK's call and contact centre sector is Europe's largest and the world's second largest. In 2005 there were some 582,000 agent positions – up 8 per cent on 2004 – in 5,700 contact centres serving domestic and international customers. The UK's success is founded on excellent telecommunications infrastructure, low call rates and a well-educated,



BUSINESS AND FINANCIAL SERVICES CONTINUED

London is the world's leading market for international insurance. In 2004 worldwide premium income reached £153 billion. Its dominant position in aviation and marine insurance reflects its traditional role as a centre for marine business – in 2004 the maritime industry in London generated overseas earnings of over £1.3 billion.

A LEADER IN ISLAMIC BANKING

The Islamic banking sector, though still relatively small, is growing fast – making London the largest centre for Islamic finance outside the Muslim world. The City values its position as a centre for Islamic banking and there is a commitment to ensure fair competitive conditions for Sharia'a-compliant financial products.

The London-based Islamic Banking Institute, founded in 1991, is the only organisation of its kind, providing education and training in Islamic banking and insurance, research and Sharia'a advisory services. It lists 23 banks offering Islamic finance products to the UK's 1.8 million Muslims. London has more banks providing Islamic financial products than the rest of Europe combined, and a growing Sharia'a-compliant investment banking sector.

The Islamic Bank of Britain, the first UK-based fully Sharia'a-compliant bank, opened at the end of 2004. Since then it has opened branches in London, Manchester, Birmingham and Leicester. In 2006 the London-based European Islamic Investment Bank became the first independent Sharia'a-compliant investment bank authorised to trade in the

"WE HAVE OPERATIONS IN CANADA AND THE USA AND WE FELT THAT THE BEST WAY TO MOVE INTO EUROPE WOULD BE THROUGH LONDON. THE UK CAPITAL OFFERS US FANTASTIC COMMERCIAL OPPORTUNITIES AND EXCELLENT TRANSPORT LINKS THROUGHOUT THE UK, EUROPE AND THE REST OF THE WORLD. BEING BASED IN LONDON ALLOWS A GROWING BUSINESS TO REACH SO MANY NEW AND POTENTIAL CLIENTS BECAUSE IT IS A HUB FOR INTERNATIONAL BUSINESS. IT'S A CITY WITH A POOL OF HIGHLY QUALIFIED STAFF AND ENABLES US TO BUILD A SOLID AND THRIVING BUSINESS."

GREG HOWE, DIRECTOR, BRAITHWAITE TAX RECOVERY CONSULTANTS LTD

UK. It aims to offer treasury and capital markets, asset management (including private banking), trade finance and correspondent banking, and advisory and corporate finance services.



WHERE EUROPE BANKS

London is where European finance meets the global market – an estimated 22 per cent of financial services-related jobs are generated by continental European business.

It is Europe's largest international banking centre, with an estimated 41 per cent share of all the EU's financial services. And even though the UK has not adopted the euro as its currency, it remains the centre of

euro-related trading activity – for example, 70 per cent of all Eurobond trading is conducted in London.

WHERE THE WORLD BANKS

London's financial sector is a truly international community. All the world's leading players have a presence in London and the fiscal and regulatory system treats them equally, whether they are UK or overseas owned.

Almost 300 foreign banks have operations in London, far more than in any other city. Over 550 overseas companies have chosen to be listed on the London Stock Exchange (LSE), and three-quarters of Fortune 500 companies have London offices. In 2005, more than £9 billion was raised by non-UK flotations on the LSE.

COMPETITIVE STRENGTHS

London's status as a world financial centre is based on clear competitive strengths – effective, appropriate regulation; relatively low levels of corporate and personal taxation; and English as the international language of business and law. In addition, it offers a highly skilled and flexible workforce; a favourable location and time zone midway between the markets of the USA and Asia; low-cost communications technology; and economies of scale that help make doing business in London particularly cost-effective.

London draws on a global pool of skills – a multinational, multi-ethnic, multi-skilled community attracted not only by its capital but also by the energy it generates.

As a centre of expertise it also draws those who want to learn.

An estimated 275,000 overseas students are studying in the UK in fields such as accountancy, insurance and securities. The City's professional institutions have 600,000 members – of whom 25 per cent live overseas. Last year the University of Chicago Business School relocated from Barcelona to London, citing London's position as "the top European city in which to conduct business".

The regulatory system is widely admired for its measured and proportionate response to risk. A single body, the Financial Services Authority, covers the whole sector, applying regulation that is transparent and certain, and is proactive in relation to industry developments.

London's pre-eminence in financial services and contract law has attracted a wide array of professional and support firms. For example, there are over 200 foreign law firms, including over 100 from the USA – and more continue to invest. Because English is the language of choice for major contracts worldwide, London has become a centre of excellence in contract law. It also has an outstanding arbitration system and expertise in dispute resolution as an alternative to legal action.

COGNOS

- Sector experience
Business software
- Location
Bracknell, London, Manchester, Staines and York
- Country of origin
Canada

DRIVING BETTER BUSINESS DECISIONS

Canada-based firm Cognos, which specialises in business intelligence and performance planning software, has its UK and European headquarters in the south east of England, with a support office in Manchester. The company also has R&D centres in Staines and York.

Together, these centres, with around 350 staff, support numerous high-profile clients by delivering software that drives better business decisions to increase organisational performance. Cognos offers a complete solution that spans the essential components of corporate performance management (CPM).

Cognos considers the UK a strategically important market because of the high proportion of knowledge-based industries that require its solutions.

CREATIVE INDUSTRIES

In the UK, creativity and business work comfortably together – producing a sector that's growing twice as fast as the rest of the economy.



The UK has a worldwide reputation for the excellence and commercial acumen of its creative industries. The creative sector contributes 8.2 per cent of GDP. It is growing twice as fast as the rest of the economy, and export growth is even faster. Not surprisingly, it is a strategic priority for all Regional Development Agencies and devolved administrations.

With its technologically savvy customer base, interdisciplinary networks and flexible, highly skilled workforce, the UK is a natural location for creative industries. Innovation has always been part of British culture, and the worldwide appeal of British creativity is supported by the nation's cultural diversity and the global reach of the English language.

Across all media, digitisation presents new challenges and opportunities. It is internationalising creative industries and opening new distribution channels. With electronically transmissible outputs, geography is no longer a constraint: publishers can outsource production,

consumers can download content, and business can migrate in pursuit of talent and skills.

Digital content drives convergence – the latest mobile phones double as MP3 players, cameras, radios and even TVs and camcorders. However, digital content is also vulnerable to piracy. Britain's pragmatic copyright laws offer cost-effective intellectual property protection.

MUSIC

The UK is the third largest market for music sales, earning around 10 per cent of global publishing revenue. British consumers buy more music per head than anywhere else. New channels are emerging: the UK ringtones market, for example, was worth £133 million in 2005. UK iTunes downloads have now passed the billion mark. The Arctic Monkeys went from obscurity to the fastest selling debut album of all time in a matter of weeks via the internet.

A rich pool of local talent attracts publishers, and top international artists seek out British producers and technicians.

GAMES

The UK PC and video games market is Europe's largest, worth £2 billion in 2005. The installed base is more than 25 million dedicated gaming devices and the equivalent of 11 games in every household.

Around 55 per cent of European games development studios are in the UK. Titles such as Eidos' *Tomb Raider* and Rockstar's *Grand Theft Auto* have become global brands.

Six thousand people work in games development; another 3,000 are in the games publishing sector. First-class universities and postgraduate courses provide a strong skills base.

SCREEN-BASED INDUSTRIES

The UK film industry was worth £2.3 billion in 2004. It employs around 31,000 full-time equivalent staff and its technicians are world-class. The UK's favourable tax regime, abundance of locations and breadth of talent encourage inward productions, which account for 67 per cent of turnover.



Some of Europe's biggest studios are located in the UK. Over 1,000 companies and 15,000 people provide sound, graphics, music, and visual and special effects for film, TV and video productions across the globe.

TV contributes £12 billion to the economy. The UK is home to 1,500 independent production companies and, of course, the BBC. It is the world's second largest programme exporter and formats like *Pop Idol* and *Who Wants to be a Millionaire* have become

international brands, generating opportunities in other media.

Digital TV broadcasts now reach over 70 per cent of the population – the world's highest penetration. BSkyB is introducing triple play (voice, TV and internet), PVR, and High Definition TV services and the BBC is offering digital services over multiple platforms. Meanwhile, rapidly accelerating broadband take-up and the popularity of social networking websites such as Bebo set the stage for an upsurge in user-generated content in the coming years.

DESIGN

The UK design industry is recognised as world-class. It employs 70,000 people, including 47,000 freelance designers. There are 4,000 consultancies, 31 per cent of them located in London.

Each year over 20,000 designers graduate from UK colleges and universities which stress the value of cross-disciplinary working and link-ups with industry. Many students come from overseas, recognising the quality of British design education. And multinationals from many sectors – including Nokia, Nissan, Motorola, Samsung and Yamaha – have tapped into UK talent by locating their international design and branding centres here.

"CREATIVE PEOPLE WITH RICH TALENTS IN THE DESIGN, ARCHITECTURE, FASHION, INTERIOR DESIGN AND A RANGE OF OTHER GENRES GATHER IN LONDON. IT IS OUR HOPE THAT THEY WILL USE THEIR SKILLS TO BUILD UPON YAMAHA'S UNIQUE DESIGNS, AND OVERCOME ESTABLISHED PRECONCEPTIONS TO PROPOSE ADVANCED DESIGNS WITH THEIR OWN INNOVATIVE FEATURES."

YOSHIHIRO KATSUMATA, MANAGER DESIGN STUDIO LONDON, YAMAHA CORPORATION

D3PUBLISHER

- Sector experience
Video games
- Location
Cambridge
- Country of origin
Japan

CAMBRIDGE WELCOMES JAPANESE VIDEO GAMES PUBLISHER

Japanese video games publisher, D3Publisher, has set up a UK operation to access the world's fastest growing games market – Europe. Based in Cambridge, the UK hub will act as a European Headquarters for the company.

D3Publisher was established in 1999 as a small publishing house specialising in budget games, however it has grown rapidly, expanding into the US in 2004 and now Europe.

The company chose Cambridge for a number of reasons including its international transport links, quality of IT infrastructure, and the strength of the software cluster offering future recruitment opportunities. Initially the Cambridge operation will carry out a sales and marketing function, however it is hoped that it will eventually be involved in games development.

East of England International assisted the company in locating premises and providing support throughout their expansion.

ELECTRONICS

World-class research is ensuring that the UK maintains its place at the high value-added end of the electronics sector.

As the global electronics market polarises into commodity manufacturing and value-adding innovation, the UK is emerging as a centre of cutting-edge research and systems design. It has particular strength in high-value and sensitive research, and in low-volume prototype manufacturing.

The UK electronics industry encompasses a broad range of companies, from ground-breaking smaller companies and specialist manufacturers to global businesses. It employs some 400,000 people, over half of whom work at its 7,000 manufacturing sites. With an overall market of £37 billion and production of over £23.3 billion, it ranks first or second in Europe for both market size and production in nearly all electronics sectors.

"THIS IS A HIGHLY STRATEGIC INVESTMENT FOR US. BY COMBINING INCA'S EXPERTISE IN WIDE-FORMAT INKJET PRINTING WITH DAINIPPON SCREEN'S CONSIDERABLE EXPERIENCE IN THE MEDIA TECHNOLOGY, SEMI-CONDUCTOR AND FLAT-PANEL DISPLAY INDUSTRIES, WE CAN FURTHER STRENGTHEN AND GROW INCA AND DAINIPPON SCREEN'S BUSINESSES, WHILE WORKING TOGETHER TO DEVELOP NEW APPLICATIONS ACROSS MULTIPLE SECTORS IN THE FUTURE."
MR AKIRA ISHIDA, CHAIRMAN AND PRESIDENT, DAINIPPON SCREEN

The UK's biggest strength is its science base, centred on a cross section of world-renowned university research departments. Hewlett-Packard, Kodak and Xerox are among the many global companies that have chosen to locate their research facilities in the UK. The UK Government is supporting further rapid development through its £320 million, three-year Technology Programme.

Key areas in which the UK is an innovation leader include photonics, displays and electronics design - especially low-power mixed analogue and digital designs for portable devices such as iPods or mobile phones.

PHOTONICS

With their extraordinary precision and speed, photonics and lasers have a huge range of applications - notably in healthcare, defence, ICT, consumer electronics and energy efficiency. The global market for systems using photonic technologies, already worth over £100 billion, is predicted to rise threefold or more over the next decade.

The UK has a strong position in this growing field with a number

of significant global players and a long-standing reputation for world-class laser research. Industrial activity is concentrated in small companies, many of them university spinouts addressing specialist markets. Overseas investors include Sharp Laboratories of Europe in Oxford and Toshiba Research Europe in Cambridge; home-grown players include the Centre for Integrated Photonics and OptoCap Limited.

DISPLAYS

As digital technology delivers complex information in ever-increasing quantities, the new challenge is to find ways to present it - especially on the minute screens of hand-held devices.

Carbon-based polymer electronics show huge potential for low-cost, printable, flexible electronics and illuminated displays. Having entered the market with simple products such as backlights for mobile phones, the technology is moving rapidly up the value chain. The UK is a leader in this field, with a five-star university department

research base and influential companies including Cambridge Display Technology and Micro Emissive Displays. The Japanese company Seiko Epson has research laboratories in the UK specialising in technologies for printing display devices.

ELECTRONICS DESIGN

The UK is one of the largest players in electronics design outside the USA. A key strength is the diversity of its design activities. Leading integrated device manufacturers such as Intel, Texas Instruments and Infineon carry out design in the UK - Texas Instruments' integrated circuit design team has been based in Northampton for 20 years. "Fabless" semiconductor companies like CSR, Wolfson and Broadcom undertake design but subcontract

manufacture, while companies such as ARM license designs or intellectual property. An estimated 80 per cent of the world's mobile phones have an ARM core, and CSR has over half of the Bluetooth market. In addition, a wealth of design service companies such as S3, Roke Manor and Plextek operate across all markets with world-leading experience in design for wireless technology standards such as DVB-T, GSM and GPRS.

SUPPORT FOR INNOVATION

Recognising the economic importance of the sector, the Government is stimulating innovation, collaboration and investment in electronics through its Technology Programme.

Key initiatives include:

- **Knowledge Transfer Networks** designed to accelerate knowledge transfer between companies for mutual commercial and economic benefit. The UK Displays & Lighting Network, for example, receives sector-specific funding in electronics, photonics and solid state lighting.
- **Collaborative R&D grants**, which help cut the cost of bringing research to market by providing matched funding for projects involving two or more collaborators.
- **R&D tax credits**, which allow firms developing UK-owned IP to offset the costs of R&D against tax liabilities.

TOSHIBA

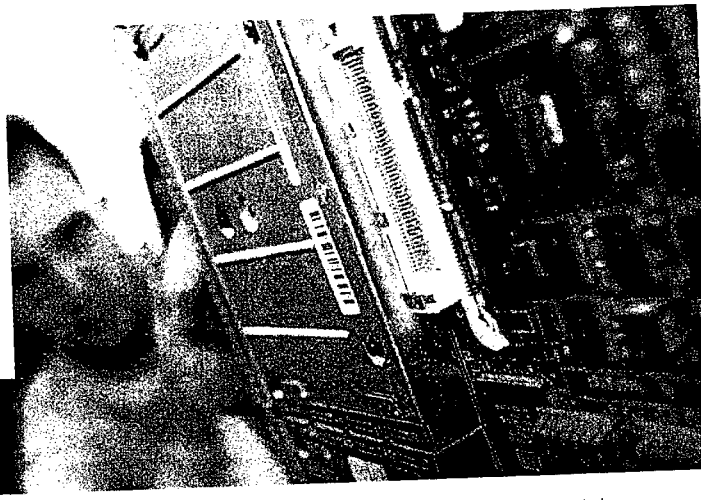
- Sector experience
Electronics
- Location
Bristol
- Country of origin
Japan

PIONEERING RESEARCH INTO THE WIRELESS FUTURE

Toshiba's Telecommunications Research Laboratory's (TRL) mission is to develop next-generation mobile and wireless technologies and related intellectual property. Since 1998 Toshiba has invested more than US\$45 million in the lab and TRL now has 30 research engineers and ten sponsored PhD students conducting cutting-edge wireless research.

Joe McGeehan, Professor of Communications Engineering at Bristol University and Managing Director of the Toshiba TRL, recommends that companies should be very clear on what they want to achieve from research, and to remember exactly where universities' strengths lie.

He believes that some research locations are already fully committed to working with international companies - but there are plenty more opportunities across the UK to explore access to world-class science and research.



ENVIRONMENTAL TECHNOLOGY AND RENEWABLE ENERGY

Government determination to make the UK a leader in sustainable development is adding further impetus to this fast-growing sector.

The UK is a world leader in environmental technologies, with a reputation for scientific excellence. The sector involves 17,000 companies, employing about 400,000 people. In 2005 they generated sales of over £25 billion, with estimated exports of £5 billion. Rapid growth is being further stimulated by the Government's co-ordinated approach to sector support.

The climate for investment is exceptionally favourable. Through regulation and support for R&D, the Government aims to foster innovations that lead to greater business efficiency. It continues to increase its spending on science, and is working to remove barriers to the commercialisation of technology. Through schemes such as Knowledge

"WE IDENTIFIED THE OPPORTUNITY TO TAP INTO ONE OF EUROPE'S RAPIDLY GROWING SECTORS – END-OF-LIFE PRODUCT RECYCLING – FOLLOWING THE INTRODUCTION OF EUROPEAN UNION LEGISLATION DEMANDING ALL CFC GASSES BE REMOVED FROM FRIDGES BEFORE THEY ARE RECYCLED. HAVING CONSIDERED MANY LOCATIONS, OUR NEWPORT, WALES, SITE PROVIDED THE GREATEST OPPORTUNITY."
PAUL MAZOUZIER, CHAIRMAN, SIMS GROUP

Transfer Networks it is building a broad community of academics, technology developers and end users to nurture new technologies and ensure that its policies take account of emerging possibilities.

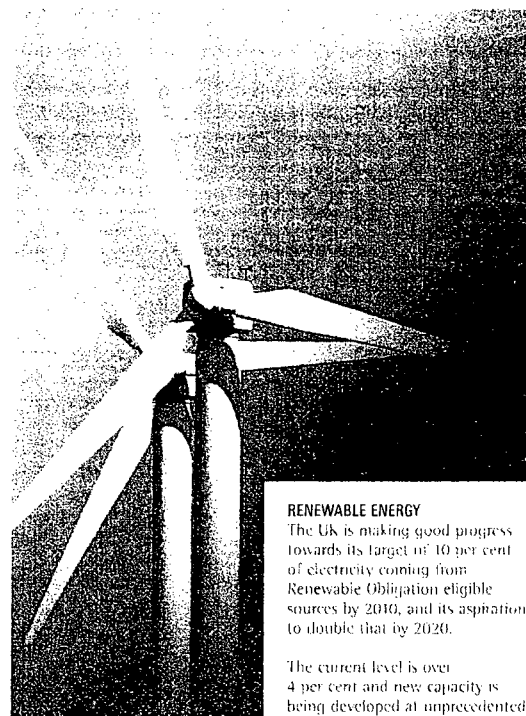
Further funding is available at a regional level, and the UK Forum for Environmental Industries offers inward investors a cross-regional support network. Spurred by the increasingly attractive potential returns, the UK's venture capital industry is also taking a growing interest.

Perhaps most importantly, the Government's Sustainable Development Strategy aims to boost technology development by stimulating both supply and demand. It sees UK public sector spending – worth £125 billion a year – as a powerful tool in this, and aims to be an EU leader in sustainable procurement by 2009. It wants the London 2012 Olympics to set a benchmark for this. The main Olympics site is the largest land decontamination project in Europe, and a team is working to make it a low carbon, zero-waste showcase for innovation.

Another major opportunity for inward investors is the Thames Gateway, a development of 120,000 homes east of London, which is intended to be carbon neutral over the long term.

WATER

Water supply and treatment accounts for almost 40 per cent of the UK environmental technology market. Implementation of the EU Water Framework Directive begins this year, backed by strong regulation, and will require advanced monitoring and water risk analysis treatment technologies to minimise diffuse pollution.



RENEWABLE ENERGY

The UK is making good progress towards its target of 10 per cent of electricity coming from Renewable Obligation eligible sources by 2010, and its aspiration to double that by 2020.

The current level is over 4 per cent and new capacity is being developed at unprecedented speed. A record increase in 2005 took wind generation capacity past 1,000MW, and there will soon be some 150 farms generating over 2,000MW. There has been rapid growth in biomass co-fired with coal, and several large standalone biomass projects are underway. Overall, almost 1,000MW of renewable energy projects have received planning consent and a further 18,000MW are in the planning stages or being developed.

R&D

The UK benefits from a strong science base and excellent links between academia and business. Between 2002 and 2008 the Government is spending over £500 million on supporting renewable energy projects including wind, biomass, photovoltaics and marine. It recently announced a further £50 million for developing new microgeneration strategies.

WASTE MANAGEMENT AND RECYCLING

Rapid growth is being driven by government initiatives to cut the UK's 80 per cent landfill rate, the highest in Europe. Revenues are expected to more than double to £25 billion by 2018. With key government objectives of decoupling waste generation from economic growth and diverting waste from landfill, up to 3,000 more recovery and recycling sites might be required by 2020.

LAND REMEDIATION

The market is expanding as pressure on land grows, heightened by the Government's target that 60 per cent of all new houses be built on brownfield sites. The Government is currently funding the development of new assessment technology and more sustainable remediation techniques.

HESE UMWELT

- Sector experience
Waste disposal
- Location
Leicester
- Country of origin
Germany

DEVELOPING GREEN FUEL SOURCES IN THE UK

German-based Hese Umwelt has established a subsidiary in the UK to sell its innovative waste disposal systems. It has around 250 employees delivering systems that transform household waste into bio-gas and create compost with high nutrient recovery. This solution will enable the UK to reduce the amount of household waste heading to landfill sites, and help the UK's drive to meet the EU Landfill Directive.

The company has already established a US\$53 million centre at Bursom Park, Leicester. This is the largest biomass plant in the UK and is being used by leading UK environmental and waste collection firm Biffa. This is enabling Biffa to create a more sustainable waste management programme, as part of its 25-year contract to dispose of Leicester City Council's municipal waste.



FOOD AND DRINK

The UK is a large market with a highly diverse population. Not surprisingly, it has developed a richly diverse food and drink industry with a reputation for innovation.

The UK is the world's fifth largest grocery retail market and the largest in Europe, worth around US\$156 billion in 2005. This scale has made it a strategically important market for both manufacturers and retailers, generating investment from many overseas companies.

Food and drink accounts for about 4 per cent of all UK exports and continues to rise strongly – approximately two-thirds of export trade is with EU countries.

The food and drink industry is the UK's largest manufacturing sector. With sales of £73.7 billion, it accounts for 14.2 per cent of all manufacturing gross value added. Almost 7,000 food and drink companies employ 417,000 people – 13.9 per cent of the manufacturing workforce. The quality and productivity of UK food manufacturers rival the world's best.

A DIVERSE AND INNOVATIVE MARKET
The UK's cosmopolitan and generally affluent population drives one of the world's most diverse and innovative food and drink markets. In 2005, consumers spent £153.82 billion on food, drink and catering services – 20.6 per cent of total household spending.

UK consumers are increasingly health aware, encouraged by media coverage and government healthy eating campaigns. There is a strong trend towards organic food, which is becoming more widely available, and also rapid growth in low fat, healthy options, allergy related and nutraceutical products.

There is also strong growth in indulgent foods: premium, exotic and authentic regional products.

"INDEPENDENT RESEARCH INSTITUTIONS IN THE UK DID TASTE TESTS AND FOUND THAT OUR SOYA MILK WAS MILES AHEAD OF THE OTHER PRODUCERS. THIS WILL MAKE IT EASIER FOR US TO PENETRATE THE LARGE SUPERMARKETS IN THE UK." YAIR WEBMAN, CO-FOUNDER, SOY MAGIC

Some two-thirds of households have only one or two people and the proportion is still growing. They have helped to make the UK Europe's largest market for chilled and ambient ready meals; sales are around £2 billion and growing at approximately 10 per cent a year – nearly twice the overall market rate. The growth of this sector has been changing the face of manufacturing, retailing, logistics and packaging.

Britons are increasingly reluctant to cook for themselves, and sales of restaurant and takeaway food

continue to grow. Spending on catering services grew 5.7 per cent to pass £75 billion in 2005 – almost half of total food and drink expenditure. Here, too, the trend is towards healthier eating.

SCIENCE-BASED INNOVATION
The UK food industry has a reputation for innovation and currently spends around £60 million a year on R&D. Its product development is aided by close collaboration with the large supermarket chains that dominate food distribution. These are forecast to have a 91 per cent share of the grocery market by 2010. Their understanding of consumer

a third to support strategic research and knowledge transfer focused on manufacturing efficiency and high quality, healthy food products.

Funded schemes include Food LINK, aimed at collaboration between industry and the research base, and Knowledge Transfer Partnerships and Networks that enable private and public sector research organisations to apply their knowledge to business problems. Some 40 centres provide research support, expertise and training for the industry, and six Regional Technology Transfer Centres on university sites provide a single point of contact for smaller local food businesses.

ENHANCED TRAINING, SIMPLIFIED REGULATION

The Government wants the food industry to be promoted as an employer of choice, enhancing the standard of workforce training through the national network of Centres of Vocational Excellence (CoVEs). Over 40 of these now cover food technology, manufacturing, hospitality and catering, and part of their role is to encourage more industry involvement in the development of skills training.

The UK provides an ideal gateway to the large EU market, which has broadly uniform regulatory requirements. And the Government is committed to simplified, light-touch regulation that reduces unnecessary business costs.



demand has helped shape a highly creative industry and an innovation-hungry climate well suited to inward investors.

The Government's Food Industry Sustainability Strategy, published in 2006, aims to encourage collaboration between industry and the UK science base. Government funding for food science and innovation has been increased by

SOY MAGIC

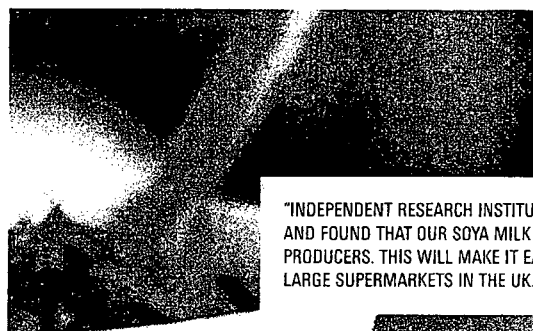
- Sector experience
Soya products
- Location
Grimsby
- Country of origin
Israel

UK WELCOMES SOYA FACTORY
Transforming soya products from a niche foodstuff into a mass-market product requires advanced technologies. Israeli entrepreneurs, Yair Webman and Meri Shok, used their knowledge of these technologies to set up a new overseas company Soy Magic.

The UK is considered a world leader in health food awareness, creating huge marketing potential for soya products. The UK's geographical location and English language make it an attractive location for foreign investment and, after conducting thorough research, Soy Magic was convinced the UK offered the best investment opportunity in Europe.

The company wanted to build a new factory to house their soya manufacturing business and, after an extensive search, decided to set up their UK operation in Grimsby, Lincolnshire.

UK Trade & Investment advised the company on locations, the UK marketplace and business regulations.



LIFE SCIENCES

The UK is one of the world's most attractive locations for international pharmaceutical, biotechnology and healthcare operations – particularly in R&D.

The UK is the world's second largest pharmaceutical exporter and third largest import market. With R&D investment of over £3.2 billion in 2004 it is one of the world's top three centres for pharmaceutical research.

Almost all the world's leading pharmaceutical companies have a significant UK R&D or manufacturing presence, or both. The industry employs around 73,000 people – 37 per cent in R&D. Nearly one in five of the world's top medicines was developed in the UK – more than in any country except the USA and more than in the rest of Europe combined.

"WE CHOSE THE LONDON AREA AS OUR NEW EUROPEAN BASE AFTER A CAREFUL APPRAISAL OF THE OPTIONS AVAILABLE. THERE IS A GOOD SUPPLY OF HIGH QUALITY STAFF AND BUSINESS SUPPORT SERVICES. A FAVOURABLE BUSINESS ENVIRONMENT AND EXCELLENT COMMUNICATION LINKS TO THE USA. PROXIMITY TO OUR INVESTORS IN LONDON IS ANOTHER ADVANTAGE. MORE GENERALLY, WE ARE IMPRESSED BY THE UK GOVERNMENT'S RECOGNITION OF THE IMPORTANCE OF THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRIES, AND ITS COMMITMENT TO DIALOGUE WITH THEM."

KEVIN YOUNG, EXECUTIVE VICE PRESIDENT, COMMERCIAL OPERATIONS, GILEAD SCIENCES

The UK is the world's fifth largest pharmaceutical market and its National Health Service (NHS) is one of the world's principal purchasers. Sales to the NHS were £10.4 billion in 2005 and export sales were close to the £12.2 billion record set in 2004.

The UK biotechnology sector is Europe's largest, with over 450 companies and 22,400 employees. In 2003 it generated revenues of £3.6 billion and spent £1.23 billion on R&D. Humira has recently become its first blockbuster drug, achieving 2005 sales of over US\$1 billion. The UK has 40 per cent

of all European biotechnology drugs in clinical trials and an estimated 30 of these could be approved by 2012.

EUROPEAN LEADER IN R&D

In 2005/06 the UK placed a heavy emphasis on R&D, this resulted in 164 new projects. Highlights included Eisai's major new manufacturing and research centre at Hatfield, Genzyme's first non-US discovery lab, a new R&D centre for Amgen, a £33 million investment by Wyeth in a new R&D centre and partnerships with four Scottish universities. Invitrogen's plans for an expanded European HQ and research centre, and Gilead's decision to relocate its European HQ to London.



READY ACCESS TO CAPITAL

The UK is European leader in venture capital and equity fundraising. Around 100 venture funding deals involved biotechnology companies in 2005 – far more than any other European country – including Europe's two largest, Trigen and Oxigen. Almost a third of last year's 23 European biotechnology flotations were in the UK, which has 40 per cent of all publicly quoted European biotechnology companies.

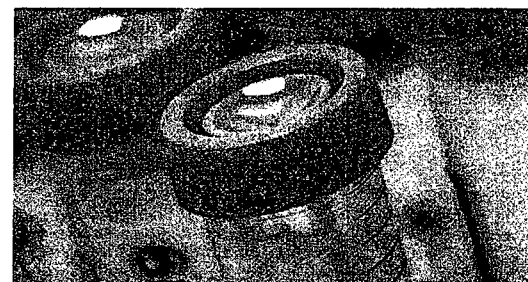
EISAI

- Sector experience
Pharmaceuticals
- Location
Hertfordshire
- Country of origin
Japan

MEETING UNMET MEDICAL NEEDS

Eisai, one of the world's top 20 pharmaceutical companies, strives to enhance patient value by meeting unmet medical needs – a philosophy it terms hhc (human healthcare company). Eisai focuses its R&D efforts in three therapeutic areas – neurology, gastro-intestinal disorders and oncology/critical care.

As part of its global development strategy the Japanese company is to develop a £75 million state-of-the-art facility on the Hatfield Business Park.



£50 million of initial funding has been recently announced for this area. Smaller companies can now also benefit from the National Biomanufacturing Centre, opened this year to help them develop and manufacture novel biopharmaceutical medicines for early-phase clinical trials.

R&D investment receives favourable tax treatment and the additional breaks for small firms have recently been extended to cover firms with up to 500 UK employees.

STABLE YET FLEXIBLE REGULATION

The UK regulatory framework keeps pace with expanding scientific horizons in areas such as stem cells, and government maintains high-level dialogue with industry. The Pharmaceutical Price Regulation Scheme provides a stable yet flexible commercial environment that compares favourably with the rest of Europe and gives companies a clear five-year planning horizon.

The new Strategic European Base will include the company's European headquarters, discovery research, clinical development, manufacturing, and UK sales and marketing operations. Eisai believes that seamlessly integrating all functions on a single UK site will improve quality, efficiency and productivity. The facility will ultimately employ more than 500 people – including some 300 new roles in R&D and manufacturing.

SOFTWARE AND IT SERVICES

The UK software and IT services sector is the largest in Europe – and its share of the European market is still growing.

The UK software and IT services sector employs 600,000 people and generated sales of £27.88 billion in 2005. It includes the major global players and the European HQs of four of the top six US computer services companies. Locally based businesses account for eight of the top 25 companies in the marketplace.

STEADY GROWTH CONTINUES

After subdued growth in the early 2000s, the sector has recovered and the UK continues to increase its European market share. Sector turnover grew 5.9 per cent in 2005 and is expected to outpace the UK economy with annual growth of 5 to 6 per cent over the coming years.

Outsourcing remains the driving force, accounting for 55 per cent of all IT services revenue. It is set to grow by at least 7 per cent annually for at least a decade, supported by the sustained availability of lower-cost, high quality graduates in Asia. It is becoming increasingly sophisticated, with suppliers using a combination of offshore and onshore resources, with every UK-based person leveraging as many as 20 offshore personnel.

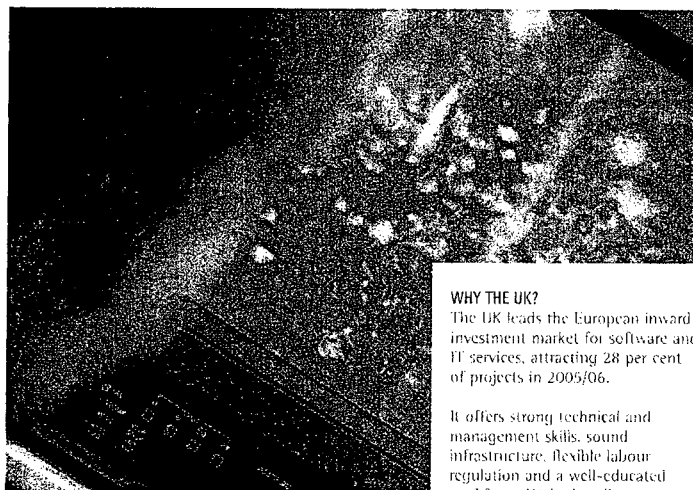
While the UK's open shores policy has allowed strong growth in offshoring, mainly to India, this has in turn attracted robust investment flows from Indian companies. India now has two companies in the UK top 40 and is expected to have at least one in the top 25 within the next five years. Despite the growth of offshoring, the UK maintains a strong positive balance of payments in IT services, reflecting its position in higher-value project management and systems analysis.



Manufacturing and financial services are the sector's two largest customers. In particular, constant demand for innovation is driven by London's financial sector – Europe's largest financial services systems market – and the UK's manufacturing base utilises ICT heavily to remain competitive.

The market is also buoyed by government contracts, which have seen double-digit growth for more than five years. In pursuit of value for money, UK national and local governments are increasingly confident purchasers of openly tendered IT services, with an emphasis on specifying outcomes rather than inputs.

The UK Government is investing heavily in support of transforming public services. The ongoing £20 billion integration of National Health Service IT is the world's largest public sector IT programme, based on its initial £6.2 billion development phase alone. Other projects in prospect include the e-Borders scheme to track



inbound air travellers from their departure point, identity cards, the Building Schools for the Future programme, and the IT integration of the criminal justice system.

MAINTAINING THE RIGHT SKILLS

Employers of IT professionals invest more in training than any other sector and 60 per cent of the country's IT workforce have a degree-level qualification. The UK Government recognises the importance of upgrading workforce skills as the UK shifts towards higher value-added activities. It has launched a three-year action plan and long-term strategy to match more closely to business demand the supply of world-class IT, electronics and communications skills in the workforce.

availability is better than anywhere outside the USA.

The UK's great strengths are its academic talent and favourable R&D environment. UK universities excel in IT-related fields and are increasingly business friendly. Collaboration with business is strongly supported by government, and major foreign investors work with UK academic and research organisations. The UK has 55 university science parks, set up to foster closer relationships with industry. They are home to over

"WITH SCOTLAND'S TALENT AND THE SUPPORT THEY PROVIDE TO HELP EMERGING COMPANIES SUCH AS TAZZ TO CONDUCT BUSINESS, IT IS EASY TO UNDERSTAND WHY THE REGION REPRESENTS ONE OF THE FASTEST GROWING TECHNOLOGY HUBS IN EUROPE."
ANDY MAY, PRESIDENT AND CEO, TAZZ NETWORKS

WHY THE UK?

The UK leads the European inward investment market for software and IT services, attracting 28 per cent of projects in 2005/06.

It offers strong technical and management skills, sound infrastructure, flexible labour regulation and a well-educated workforce. With virtually 100 per cent broadband coverage, internet penetration is high. The intellectual property regime protects innovators' rights without unduly inhibiting the flow of ideas, and venture capital

2,200 companies, of which 10 per cent are inward investors and employ approximately 47,000 people.

Many of the world's leading players have UK R&D operations – including Microsoft's first non-US research centre and IBM's largest European software development facility. And government support for R&D through tax breaks continues to grow: in the 2006 Budget, smaller companies' support was extended to companies with up to 500 employees, making many more software companies eligible.

TATA CONSULTANCY SERVICES

- Sector experience
Information technology services
- Location
Edinburgh, Guildford, London, Manchester and Nottingham
- Country of origin
India

RECOGNISED FOR LEADERSHIP AND INNOVATION

Tata Consultancy Services Limited (TCS) is a leading information technology consulting, services, business process outsourcing and engineering services organisation. TCS pioneered the adoption of the flexible global business practices that enable their clients to operate more efficiently and produce more value:

Among the global top 20 IT consulting firms, TCS has annual global revenues of US\$2.97 billion. TCS first opened for business in the UK in 1975 and now has a network of offices throughout the UK and Ireland with over 7,500 consultants worldwide working on 75 UK projects. TCS also have strong research relationships with London Business School, King's College, and Said Business School.

In 2005 the Prime Minister of the UK presented TCS with the UK Trade & Investment Special Recognition Award for their contribution to the UK knowledge economy.

TELECOMMUNICATIONS

Light-touch regulation, innovative R&D and high consumer demand for new services make the UK the most exciting telecommunications environment in Europe.

The UK telecommunications sector remains the most buoyant in Western Europe. Favourable market entry conditions create a level playing field for investors: the European Communications and Telecommunications Association rates the UK's regulatory environment as the best in Europe. It is also an internationally recognised nucleus of innovation – creatively, technologically and commercially.

According to industry regulator Ofcom, retail revenue from all telecommunications services in the year to September 2005 totalled £37.2 billion – an increase of more than 6 per cent on the previous year. Revenues from mobile communications alone grew 16 per cent to £13.6 billion. At 62.5 million, mobile phone subscriptions outnumber the population, suggesting that many people have multiple subscriptions. As a result, the commercial emphasis is shifting from connections towards innovative ways to stimulate usage.

Last year broadband connections leapt from 7 million to 9.8 million. Meanwhile, the Government aims to close the "digital divide" with a focus on reducing the numbers of those currently not able to access, or use, the technology.

CONVERGENCE

Truly converged telephony, enabling seamless communication in and outside the home with a single handset, is becoming a reality.

UK consumers are early adopters of technology: for example, they led the world in migration to digital TV,

with 70 per cent of homes already converted. And the market for value-added services such as radio, TV and video-on-demand packages is growing fast. UK service providers are also assessing the growing market for Voice over Internet Protocol (VoIP) telephony and Internet Protocol Television (IPTV). The dynamic and competitive UK environment encourages innovation, and commercial convergence is creating new opportunities. Mergers

successful in creating innovative mobile content that encourages customers to upgrade their mobiles. Computer games, location tracking devices, even a downloadable "scratchcard" function are just some of the products of this flourishing industry. SpinVox, a mobile service that converts voice messages to text, won this year's International Mobile Innovation Award at the global 4GSM conference in Barcelona. In

"WE CONSIDER THE UK A KEY MARKET FOR BROADBAND COMMUNICATION AND TELSEY GROWTH. WE FOUND THE WEST MIDLANDS A STRATEGIC LOCATION FOR ITS TECHNOLOGICAL INFRASTRUCTURE AND LOGISTIC POSITION."
ANTONELLO MADONNA, CEO, TELSEY

and acquisitions are facilitating "triple play" and "quadruple play" services – combinations of broadband, TV and voice (fixed line and/or mobile) services from a single source.

WORLD'S FIRST NATIONAL CORE IP NETWORK

Fixed line operator British Telecom (BT) is transforming its national backbone network into an all-IP network – heralding a new generation of compelling, converged communication services. In the world's first large-scale roll-out of IP technology, costing £10 billion over five years, BT is transferring 350,000 customer lines in South Wales in a trial that will shape the UK-wide implementation of its 21st century network (21CN) by the end of 2010.

INNOVATIVE MOBILE

Small- and medium-sized UK companies have proved particularly



mobile TV, where spectacular world growth is forecast by 2010, the UK operators are actively evaluating many different technologies and service options in their search for the most commercially compelling propositions for all ages and cultures.

In Ofcom's first UK spectrum auction in April 2006, multiple licences were awarded to encourage the development of new and innovative competitive services.

BROADBAND

The lightly-regulated UK market is a virtuous circle of accelerating competition leading to falling prices, greater accessibility – and a sophisticated customer base that drives new technologies, infrastructure and increasing company and personal presence online.

With broadband connections now well over ten million and access available to virtually 100 per cent of the population, the UK provides major opportunities for content providers and online business – and leads Europe in e-commerce.

TELECOMMUNICATIONS EQUIPMENT

A leading exporter of network technology, the UK attracts such global players as Cisco, Fujitsu, Nortel and Motorola, as well as smaller businesses. In 2005/06, global consolidation saw the acquisition of the UK's largest equipment company, Marconi, by Ericsson, and the announced merger of Alcatel and Lucent. The UK is a world leader in production of fibre-optic systems and components, accounts for 40 per cent of Europe's chip design and has particular expertise in fields such as Bluetooth, GSM, satellite, VoIP, Wi-Fi and WiMAX. UK firms like ARM and CSR have gained dominant positions in key wireless technology areas.

R&D

Minimal regulatory interference, outstanding engineering expertise, R&D tax credits, substantial and consistent investment into research, and availability of venture capital and other funding have stimulated the growth of world-class telecommunications R&D.

The Mobile Virtual Centre of Excellence is an internationally acclaimed collaboration between industry, academia and government, pioneering development in mobile communications. It also has links with other cutting-edge research organisations around the world, this year signing co-operation agreements with the Shanghai Research Centre for Wireless Communication in China and similar establishments in Korea and Taiwan.

For more on the convergence of telecoms, broadcasting and leisure, see the Creative Industries section on pages 24-25.

FUJITSU TELECOMMUNICATIONS

- Sector experience
Broadband access equipment
- Location
Birmingham
- Country of origin
Japan

QUEEN'S AWARD RECOGNITION FOR FUJITSU

Fujitsu Telecommunication's Birmingham-based engineering facilities represent the global centre of broadband product excellence for the entire Fujitsu group. Their 1,000-strong workforce design, develop and manufacture innovative telecoms technologies for the European market. In the UK alone Fujitsu Telecommunications technology accounts for more than three million lines of DSL (digital subscriber line) broadband.

Fujitsu's innovation has been recently recognised with a Queen's Award for Enterprise: Innovation for its Geo-Stream Access Gateway Technology which, deployed in telephone exchanges, enables multiple services to be delivered simultaneously, from fast internet access and video-on-demand, to voice telephony using VoIP. Fujitsu Telecommunications has been selected as one of eight preferred suppliers for British Telecom's (BT) 21st Century Network – a project to transform BT's existing network into the world's first core IP-based network.

OUR TEAM

Our strategy of targeting high-growth companies makes new demands on our team. We're evolving to build closer relationships and provide stronger support.

The UK's continuing success in attracting inward investment reflects the very broad range of benefits that the country can offer – not least its political and economic stability, its strength in creativity, science and technology, its sophisticated capital markets, the flexibility and skills of its labour force and even the English language.

Underpinning all these is the UK's very evident openness to inward investors: the Government clearly recognises inward investment as a driver for the economy and a force for positive change.

In the past year we have been able to strengthen our capacity in our established markets. We have also been able to extend our reach judiciously into new markets. In 2005/06 we opened UK Trade & Investment offices in South Africa and Mexico. We have also declared our intention to enter most of the expanding economies of Central and Eastern Europe, with teams on the ground in six of them.

GETTING CLOSER TO COMPANIES

Our strategy is to focus increasingly on companies with high growth potential. Often these are younger and smaller companies than those we have targeted in the

past. They need attention and support – not only to attract them to the UK but also to help them grow and prosper once they are here. We have been equipping ourselves to meet their needs by bringing in more people who can appreciate their concerns, understand the detail of their businesses and ensure that they receive supportive aftercare.

Our initiative to build a team of sector champions has proved particularly successful. These champions bring us in-depth knowledge and experience of their sectors: they are a valuable resource for our staff around the world and enhance our credibility with both existing and potential investors.



So far we have recruited seven, covering digital content, financial services, high performance engineering and advanced manufacturing, life sciences, renewable energy, software and e-business, and software and hardware.

A large proportion of inward investment projects come from companies that are already in the UK, with these expansion investments tending to be among the bigger projects. Small beginnings can be followed by a major commitment: in 2005/06 expansions accounted for 28 per cent of projects but 65 per cent of new jobs created. To maximise the opportunity for this to happen, we need to understand our investors, both in the UK and in their home country. We need to manage our relationships with them over the long term. And we need to ensure that their views and concerns are heard and understood in local and national government.

So we are enhancing our client handling teams to provide more aftercare and manage relationships more systematically. And we have recruited additional expertise in planning, transport and tax issues – both to help clients directly and to help us contribute more effectively to policy development ensuring a more favourable climate for investment. For example, we have already been able to provide several government inquiries with systematically collated investor views on transport and planning issues.



UK NATIONAL NETWORK

UK Trade & Investment is the lead government organisation created to support overseas businesses seeking to set up or expand in the UK. It works in close partnership with the English Regional Development Agencies and the National Development Agencies in Scotland, Wales and Northern Ireland.

EAST

East of England International
www.eeia.com

EAST MIDLANDS

East Midlands Development Agency
www.emda.org.uk

GREATER LONDON

Think London
www.thinklondon.com

NORTH EAST

One NorthEast
www.onenortheast.co.uk

NORTH WEST

Northwest Regional Development Agency
www.nwda.co.uk

NORTHERN IRELAND

Invest Northern Ireland
www.investni.com

SCOTLAND

Scottish Development International
www.scottishdevelopmentinternational.com

SOUTH EAST

South East England Development Agency
www.seeda.co.uk

SOUTH WEST

South West of England Regional Development Agency
www.southwestengland.co.uk

WALES

International Business Wales
www.internationalbusinesswales.com

WEST MIDLANDS

Advantage West Midlands
www.advantagewm.co.uk

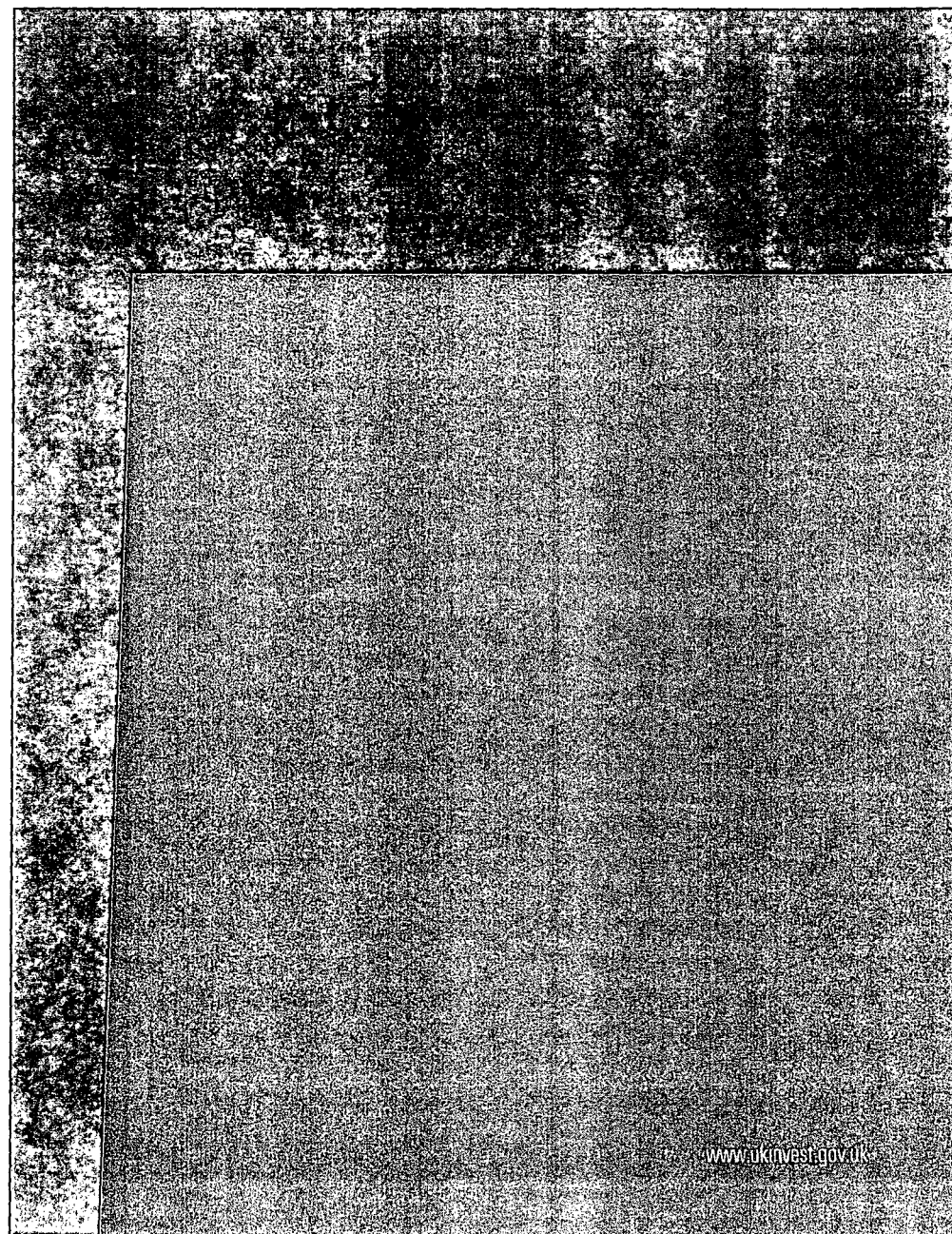
YORKSHIRE AND HUMBER

Yorkshire Forward
www.yorkshire-forward.com



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www.ukinvest.gov.uk

04 TRANSFORMING OURSELVES

Our ambitions will only be achieved if Government itself changes the way it deploys and organises its resources. UKTI will lead this approach and start by changing itself radically.

FOCUS

We will allocate resources where they can be most effective in adding value to the UK economy.

Clients

UKTI will become a marketing-led, client-focused organisation, responding to the needs and concerns of its customers.

It will concentrate on innovative companies; on those with high R&D intensity; on high value potential investors; on major exporters; and on exporters to emerging markets. It will seek out those companies where its efforts can have the most impact and tailor services to their requirements. And it will become even better at helping SMEs to export for the first time.

Sectors

UKTI and the RDAs will focus their efforts on key sectors and technologies.

And, developing its strong existing focus on priority sectors, UKTI will increasingly integrate trade and investment activities where both play an important part – for example in financial services, oil and gas, information and communications technologies, and biotechnology.

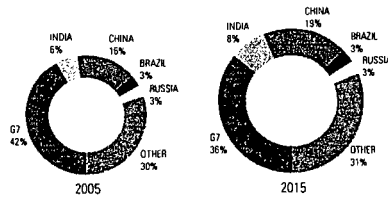
Markets

Advanced economies remain the source of the majority of potential FDI and are important markets for exporters. We will target these economies on behalf of innovative and R&D-intensive UK companies and for high-value inward investment. And we will continue to support inexperienced exporters in taking their first steps in internationalising their businesses.

But UKTI will focus a greater proportion of its resources on the emerging markets. These will be major sources of both trade and FDI in the future, and efforts now will pay dividends later. Certain markets have been identified as initial priorities, but the focus will be flexible, to adapt to changes in the global economy. The greatest benefits are likely to be realised by those that make early inroads in such markets.

EMERGING MARKETS

Deepening our trade and economic relationships with emerging markets is a key element in the UK's response to globalisation. The world economic map is being redrawn and the UK needs to take advantage of the shift in international economic activity towards the emerging markets, not least because countries with strong relationships to others will be best placed to thrive.



*Changing shares of global output 2005 and 2015 (computed in PPP terms)
and UK's share of global output in the UK's share of global output
computed in PPP terms. UK's share of global output is 1.1% and 1.1% respectively.*

Characteristically, these markets offer promising and potentially lucrative business opportunities, but a number also pose significant challenges for UK companies keen to pursue their interests in them.

The business response to opportunities in emerging markets and sectors will depend crucially on the strength of networks underpinning bilateral trade and investment relationships with those markets. Equally, it will depend on the ability of innovative UK businesses to gain timely access to these networks.

This is where UK Government involvement can add real value to the efforts of UK businesses. We can assist in developing, and gaining access to, such networks, through UKTI staff in the UK and overseas and their contacts with governments in these markets.

Building strong trade and investment links with emerging markets is, therefore, at the core of UKTI's future strategy.

Several criteria have been applied to identify key emerging markets:

- Market size and potential for growth
- Strategic political and economic importance
- Strength of the scientific, technical and research base
- Performance of UK businesses relative to competitors
- Market match with the profile of UK capability
- Presence of active local partners keen to strengthen trading links with the UK
- The impact UKTI can have in supporting firms and in removing barriers to doing business in the market

Taken together, these criteria enable us to make an assessment of the importance of a market, its potential for growth, and whether the commitment of UKTI resources will deliver significant benefits for UK business.

While these attributes apply in greater or lesser degree to many high-growth countries, UKTI resources need to be directed to those where we can clearly optimise results for UK business.

We therefore intend to use our overseas network resource more strategically to reinforce our focus on China and India and achieve a step change in the UK's profile in Brazil, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey and UAE. As resources allow, we will also address the scope for including Malaysia, Qatar, Singapore, South Korea, Thailand and Vietnam.

All emerging markets will see a significant increase in UKTI focus. For the markets listed above, the cost of new in-market resource is in the region of £5.6 million, to be funded fully by reductions in UKTI resources in other parts of our overseas network.

WHAT UKTI CAN DO FOR DIFFERENT CLIENTS

Investors to the UK

- Tailored client account management
- Information provision from across the UK network – UKTI, DTI, RDAs and devolved administrations
- Support from a new cadre of technology specialists with expertise in key technologies
- Support with exporting from the UK.

Sectoral groupings of companies

- Arranging/supporting overseas trade shows, missions and seminars
- Bringing key overseas decision-makers to meet suppliers
- Disseminating information on UK sectoral capabilities
- Gathering and disseminating information on overseas opportunities in specific sectors
- Political support and lobbying.

Inexperienced exporters

- Support to build export capability including the “Passport to Export” programme
- A range of services to assist in exporting for the first time.

Innovative and “born-global” companies

- Client account management
- Support from a new cadre of technology specialists with expertise in key technologies
- Access to trade services.

Experienced exporters and outward investors

- Assistance in breaking into new markets
- Support in emerging markets.

FTSE100 companies

- Support from senior staff on market access issues
- In-country support to established investors by overseas posts
- Opportunities to discuss their strategic plans for internationalisation.

And in response to business demand...

- The UKTI Web presence with up to date market information
- The UKTI Enquiry Unit
- Availability of our global and regional staff on a demand basis.

Services

Building on customer research, UKTI will ensure that its portfolio of services meets the requirements of clients, large and small. It will tailor the way it works with them to deliver what they need. The box on the left sets out the UKTI offering for different clients.

A well-adapted charging policy is the most appropriate mechanism for reflecting the value a client places on UKTI trade support. UKTI will therefore charge for its services wherever possible, with the short-term target of doubling revenue year-on-year and the intention to extend charging to cover a substantial proportion of trade development activity.

UKTI will increase the effective use of IT as a tool to support both staff and clients, including maximising the use of the UKTI portal website.

Co-ordination

It is critical to the success of this strategy that all parties work together to synchronise activities and maximise the collective impact. UKTI will therefore build on its partnerships with its parent departments, FCO and DTI, other government departments, the devolved administrations, the nine RDAs in England and private sector bodies – trade associations, international legal firms, accountants, specialist employment agencies and others – to help ensure that all their efforts are efficient and effective.

In the areas of science, technology and innovation several bodies contribute valuable expertise, notably the FCO Science and Innovation Network, the Research Councils and the DTI Office of Science and Innovation. UKTI will work with the RDAs and others to ensure pull-through from these resources to business success.

The Global Science and Innovation Forum (GSIF) – of which UKTI's Chief Executive is a member – brings together all the main players in international science and innovation, and is developing an overarching national strategy for international engagement in research and development.

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CRM/ICS/REGISTRATION UNIT

RESPONSIBILITY IN A CHANGING WORLD

Organisation

To meet its new responsibilities UKTI will restructure around client groups, introducing client account managers for key clients and a customer relationship management (CRM) system to support them.

A new Managing Director, Business, with extensive private sector expertise, has been appointed to drive forward client account management, development of services, and delivery.

UKTI's people overseas, many of whom have local private sector experience, will be given the freedom and resources to succeed and the flexibility to deliver in the way they believe is right for their market and for the UK economy.

Nonetheless, except where local conditions demand otherwise, UKTI will increasingly merge delivery across trade and investment in its operations overseas. In markets such as the United States it is increasingly important for staff to be "bilingual" in both aspects of UKTI's work.

Significantly more of UKTI's resources will be targeted at the front line – in direct contact with business customers in the UK and overseas – to listen to and work with clients. By March 2007, the number of posts in headquarters will be some 40 per cent down from the levels in 2004.

UKTI will conduct a skills audit in the context of the Professional Skills for Government initiative, and put in place an action plan to create a higher-skilled workforce through training of existing staff and an injection of new private sector talent.

A new Executive Director of Marketing has been appointed from the private sector and UKTI will develop its marketing teams to take a leading role and influence every part of the organisation.

Professionalism is key to the achievement of UK Trade & Investment's objectives. This means the highest standards in the way we work with our clients, the way we work together, and the way we work with our partners and associates.

We will put in place a learning and development strategy to ensure that staff in the new structure are provided with opportunities to enhance their skills and so enable the organisation to meet the challenges ahead. A programme is being developed, tailored to meet the needs of different groups of staff.

UKTI is committed to providing opportunities for staff to increase professionalism in all that we do. As part of UKTI's commitment to professionalism, its Diploma in Management, Trade & Investment was launched in 2004 in partnership with the Open University Business School. The Diploma is an internationally-recognised postgraduate qualification open to all suitably qualified staff across the global network and delivered through the QUBS's distance learning system. The programme takes 18 months to complete.



Culture

To accomplish our ambitions requires a major change in the culture of UKTI. Its new emphasis will be on marketing, entrepreneurship and rigorous performance management. UKTI will work with the Chartered Institute of Marketing on this.

The process of change is one in which UKTI will engage its staff fully over the five years of this strategy. It will raise their awareness of the fundamentals of marketing and support them to develop a more client-focused and entrepreneurial approach.

As an organisation committed to delivery, UKTI will be rigorous in setting the right high-level targets to deliver the ultimate objective of improved productivity. See the box on the right.

UKTI will monitor performance against them, using new management information systems, and staff will be accountable for their results.

Evaluation

Following an initial audit of the full portfolio of current activity, UKTI will put in place a rolling programme of evaluation for the future, to ensure that it learns from experience and focuses resources where they can make the most difference.

NEW HIGH LEVEL TARGETS

UKTI is developing a new set of top-level targets designed to capture the full breadth of its activity and ensure delivery of its objective to contribute to a stronger and more internationalised UK economy.

It is developing new measures and the evidence sources that will allow it to set stretching, balanced targets over the next five years.

These will cover four broad areas set out below. Progress will be independently monitored and published twice a year in order to report on progress and inform decision-making.

The revised targets will feed into development of Public Service Agreements during the Comprehensive Spending Review in 2007.

A High-value foreign direct investment

UKTI currently measures the UK's relative performance in attracting FDI in terms of its rank in tables published by the United Nations Conference on Trade and Development (UNCTAD). It also sets targets for the number of successful investment projects in which UKTI plays a role.

Building on this, UKTI will develop targets for the quantity and quality of FDI projects attracted to the UK. We will monitor UKTI's role in contributing to these investment projects and their ultimate impact on UK value added and productivity.

B R&D and innovative activity of UKTI's customer base

UKTI will develop mechanisms for monitoring its role in increasing R&D activity in the UK.

This covers both attracting R&D intensive inward investment and helping R&D-intensive UK businesses to grow. This seeks to ensure that an increasingly internationalised UK economy has indeed the potential to deliver wider benefits to the rest of the economy through rising levels of knowledge brought about by innovation.

C UK businesses performance

While UKTI currently measures the proportion of the companies with which it interacts that improve their business performance, it will work to set up targets that provide a balanced assessment of its capacity to improve the economic performance of assisted businesses. These will combine information on the number of assisted firms and the impact per intervention. To enhance the focus on quality and value for money, targets will specifically monitor UKTI's role in fostering trade and investment with emerging markets, and in helping R&D-intensive UK businesses to grow.

Existing targets will continue until the end of March 2007.

D The UK's reputation as a place to do business

UKTI will work, in co-operation with its partners, to develop measures that inform how the UK is viewed internationally as a place to do business, with reference to various sectors and markets. These measures will seek to capture what UKTI does to improve the perceptions of potential investors and address any potential misconceptions about opportunities for international business in the UK.

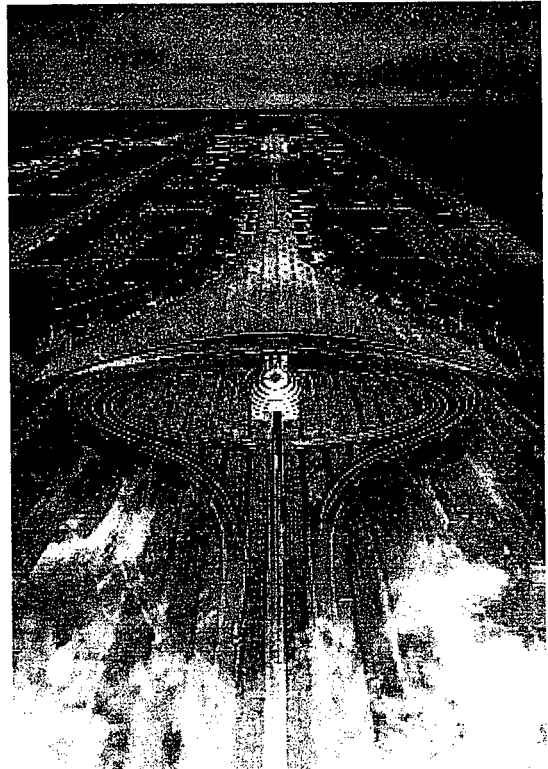
PROSPERITY IN A CHANGING WORLD

Over many years, the UK has built a reputation as a source of world-class expertise and capability in the planning, design, construction and delivery of infrastructure globally. UK firms have been involved in some of the most iconic developments of recent years, both at home and abroad, frequently providing the necessary high value-added products and services that make these projects a success.

As a global air transport hub, the UK airports sector is at the forefront of developments in this field. Expertise extends beyond design and construction to the ownership, operation and commercial development of international airports.

A consortium including UK engineers Arup and architects Foster and Partners, working with the Beijing Institute of Architectural Design and Research, recently won the design tender for Beijing Capital International Airport Terminal 3.

The new terminal will be the world's most advanced, both technologically and in its concern for passengers and operators. It will also be one of the world's most sustainable airports, incorporating design concepts such as south-east orientated skylights to maximise heat from the early morning sun and integrated environmental control systems minimising energy consumption and carbon emissions.



THE RATIONALE FOR TRADE AND INVESTMENT SUPPORT

The power of market forces and a dynamic business environment are widely acknowledged as the primary drivers of prosperity and productivity. The main role for Government is to set the framework within which businesses can respond creatively to the challenges and opportunities of a changing global environment.

Government intervention can be justified when free markets inhibit the achievement of optimal outcomes, ie when there is “market failure”. The business case for UKTI rests on three necessary conditions:

- Benefits to UK prosperity from increased international trade and investment – these are potentially large. However, the ability of the UK to achieve these benefits will depend critically on how business responds, both in terms of choices about locating activities in the UK, and in terms of UK businesses successfully exploiting opportunities overseas.
- Market failure – there is clear evidence of barriers to international trade and investment arising from market and institutional failures such as *technological spillovers*, *weaknesses in supporting networks* or *information failures*. If not addressed, these failures would prevent the full benefits of trade and investment flows being realised.
- Value for money – working with the grain of the market, there is clear evidence that government support for international trade and investment generates benefits to the economy in terms of additional income and beneficial knowledge and technology flows.

The evidence shows that government support is best focused on:

- strengthening the social networks and institutions which underpin international trade and investment flows, and helping individual businesses to gain access to key contact networks, by serving as a trusted intermediary,
- developing the internationalisation capabilities of innovative and high-growth businesses who would not be able to fulfil their potential without being able to exploit overseas opportunities effectively,
- providing access to information and advice which the private sector alone would not or could not provide, and
- facilitating beneficial cooperation among businesses, enabling them to work together to overcome barriers and develop potential trade and investment opportunities, for example through international cooperation on R&D, or showcasing UK capabilities in emerging markets overseas.

Recent evaluation evidence found that UKTI's trade development activities generated an additional £17 million per £1 million spent. Benefits from UKTI's inward investment activity were also found to be substantial. Further work is in progress to quantify the scale of the benefits and the return to the taxpayer of resources spent by UKTI.

The evidence and arguments are set out more fully in...

- DTI Economics Paper Number 18 *International Trade and Investment – the Economic Rationale for Government Support* published alongside this strategy, and in
- the 2004–2005 study of the relative economic benefits of UK Trade & Investment support for trade and inward investment.

Both are available on the DTI website at www.dti.gov.uk

Additional evidence from UKTI's ongoing programme of evaluation will be published as it develops.

**The task
now is to
deliver**

05

TIMELINE

The following pages set out the key actions that will deliver this strategy

SECTION 2: MARKETING “BUSINESS UK”

Co-ordinated marketing ▶

By *October 2006* a cross-government group on marketing the UK economy internationally, chaired by the Chief Executive of UKTI and including the RDAs and devolved administrations, will be established to meet quarterly to agree priorities and implement a joined-up programme of activities. By *December 2007* we will review the effectiveness of the group.

Strategic marketing exercise ▶

By *December 2006* we will have completed work on developing the overarching messages on the distinctive strengths that best present UK business to our target customers.

City of London ▶

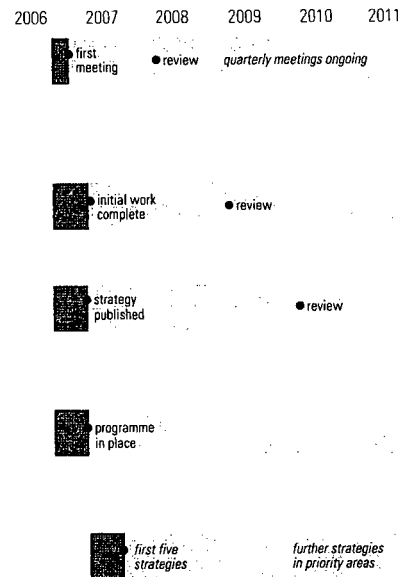
By *December 2006*, working with the industry, we will publish a strategy to promote the City as the world's leading international financial services centre and the complementary strengths of financial and business services across the UK.

Market research ▶

By *December 2006* we will establish a rolling programme of market research for critical client groups to provide specific information on overseas markets and business sectors and how best the UK can tap the potential value.

Marketing strategies ▶

From *January 2007* through to *June 2007* we will develop the first five detailed strategies, supported by high quality marketing materials, to target specific overseas business sectors and individual companies on the basis of core messages about relevant UK strengths, and to assist UK companies in selling themselves overseas. These strategies will include specific targets on investment and trade, to be set by *April 2007*.



KEY

- Initial activity
- Activity continues
- Impact of activity
- Milestone

SECTION 3: WORKING WITH BUSINESS

R&D programme ▶

By *December 2006* we will have begun a new £9 million R&D programme to target innovative, R&D-intensive companies both for inward investment and as potential high-value exporters.

Asian emerging market scheme ▶

By *October 2006* we will have introduced a new experimental programme to help established exporters expand in the emerging Asian markets.

Growth opportunities strategy ▶

By *April 2007* we will, with the RDAs and devolved administrations, adopt a new approach to securing inward investment that concentrates on high-value added projects and on where our interventions can add more value to the economy.

Business briefings ▶

By *January 2007* we will have in place a programme of targeted business briefings around the UK with the Minister for Trade and Investment and UKTI Chief Executive to capture feedback from business and promote understanding of globalisation.

Access to FCO diplomatic and economic reporting ▶

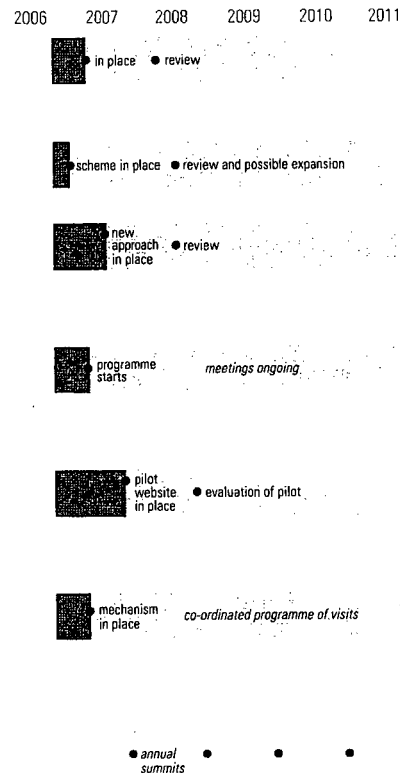
By *July 2007* we will pilot a subscription website carrying a range of diplomatic and economic reporting aimed at making the analytical expertise of the FCO and the UK's overseas network much more widely available to the UK-based business community.

Co-ordination of visits ▶

By *December 2006* a new committee, chaired by the Minister for Trade and Investment will have agreed a co-ordination mechanism for the overseas visits of Ministers and other senior UK representatives, and senior inward visits from foreign Ministers, to target effectively key contacts to help companies internationalise.

Trade and Investment summits ▶

In *July 2007* the Minister for Trade and Investment will hold the first in a series of annual summits with RDAs and DAs to review progress in delivering prosperity on the basis of this strategy.



SECTION 3: WORKING WITH BUSINESS

continued

Influencing policy ▶

By *summer 2007* a senior Whitehall group will have been established, chaired by UKTI's Chief Executive and involving the Better Regulation Commission, to ensure that our growing understanding of the impact of a changing global economy on UK businesses is really embedded in policy development.

Research ▶

By *December 2007* we will have published, in partnership with business schools, further research on companies' experiences in the changing global economy to ensure that we capture high quality, leading-edge thinking and build on the programme of research and publications of the Asia Task Force.

Review of overseas presence ▶

By *March 2008* UKTI will have worked with the devolved administrations and the RDAs to review their representation overseas and maximise effectiveness, ensuring that they deliver what is best for the UK in the most coherent manner.

Review of regional trade operations ▶

By *March 2008* UKTI will have worked with the RDAs to review our international trade operations in the regions, to continue delivering services to businesses effectively, linking with the wider business support frameworks in the regions.

Science & Innovation ▶

By *September 2006*, UKTI, the DTI Office of Science and Innovation, and the FCO Science & Innovation Network, working together, will review their operations to maximise synergies.

2006 2007 2008 2009 2010 2011

group in place ● review of effectiveness

first phase published

findings implemented

findings implemented

findings implemented

KEY

- Initial activity
- Activity continues
- Impact of activity
- Milestone

SECTION 4: TRANSFORMING OURSELVES

Increased resources in emerging markets ▶

By *March 2008* we will have increased our resources in the emerging markets by £5.6 million to support companies doing business there.

Client account managers ▶

By *January 2007* we will have client account managers in place for key client groups: high-value potential investors, major exporters, exporters to emerging markets and R&D-intensive companies to ensure we are best placed to help our clients internationalise.

Customer relationship management ▶

By *autumn 2007* we will have implemented a web-based Customer Relationship Management system to enable our staff to offer a better service to our clients.

Increased front line ▶

By *March 2007* we will have reduced posts in headquarters by some 40 per cent since 2004. Some 90 per cent of our people will be in the front line overseas, in the English regions, or in customer facing service delivery in headquarters.

Joint inward investment and trade sector teams ▶

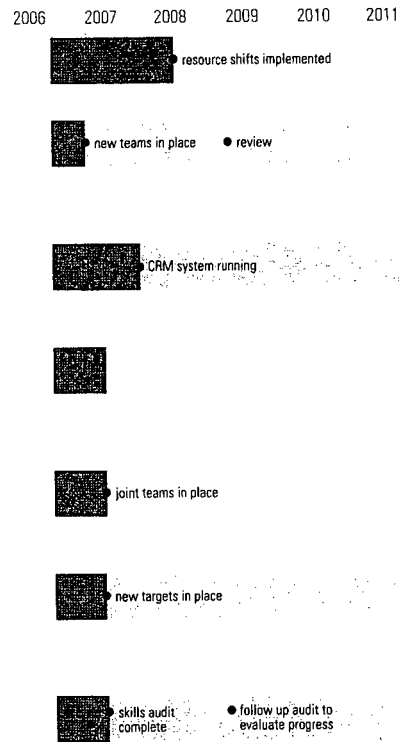
By *April 2007* we will deploy joint sector teams for those sectors which are priorities for inward investment and trade to maximise synergies across UKTI.

Target driven approach ▶

By *April 2007* we will have new top level targets which cascade down to teams and individuals across the whole UKTI network for 2007/08 onwards. These will cover both trade and investment activity and will be developed with the RDAs and other relevant partners.

Increased professionalism ▶

By *March 2007* we will have completed an audit of our skills against the new strategy and have in place a programme of recruitment and training to ensure that we are best placed to meet the needs of our clients.



SECTION 4: TRANSFORMING OURSELVES

continued

New private sector talent ▶

By *September 2006* we will have started a recruitment campaign to bring in new private sector skills to meet requirements of clients.

Website ▶

By *March 2007* we will increase the number of companies registered on our revamped portal website to 20,000. We will add a further 5,000 per year thereafter.

Charging ▶

By *December 2007* we will have doubled the revenue we receive from charging for our services.

Evaluation programme ▶

By *December 2006* we will have in place a programme of evaluation that will increase our insight and ensure that we continually build on our experience and have a service portfolio that operates increasingly effectively in support of our clients.

2006 2007 2008 2009 2010 2011

recruitment starts continue to recruit private sector expertise

20,000 registered companies 5,000 additional companies per year

revenue doubled

programme in place

KEY

- Initial activity
- Activity continues
- Impact of activity
- Milestone

ACKNOWLEDGEMENTS

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Foreign &
Commonwealth
Office



Department of Trade and Industry



HM TREASURY

20 JULY 2006

NEW STRATEGY PUTS UK TRADE & INVESTMENT AT THE HEART OF GOVERNMENT RESPONSE TO GLOBALISATION CHALLENGE

UK Trade & Investment's new five-year strategy, 'Prosperity in a Changing World', puts the organisation at the heart of Government efforts to maximise the UK's ability to attract foreign direct investment (FDI), win market share in the new high growth economies, and help business internationalise in a globalised world.

Launching the strategy today Trade and Industry Secretary Alistair Darling described the leading role UK Trade & Investment (UKTI) will play in coordinating government initiatives to:

- market the UK overseas as a key business partner and as the preferred location for inward investment;
- boost UK trade with, emerging economies such as China and India;
- increase further the value added to the UK from inward investment through more intensive relationships with high value overseas owned companies;
- promote the City of London as the world's leading international financial centre
- lobby overseas on regulatory issues and barriers to trade and investment; and,
- target innovative R&D intensive companies both for inward investment and as potential exporters.

UKTI will take the lead in working with other government departments and partners in the public and private sectors to develop a coordinated and effective programme to deliver these initiatives.

The Strategy, called for by the Chancellor in this year's Budget statement, outlines plans for UKTI to 'revamp' itself to become a streamlined, entrepreneurial organisation focusing on meeting the ever-changing needs of its clients. UKTI will spearhead a more professional approach to marketing the strengths of the UK. It will allocate resources to front-line services where they can be most effective in adding value to the UK economy.

Secretary of State for Trade and Industry Alistair Darling said: "Globalisation is a huge opportunity for the UK but we need a step-change in our efforts if we are to

keep ahead of the competition. We need to ensure that we clearly get across the message about the UK's strengths as a trading and investment partner. By focusing on the sectors and markets that are crucial to the long-term prosperity of this country, this strategy creates the right conditions for UK business success."

Foreign Secretary Margaret Beckett said: "Future economic prosperity will only come from UK companies exploiting opportunities overseas and by attracting the best overseas companies to invest here. This strategy is designed to transform the way we present the UK to the international business world. The UK's tradition of openness to business and culture is well established but we need to ensure that our strengths in key sectors are recognised. UKTI and its partners will have a crucial role to play in this."

Treasury Financial Secretary John Healey said: "An increasingly globalised world means that we now need to work even harder at selling our strengths, both to attract more high quality investment into the UK and to promote trade. The potential gains to the whole economy of investment from overseas - in terms of jobs, new ideas and skills - are massive. This strategy sets out how UK Trade & Investment will pull together the Government's efforts over the next five years to ensure we achieve such gains."

Speaking from China, Trade and Investment Minister Ian McCartney said: "During my short time in China I have been very impressed by the huge scale and pace of development. There are so many opportunities for UK businesses. But we really need to invest major effort to succeed in winning business. With its increased emphasis on emerging markets, UKTI's new strategy should help the UK achieve greater success."

On behalf of the Regional Development Agencies, Bryan Jackson, Chairman, East Midlands RDA, commented: "The English Regional Development Agencies have a key part to play in helping UKTI deliver this strategy. Our regional economic strategies are designed to create the conditions in which high-value, global businesses will thrive. We welcome your plans to join up government agencies' promotional activities. We will work with you strengthen the "Team UK" message and approach overseas."

Richard Lambert, Director-General of the CBI, said: "To meet the challenges of globalisation we need a strong advocate at the heart of Government, championing the international trade and investment interests of UK business. I want to work with UKTI to ensure that is what this strategy delivers."

Other central elements to the strategy include:

Emerging markets. UKTI will be at the centre of UK efforts to deepen trade and investment relationships with emerging markets. These are expected to be major sources of both trade and FDI in the future. UKTI will transfer more than £5 million of its resources from mature markets to focus on emerging markets where the UK needs to increase its impact. The initial list of such markets includes China and India plus Brazil, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey and UAE. More markets will be added later and the list will be reviewed regularly.

Development of a joint public/private sector strategy to promote the City of London and the UK's financial services sector. UKTI will increase the resources in its commercial teams in China and India in order to support financial services, and a programme of overseas missions will be undertaken by ministers and the Lord Mayor of London to focus on both commercial opportunities and structural barriers.

A £9 million programme of intensive support is being introduced to help increase the amount of business R&D undertaken in the UK, by helping innovative and R&D-intensive overseas owned companies to undertake R&D or more R&D in the UK; and helping innovative and R&D intensive UK based companies to internationalise.

Ensuring that policy formation takes the business perspective fully into account Andrew Cahn, UKTI Chief Executive, is to establish a new group, including representatives from other government departments and from business, to do this.

END

Notes to Editors:

UK Trade & Investment is the government organisation that provides integrated support services for UK companies engaged in overseas trade and foreign businesses focused on the UK as an inward investment location. It brings together the work of teams in British embassies and FCO posts overseas, and government departments across Whitehall. For more information, visit the web site at www.uktradeinvest.gov.uk. For latest press releases, visit the online newsroom at www.newsroom.uktradeinvest.gov.uk.

Copies of the strategy document are available to download from www.uktradeinvest.gov.uk.

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COMMUNICATION UNIT

UK NAMED TOP LOCATION FOR INWARD INVESTMENT IN EUROPE

Ernst & Young's European Investment Monitor Report Ranks the UK as the
Destination of Choice for Inward Investment in Europe

New York, NY-- June 14, 2006— The UK remains the number one location of choice for inward investment in Europe, according to the European Investment Monitor (EIM) Report issued by Ernst & Young last week. The EIM report revealed that in 2005, the UK attracted more than 559 projects, maintaining its status as the top location for foreign investment in Europe for the 25th consecutive year and was the most successful in attracting projects from all around the world, including the US, Japan, China, and India.

"These figures confirm that the UK is once again Europe's top destination for inward investment projects," said UK Secretary of State for Trade and Industry, Alastair Darling.

Corporate Expansion & R&D Growth

In 2005, the UK attracted more head offices and R&D projects than any other country in Europe.. And since most of these corporate headquarters are located in London, this demonstrates the strength of the professional services, accounting, and financial service sectors in London.

"The UK attracted more head offices and also more R&D projects than any other European country. But we are not complacent and this is why UKTI is working on a new international strategy to attract high quality R&D, which will be launched as part of its new 5-year strategy in the summer," said Darling.

Software as a Leading Sector of Growth

Since 1998, the software industry has been the leading sector generating foreign direct investment projects into Europe, with the UK being the top recipient of software investment. Over two thirds of the projects are located within London and South East England and over two thirds of all software investment into the UK is from US-owned companies.

“It is clear that the combination of an open marketplace, macroeconomic stability and a flexible labor market is working. And with global competition ever increasing, the UK must continue to maintain this economic environment and remain an attractive place to invest,” added Darling.

About UK Trade & Investment:

UK Trade & Investment is the British Government's international business development agency, supporting companies in the UK doing business internationally and overseas enterprises seeking to establish a market footprint in the UK. The integrated services offered by UK Trade & Investment bring together a network of business sector specialists and support teams in over 200 British embassies and Foreign and Commonwealth Office (FCO) posts overseas, as well as key experts in government departments across the UK.

As a government agency, UK Trade & Investment is uniquely positioned to offer expanding companies access to a growing network of global business advisors and bespoke market entry intelligence and guidance on operational issues. With its government connections, in-depth knowledge of UK regional business, ties to leading institutions, science and technology resources, as well as its global network, UK Trade & Investment is a unique strategic resource for companies that want to operate in the number one business location in Europe. For more information visit: www.uktradeinvestusa.com

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UK: Open for Business

Fast Facts:

- The UK is the world's fourth largest economy
- A European market of over 450 million consumers can be accessed from the UK
- The UK is home to over 6,500 US companies
- The UK is home to over a third of Europe's science parks
- The UK attracts 36% of all US investment in to Europe
- The UK is enjoying its 53rd consecutive quarter of growth
- With less than 1 percent of the world's population, the UK is responsible for 5.5 per cent of global R&D
- There are more than 95,000 software and computer service companies based in the UK
- The UK is the leading location in Europe for software investment
- The UK has Europe's largest semiconductor design industry

General Themes:

- The UK is one of the most agile and competitive economies in the world. Economists predict that its record eight years of growth should continue well into the next decade.
- The UK has generated a dynamic business culture. The UK Government works closely with foreign investor partners. Last year, more than 30% of all foreign investment in the UK came from the expansion of existing investors.
- The UK is a springboard to growth, offering foreign investors access into the European market of over 450 million consumers. Yet the country free from many of the regulations that have stifled corporate growth within the EU.
- The government agency, UK Trade & Investment, understands that corporate success in the twenty-first century is dependent upon growth through knowledge and technology, underpinned by R&D. So the UK has committed to bring down the barriers to success in order to speed up market entry and growth.
- Highlights of Britain; awards, sparkling economic performance and record of innovation include:
 - The UK ranked the highest of any European country in attractiveness as a foreign direct investment destination, according to the latest Foreign Direct Investment Confidence Index®.

- UNCTAD reported in 2005, the UK was the world's largest recipient of foreign direct investment, well ahead of the US and China. FDI into the UK grew 182% last year to US\$219 bn, the highest figure ever recorded for a European country and twice the total FDI into the US.
- The influential 2005 Milken Institute Capital Access Index ranked the United Kingdom first, ahead of Hong Kong, Singapore, and the United States.

Transatlantic Business:

- The US remains the UK's largest investor and most important economic alliance. We continue to enjoy a position as the largest recipient of US foreign direct investment, and our trade interests here, have never been stronger. Opportunities for business on both side of the Atlantic abound.
- Every day over one million UK citizens go to work for US companies in the UK and in the US over one million US citizens go to work for UK companies

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For additional information about UKT&I and about its resources and services, please visit UKT&I's website at: <http://www.uktradeinvestusa.com> or for general queries contact:

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COMM/REGISTRATION UNIT



**Release of UK Trade & Investment Annual Report Announces
UK 2005/2006 Foreign Direct Investment Figures**

*UK Remains Europe's Number One Location for US Investment
for 36 Consecutive Years*

New York--July 5, 2006 – The New York office of UK Trade & Investment (UKTI) today announced the release of the UK Annual Investment Report for the 2005/2006 financial year. Records of foreign direct investment flows have been officially monitored since 1970, making the UK the top recipient of US foreign direct investment in Europe for 36 consecutive years, or since this data has been recorded.

Globally, the UK recorded its highest number of inward investment projects to date, according to figures published today by UK Trade & Investment's London office. The record 1,220 projects – including 446 from the US, bring new employment to every region of the UK, and range from research and development projects to expansions of financial services firms.

UK Trade and Industry Secretary Alistair Darling said:

"Inward investment is essential to the UK economy. It creates and underpins British jobs, as well as revitalizing local and regional economies. These figures are proof that the UK is a great place to do business and the best base from which to compete internationally. Increasingly the UK is seen as the international centre for business, enabling companies to achieve growth by accessing world markets from the UK.

"For more than two decades the UK has been the number one location in Europe for inward investment. But we face a real challenge in the 21st

century if the UK is to maintain its position as market leader in Europe, against increasing competition - from traditional rivals such as France, to new EU member states in Central and Eastern Europe. There is also increasing competition from the emerging giants of India and China."

"UK Trade & Investment's new strategy to be announced soon will outline how the government will tackle these challenges."

Key figures from today's report are:

- 446 new investment projects from the US
- Total projects up from 1,066 (2004/05) to 1,220
- Total direct new jobs are down by 14 percent in the last year to 34,077
- However, total associated jobs are up by 19 percent in the last year to 89,866, 34,077 of which were new jobs and 55,789 which were safeguarded jobs
- Research and development projects are up by 62 percent to 164 projects
- Pharmaceuticals and biotechnology are up 19 percent to 98 projects
- Software projects are up 26 percent to 150 and IT and e-commerce projects are up 12 percent to 134
- 26 percent of projects were expansions by existing investors, which generated nearly 65 percent of all the new jobs created
- Mergers/acquisitions and joint ventures were up 42 percent on last year.

UK Foreign Secretary Margaret Beckett said:

"This report demonstrates that the UK continues to be the popular choice of location for foreign direct investment in Europe. The number of new jobs created is encouraging and a vital contribution to our continuing prosperity. But in the face of global challenges there can be no room for complacency. We live and work in a truly global economy, where business and investment are ever more mobile, and where there is increasing international competition. Our competitors are raising their game; we must keep raising ours."

UK Minister for Trade and Investment Ian McCartney said:

"These results are excellent news for Britain's economy and for British jobs. We want to attract dynamic companies with a strong potential for growth, meaning we create jobs and ensure that British workers have the skills needed to meet the challenges of a globalized economy. We want to continue to help such companies to come to the UK, to grow in the UK, and indeed to be recognized as UK companies."

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Inward Investment Success by Country 2005/06

Country	No. of Projects	No. of New Jobs	No. of Safeguarded Jobs	Total No. of Jobs
Australia	53	1,047	461	1,508
Austria	5	75	309	384
Belgium	9	265	400	665
Bermuda	1	22	13	35
Belize	1	0	0	0
Canada	75	1,938	2,552	4,490
China	27	1,017	1	1,018
Czech Rep	1	0	0	0
Denmark	12	810	43	853
Finland	5	91	0	91
France	59	2,780	1,150	3,930
Germany	67	1,822	1,438	3,260
Greece	1	23	0	23
Hong Kong	6	347	0	347
Iceland	10	253	4	257
India	76	1,449	2,523	3,972
Ireland	44	1,104	1,531	2,635
Israel	13	143	0	143
Italy	22	374	616	990
Japan	84	2,054	29,209	31,263
Korea	15	251	40	291
Luxembourg	2	800	0	800
Malaysia	5	29	80	109
Mexico	1	2	0	2
Middle East	7	33	0	33
Netherlands	30	680	1,610	2,290
New Zealand	16	161	0	161
Norway	28	212	3	215
Poland	2	3	0	3
Russia	3	350	0	350
Saudi Arabia	1	50	135	185
Singapore	5	71	0	71
South Africa	11	219	141	360
Spain	18	200	0	200
Sweden	28	131	2,969	3,100
Switzerland	15	703	469	1,172
Taiwan	7	85	50	135
Turkey	6	39	15	54
UAE	3	13	3	16
USA	446	14,431	10,024	24,455
Totals	1,220	34,077	55,789	89,866

Source: UKTI Database

INWARD INVESTMENT SUCCESSES BY PROJECT TYPE 2005/2006

Project Type	No. of Projects	Total No. of New Jobs	Total No. of Safeguarded Jobs	Total No. of Associated Jobs
Acquisition, Mergers and JV's	375	1,917	37,104	39,021
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Operational Nature	No. of Projects	Total No. of New Jobs	Total No. of Safeguarded Jobs	Total No. of Associated Jobs
Contact Centers	21	1,948	770	2,718
Distribution	95	2,754	582	3,336
E-commerce	15	188	80	268
HQs	151	3,422	1,273	4,695
Manufacturing	288	9,397	40,501	49,898
R&D	164	4,460	6,314	10,774
Services	486	11,908	6,269	18,177
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Release of UK Trade & Investment Annual Report Announces UK 2005/2006 Foreign Direct Investment Figures

UK Remains Europe's Number One Location for US Investment for 36 Consecutive Years

New York, July 5, 2006 – The New York office of UK Trade & Investment (UKTI) today announced the release of the UK Annual Investment Report for the 2005/2006 financial year. Records of foreign direct investment flows have been officially monitored since 1970, making the UK the top recipient of US foreign direct investment in Europe for 36 consecutive years, or since this data has been recorded.

Globally, the UK recorded its highest number of inward investment projects to date, according to figures published today by UK Trade & Investment's London office. The record 1,220 projects – including 446 from the US, bring new employment to every region of the UK, and range from research and development projects to expansions of financial services firms.

UK Trade and Industry Secretary Alistair Darling said:

"Inward investment is essential to the UK economy. It creates and underpins British jobs, as well as revitalizing local and regional economies. These figures are proof that the UK is a great place to do business and the best base from which to compete internationally. Increasingly the UK is seen as the international centre for business, enabling companies to achieve growth by accessing world markets from the UK.

"For more than two decades the UK has been the number one location in Europe for inward investment. But we face a real challenge in the 21st century if the UK is to maintain its position as market leader in Europe, against increasing competition - from traditional rivals such as France, to new EU member states in Central and Eastern Europe. There is also increasing competition from the emerging giants of India and China.

"UK Trade & Investment's new strategy to be announced soon will outline how the government will tackle these challenges."

Key figures from today's report are:

- 446 new investment projects from the US
- Total projects up from 1,066 (2004/05) to 1,220
- Total direct new jobs are down by 14 percent in the last year to 34,077
- However, total associated jobs are up by 19 percent in the last year to 89,866, 34,077 of which were new jobs and 55,789 which were safeguarded jobs
- Research and development projects are up by 62 percent to 164 projects
- Pharmaceuticals and biotechnology are up 19 percent to 98 projects
- Software projects are up 26 percent to 150 and IT and e-commerce projects are up 12 percent to 134
- 26 percent of projects were expansions by existing investors, which generated nearly 65 percent of all the new jobs created
- Mergers/acquisitions and joint ventures were up 42 percent on last year.

UK Foreign Secretary Margaret Beckett said:

"This report demonstrates that the UK continues to be the popular choice of location for foreign direct investment in Europe. The number of new jobs created is encouraging and a vital contribution to our continuing prosperity. But in the face of global challenges there can be no room for complacency. We live and work in a truly global economy, where business and investment are ever more mobile, and where there is increasing international competition. Our competitors are raising their game; we must keep raising ours."

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Technology and Innovation in the UK

Innovation drives the UK economy, creating a nurturing environment for new ideas, new products and new thinking. Innovation is the centerpiece of economic growth, and the UK is committed to creating an environment in which companies have access to intellectual capital, file patents efficiently, protect intellectual property, and receive economic incentives to make technology ideas a reality. The UK has one of the world's broadest and deepest end-to-end high-technology markets. The country benefits from a skilled workforce, a structure of low taxes and a stable economy, all of which are attractive for firms driven by technological innovation.

Factors driving the UK technology market include:

Technology Leadership:

- With less than 1 percent of the world's population, the UK is responsible for 5.5 percent of global R&D.
- In 2003 US benchmark surveys, the UK ranked fourth in the world in science and technology among US business leaders.
- Over half of the world's top 20 electronic companies invest in marketing in the UK.
- Almost one-quarter of all technology investment into the European Union involves the UK.
- The UK is the number one destination for US technology firms seeking to expand into Europe.

Intellectual Capital:

- The UK offers the most advanced infrastructure, the most deregulated market in Europe, and some of Europe's most creative intellectual capital.
- According to a recent study by US accounting firm KPMG, the UK ranks as the third-most-attractive place in the world to do business – surpassing even the United States – and ranks as the most popular place to do business in Europe.
- The Patent Office, a subsidiary of the UK Department of Trade and Industry (DTI), is committed to promoting innovation by making constant improvements to the patent approval process, including E-filing options for trademarks and patents.
- The Patent Office has granted more patents to US companies than to those based in any other foreign country. In fact, three of the top 10 companies granted patents are headquartered in the US: Hewlett Packard, IBM and Motorola.
- The Patent Office granted 3,310 patents in 2003, more than 2,200 of which were related to technology innovation.

Educated Workforce:

- The UK is now a world leader in technology innovation, boosted by the teaching of IT to all school age children.
- Labor costs in the UK are among the lowest in the world.
- The highly educated and productive UK workforce is well-suited to provide support for technological innovation.
- The average work week in the UK is more than 45 hours, compared with 39 hours in the rest of the European Union.

Stable Economic Climate:

- The UK has the lowest corporate tax rates in the European Union and the lowest tax rates for small businesses in the developed world.
 - The tax rate for a UK company that has annual net profits of under US\$574,000 is 19 percent.
 - The effective marginal tax rate for a UK company with annual net profits of more than US\$2.8 million is 30 percent.

Research & Development:

- The UK Department of Trade and Industry (DTI) is committed to encouraging entrepreneurship and R&D through small-business loan guarantees, grants and tax-credit for innovation.
- In 2003, DTI granted nearly US\$430 million to private companies and public corporations for research and development.
 - Research and development grants are available up to US\$380,000
 - Enterprise grants are available to cover capital expenditure
 - R&D tax credits are also available for subject matter experts

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UK EXPANDS R&D TAX CREDIT

*Extension to provide additional support
for US firms looking to conduct research and development*

New York, NY-- June 2006— UK Trade & Investment (UKTI) has announced that the British Government has extended its research and development (R&D) tax credits to provide additional support to firms with between 250 and 500 employees. The initial R&D tax credit for small to medium enterprises (SMEs) was introduced in 2000, and a large company credit in 2002. Presently, only companies with up to 250 employees can qualify for higher relief under R&D tax credits. This expansion aims to maintain investment by SMEs as well as increase attraction of larger global businesses.

Foreign Investment & R&D Growth

Recent research by Deloitte hailed the UK R&D tax credits among the most attractive of its kind throughout the world. The tax credits offer an additional incentive for multinational investment in the UK. In 2005, the UK was again recognized as the most attractive destination for foreign direct investment (FDI) and continues to attract more R&D projects than any other European country.

The UK R&D tax credits offer a straightforward system. Whereas some countries require complicated tax compliance for foreign investors and pose restrictive regulations, only one claim is needed for all corporate tax returns. In addition, the UK has no cap on the amount of credit available. Streamlining the process for working with the government has been a goal of leadership and private sector supporters in the UK.

Further Information

For further information on the R&D tax credit, please visit the HM Revenue and Customs website at www.hmrc.gov.uk

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Interviews Available With:

- **Andrew Cahn** – Chief Executive, UK Trade & Investment
- **David Slater** – HM Consul and Regional Director, UK Trade & Investment, West Coast
- **Andrew Lewis** – Vice-Consul, UK Trade & Investment, Los Angeles
- **Janet Coyle** – Consul, Head of Trade & Investment, UK Trade & Investment, San Francisco

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Janet Coyle
Consul, Head of Trade & Investment
UK Trade & Investment
San Francisco

Janet Coyle began her current role as Consul (Investment) in November 2003. She heads up the Regional Inward Investment Team for Northern California, Washington State, Wyoming, Oregon and Alaska. Within this role she is responsible for assisting and encouraging US companies to locate their European subsidiaries in the UK. The inward investment team provides a wide range of free services for US companies including salary searches for potential employees in the UK, advice on locations within the UK, property searches and introductions to key networks in the UK. Their current clients include a range of companies of different sizes covering the software, wireless, biotech and financial services sectors.

Prior to this assignment, Janet spent four years in Cape Town, South Africa, assisting UK companies to identify trade opportunities and business partners in South Africa and the wider SADC region. She is a member of Her Majesty's Diplomatic Service and her career has taken her to a number of places, including Washington DC, Prague, India and Vietnam.



David Slater
HM Consul and Regional Director
West Coast Region
UK Trade & Investment

David John Slater was appointed Her Majesty's Consul and Regional Director for the Western US region at UK Trade & Investment, the UK government's international business development agency. He was appointed July 1, 2005 and is based at the British Consulate General in Los Angeles.

David is a career diplomat currently on loan from the Foreign and Commonwealth Office to UK Trade & Investment. He was the Head of the Regional Inward Investment Team, also based at the British Consulate General in Los Angeles, from August 2002-June 2005.

Prior to arriving in Los Angeles, David served as a Trade and Investment Officer at the British High Commission in New Delhi, India. He also previously served as a political desk officer in the Foreign and Commonwealth Office in London, at the British High Commission in Accra, Ghana, and at the British Embassies in Abu Dhabi and Dubai in the United Arab Emirates.

David is 37 and married with two children.

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IT Security in the UK

CRIM/ICS/INTEGRATION UNIT World Leader

The UK leads the world with standards in security; in fact, the UK's BS7799 security standard is being adopted as the global ISO standard (ISO17799). Its strong telecoms infrastructure with wide availability and uptake of broadband, a mobile and skilled workforce, strong academic network, business links and strong government support/focus make the UK IT security sector one of the strongest and most sophisticated in the world.

- The UK is the second largest market for IT security in Europe, accounting for 22% of the total market.
- IT Security spending worldwide is rapidly approaching US\$5bn according to Datamonitor projections. Gartner's latest figures placed the UK approx. one-fifth of the global security software market (in terms of sales).
- Its global financial centre in the City of London both drives & demands world-class security products
- Security is a top priority for the UK government. Years of experience dealing with the threat of terrorism to its infrastructure has required the UK to develop sophistication and expertise in this sector.
- The majority of top players in the security software sector have a key UK presence, i.e. Symantec, VeriSign, McAfee, Trend Micro, CheckPoint
- UK's home market supplies the global centre for Financial services in London, and government services, providing a world stage for IT security companies.
- Strong mobile telecoms industry in UK – most key players are located In the UK or have offices there, including R&D facilities, i.e. Orange, Nokia and 3.

Global Drivers of Security Technology Advancements

- Broadband technology
- Pervasiveness of wireless, and increasing use of mobile computing by both businesses and consumers
- Increase in hacking and viruses, and the more criminalized nature of the security threat. i.e. Internet identity theft, phishing, and on-line financial fraud are increasingly becoming compelling drivers for deploying strong authentication for consumer applications.
- Web services represent whole new model for integrating applications, and management software

Government Support Spurs Innovation

The UK's leadership role in the IT security sector is due mostly to UK Government support and recognition of the importance of Cyber security to society and the economy. The Government also encourages interaction and innovation across its key assets in the commercial, government and academic sectors.

- Recent DTI funded (Jan 06) *Security Knowledge Transfer Network* exploits global markets and enables faster transition of novel new technologies from R&D to deployment.
- Technology Strategy Board Innovation Platform in Cyber security, Biometrics and ID in planning, will cover £10M of collaborative development around technology to support UK Government procurement of security technology
- The National ID card program, the NHS IT transformation and the growing use of security amongst the very large number of SMEs in the UK.
- Well-established UK trade associations, professional bodies, forums and academic organizations ensure a steady focus on innovation and idea development, i.e. Intellect, CESG (the UK National Technical Authority for high-assurance applications), IAAC (Information Assurance Advisory Council), UK Crypto Developers Forum (CDF).
 - Development of AEB Web Security guidelines
 - Development of the UK component of eAware – EU funded project to promote awareness of information security.
 - Launch of SAINT (Security Alliance for Internet and New Technologies) in 2001.
- R&D and University network provides world class talent in biometrics and information security.

Key IT Security Sub-sectors

Identity Management

The nature of the security threat is changing – not only is activity becoming more criminalized in nature, but also the threat from within businesses is increasing. As a result, businesses are spending more on identity or access management technologies. These monitor signed-in authentication and control access levels, enable a logged audit trail.

- Estimated at US\$61m in 2003, the UK identity management market is projected to touch US\$226m by 2010, representing compound growth of over 20 per cent a year, according to researchers Global Industry Analysts.

- A study by Gartner found that 70% of unauthorized access to information systems was carried out by "insiders," and
- 95% of attacks resulting in serious financial losses were instigated by employees.

Biometrics

The UK's planned introduction of national identity cards, containing biometric information, such as face, iris and fingerprint recognition, is expected to provide a huge boost to the British biometric industry.

- Analysts believe it is the potential breakthrough that could open biometric technology to widespread commercial use in the UK.
- According to Consult Hyperion – the consultancy that advised the Hong Kong Government on its ID card strategy – contracts for the UK's ID cards, likely to include a combination of different biometric tests, could be worth more than US\$5.4bn in total.

Network Security

- The UK network security sector is seeing some of its highest growth rates to date.
- UK providers of network security systems benefit from a regulation-led market – the UK's BS7799 security standard being adopted as the global ISO standard (ISO17799).
- Adoption of public key infrastructure (PKI) and advances in encryption technologies – particularly quantum encryption – are offering end-users realistic and affordable IT security options.
- Key Note estimated (2003 report) that firewalls were the largest sub-sector of IT security products. The fastest growing sub-sectors were firewalls, content security, intrusion detection and PKI.

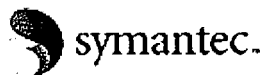
Long-term trends

The trend in IT security spending worldwide is one of steady growth - information security is seen as business enabling, not just an adjunct to IT operations.

- Between now and 2008, the UK IT security products and services market is forecast to experience annual growth of around 29% and expenditure is estimated to reach £4.59bn (at final selling prices) in 2008.
- It is estimated that IT security services will grow slightly faster than products, although both sectors of the market will record strong growth (Source: Key Note).
- IT security products and services are set to take a growing share of total expenditure on computer products and services.
- Sub-segments of the security sector eg anti-spyware software, are demonstrating very high growth rates with predicted massive growth between now and 2008 (source IDC).

Between now and 2008, we can expect a consolidating industry, as enterprises will increasingly search for a trusted security partner that can help them understand their business risks and develop an enterprise-wide program to achieve a higher level of security (source IDC). This suggests that at the top of the market - where the majority of the money is spent - the number of security vendors will reduce, as the relatively small numbers of heavy investors in security decide to work with one or two trusted vendors.

Key UK security players include:





Andrew Lewis
Vice-Consul, Investment
UK Trade & Investment
Los Angeles

Mr. Andrew Lewis is the Vice-Consul (Investment) at the British Consulate General in Los Angeles and works within the UK Trade & Investment team. His role is to assist and advise US companies looking to expand their operation into Europe.

Prior to joining the British Consulate-General, Mr. Lewis was a Senior Project Director for a management consulting firm in Los Angeles where he managed high profile clients in the US and UK. Before coming to the US in 1998, he worked for Europe's largest market analysis firm where he was responsible for business development in Europe, Asia Pacific and the Americas, working out of offices in London, Frankfurt, Hong Kong and New York.

Mr. Lewis holds a BA (Honours) in Marketing from the University of Stirling in Scotland, is fluent in German and is currently studying for his MBA. He is originally from Belfast, Northern Ireland.

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Andrew Cahn
Chief Executive
UK Trade & Investment

Andrew Cahn, 54, was appointed Chief Executive of UK Trade & Investment in January; starting in the position on 27 March 2006.

Andrew has been Director of Government and Industry Affairs, British Airways since May 2000. Prior to working with BA, he worked for the European Commission where he was Chef de Cabinet for Neil Kinnock (Vice President for Administrative Reform and formerly European Commissioner for Transport). In 2001 Andrew was made a Companion of the Order of St Michael and St George (CMG).

After graduating from Cambridge University, Andrew Cahn joined the Ministry of Agriculture, Fisheries and Food (MAFF) in 1973. In 1976 he transferred to the FCO to work at the UK Permanent Representation to the EC in Brussels before returning to MAFF as Private Secretary to the Permanent Secretary.

In 1984 Cahn joined the cabinet of Lord Cockfield, Vice President of the European Commission and author of the EU Single Market. He specialised in the Single Market, budget, agriculture, fisheries and personnel issues. In 1992 he became Principal Private Secretary to the Chancellor of the Duchy of Lancaster, William Waldegrave, contributing to policy and White Papers on Science, the Civil Service Reform, and the Citizen's Charter.

Between 1994 and 1997, Cahn was Deputy Head of the European Secretariat of the Cabinet Office where he was responsible for co-coordinating Government policy towards the European Union, as well as an advisor to Britain's Prime Minister and other ministers on EU issues.