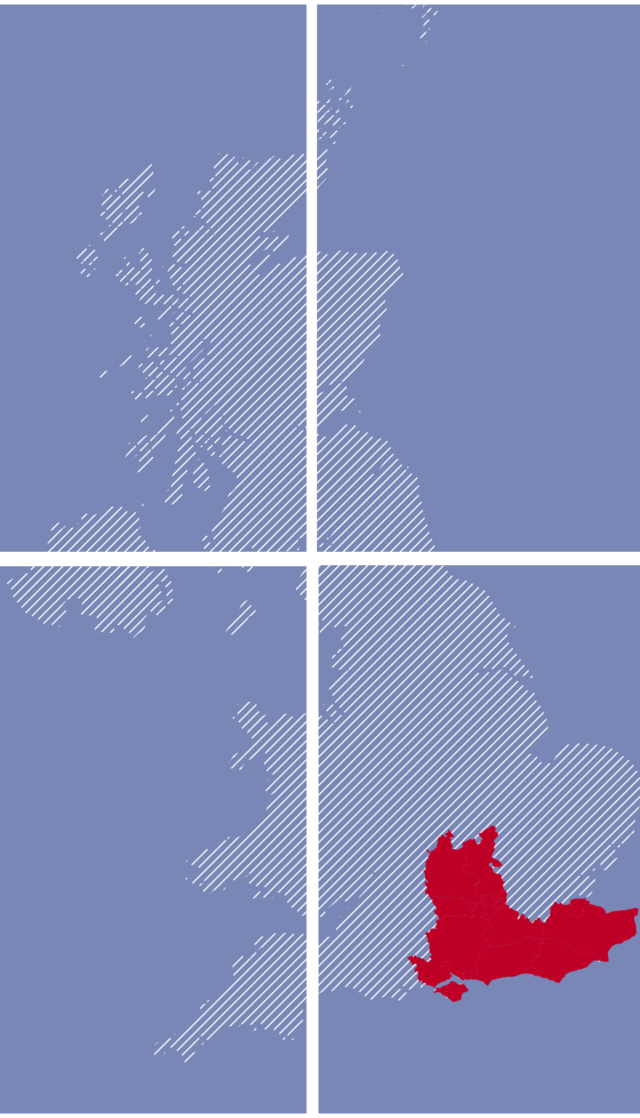
SEEDA SOUTH EAST ENGLAND DEVELOPMENT AGENCY

Working for England's World Class Region

UK TRADE & INVESTMENT

Trade and Investment Annual Report 2007-2008



Together, UKTI Trade South East and the South East England Development Agency (SEEDA) aim to increase the number of businesses in the South East operating internationally. Our team of advisers help companies adapt to the challenges and take advantage of opportunities created by globalisation.

SEEDA

SEEDA helps companies from overseas set up and/or expand their operations in the South East of England. Our mission is to grow the economy, creating sustainable jobs and maintaining and enhancing the knowledge base. To do this SEEDA offers a professional, confidential and free service which aims to save businesses valuable management time and money.

UKTI Trade South East

Through a team of locally based market and industry sector experts, UKTI Trade South East helps UK based businesses succeed in international markets. To do this, UKTI offers one-on-one advice and guidance, market intelligence, information on opportunities and practical support in market to make things happen.

Key Trends

- The South East has attracted 219 Foreign Direct Investments (FDIs). SEEDA has successfully supported 77 of these investments – which are forecast to generate over 2,489 jobs and further, will retain 1,587 jobs over the next three years.
    - The region attracted FDIs from nearly 30 countries with the US continuing to be the leading source of investment followed by Germany, Australia, France, Ireland and Canada.
    - The South East also continues to attract more Information and Communication Technology (ICT) investments with over 40% being in this sector. Other major sectors include biotechnology, pharmaceuticals and business services.
    - The region is a popular location for Research & Development (R&D) operations with 32 established this year, a 77% increase from last year.
- UKTI Trade South East have advised over 3,500 companies during the year.
    - Over 900 companies received intensive support to improve their competitiveness through international trade.
    - Over 70% of these companies were classed as innovative.
    - 85% of customers reported that the service received was good or excellent.

Introduction

Jeff Alexander
Executive Director, Global Competitiveness

In the last 12 months, SEEDA has actively supported 77 of the 219 foreign owned companies investing in the South East. A higher proportion of knowledge intensive companies have invested in the region, more than any other English region. This is a true reflection of the great talent and creativity that exists in the region within our globally competitive companies, universities and research organisations.

The emerging markets represent a great opportunity for both trade and investment and, with the trends showing that flows of FDI into the region have slowed for the first time in five years, we cannot afford to be complacent. In the current economic climate and with increased competition for investment from countries such as India and China, we are expecting the next two years to be particularly challenging. To ensure that we retain vital foreign investment to maintain the competitiveness of the South East, SEEDA has expanded the Investor Development team.

SEEDA has developed its international presence this year. To deliver value for money, SEEDA has combined resources with the South West of England Regional Development Agency (SWERDA) in India and the London Development Agency (LDA) in Korea. The Farnborough Aerospace Consortium (FAC) have also been assisted to launch a "Composites Bureau" which aims to enable SMEs working in this field in France, Germany and the South East to access supply chain opportunities with tier one companies such as Boeing and Airbus. The Sector Consortia in the region have also received funding from SEEDA to open an office in Dubai which will give companies in the South East trade opportunities in this important gulf region. Already the office, in one year, has generated $20 million in new sales with more in the pipeline and has signed up 25 companies from sectors as diverse as health technologies and aerospace.

J Alexander

Lewis Scott, on the left, and Jeff Alexander outside SEEDA HQ, Guildford

Lewis Scott
Director of International Business

2007-08 was a successful year for UKTI Trade South East with over 900 companies assisted to enhance their competitiveness through international trade.

The outcomes of two Government reviews were agreed by ministers allowing us to build on the already excellent collaboration between UKTI Trade South East and SEEDA. The Trade team outcomes contribute to SEEDA's Global Competitiveness agenda set out in the Regional Economic Strategy (RES).

Our Trade and Inward Investment teams continue to work together to identify synergies, with inward investors increasingly benefiting from trade services, enabling them to use the South East as a springboard to other global markets.

I am very pleased that 85% of our customers reported that the service they received was good or excellent, such as Ilika Technologies:

"UKTI became involved with us at a very early stage in the company's development. Our International Trade Adviser was very proactive and we got a lot of advice and support from them and also via UKTI's links with British Embassies abroad. Our first overseas customer was Japanese and we had funding from UKTI to support us with a Japanese exhibition as well as funding for a trade mission to Japan" - Graeme Purdy, Chief Executive, Ilika Technologies.

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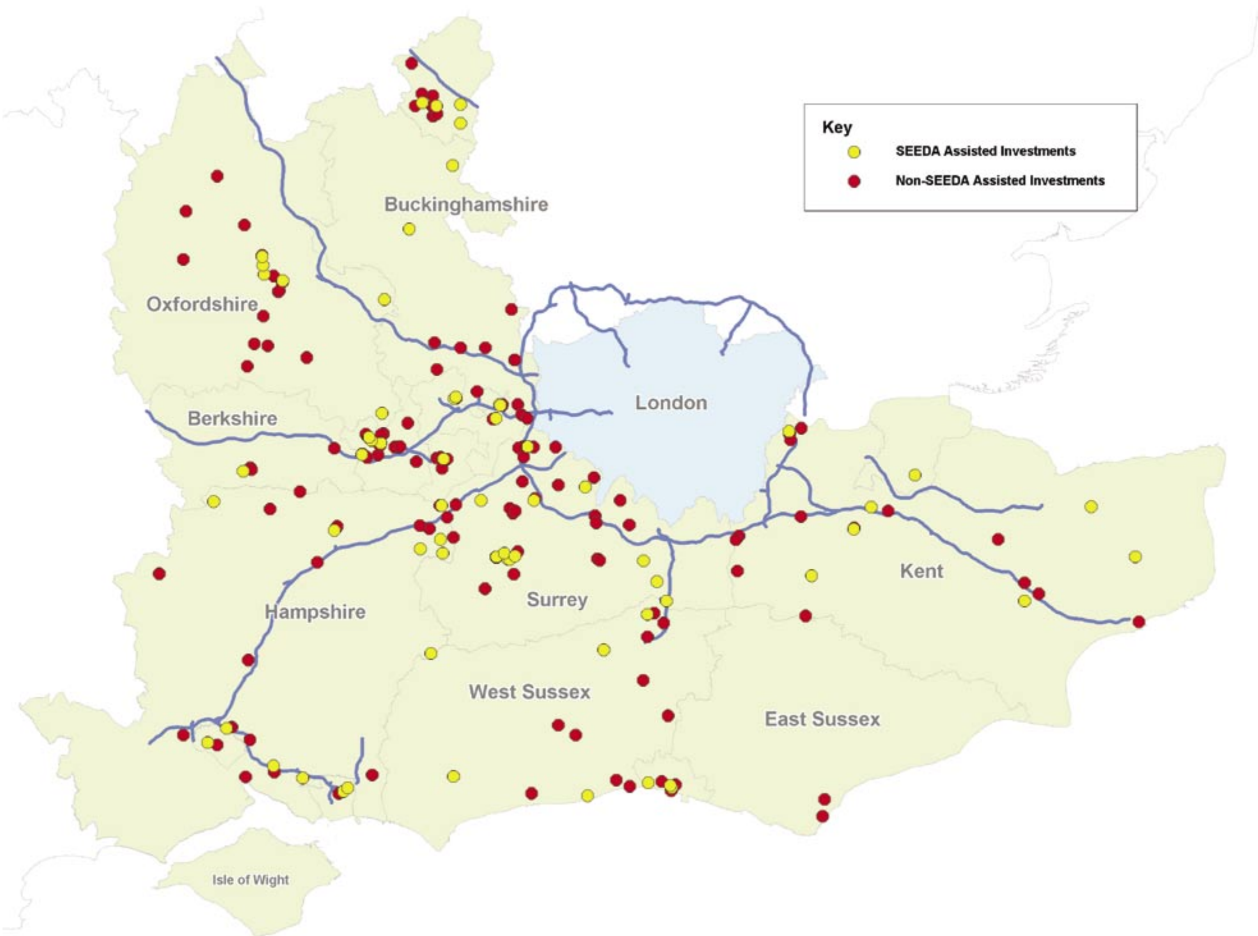
Foreign Direct Investment (FDI) into the South East

- Although the number of investments fell slightly for the first time in five years, the number of knowledge-intensive investments is growing. The region attracted 219 investments which are forecast to create 4,432 jobs and safeguard 3,101 jobs over the next three years.
- The region attracted investment from nearly 30 Countries with the US continuing to be the leading source of investment (43% of investments into the region were from the US) followed by Germany (8%), Australia (7%), France (6%), Ireland (5%) and Canada (5%).
- The South East also continues to attract more ICT investments with over 40% being in this sector. Other major sectors include biotechnology, pharmaceuticals (8%) and business services (7%).
- The region is a popular location for R&D operations with 32 established this year, a 77% increase from last year. The region's universities strengthen their ties with business signing two R&D agreements this year.
- Berkshire and Surrey continued to attract nearly half (47%) of all investment into the region.

South East Investments 2007-08

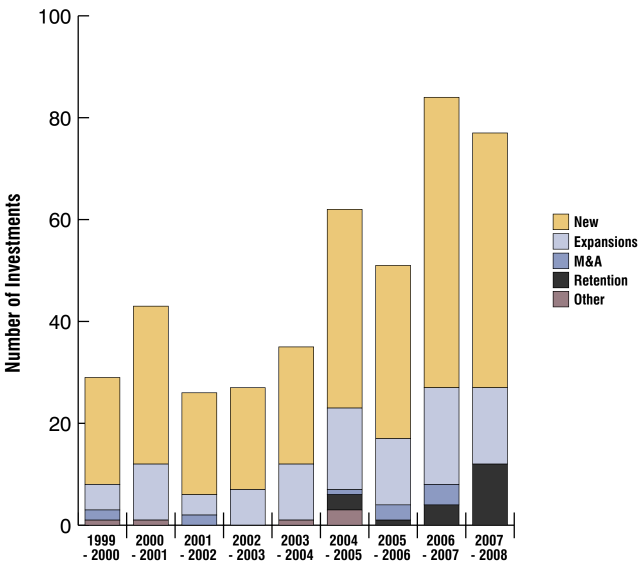


SEEDA Supported FDI

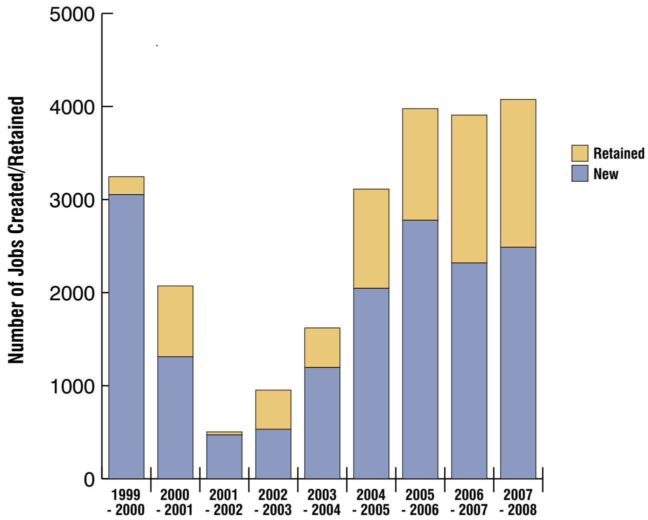
- SEEDA supported 77 investments into the region. 81% of the investments were knowledge intensive, more than any other English region.

- These are forecast to generate over 2,489 jobs and retain 1,587 jobs over the next three years. This represents 35% of all investments into the South East and 55% of the total jobs created/retained.
    - 50 New Investments
    - 15 Expansions
    - 12 Retentions

Number of SEEDA Assisted Investments 1999-2008



Jobs Created/Retained by SEEDA Assisted Investments 1999-2008



- SEEDA responded to 318 enquiries in 2007-08, a 25% increase from last year. The number of company visits hosted by SEEDA also improved, up by 10%.

- SEEDA supported 18 companies to establish R&D operations in the region, more than double in the previous year.

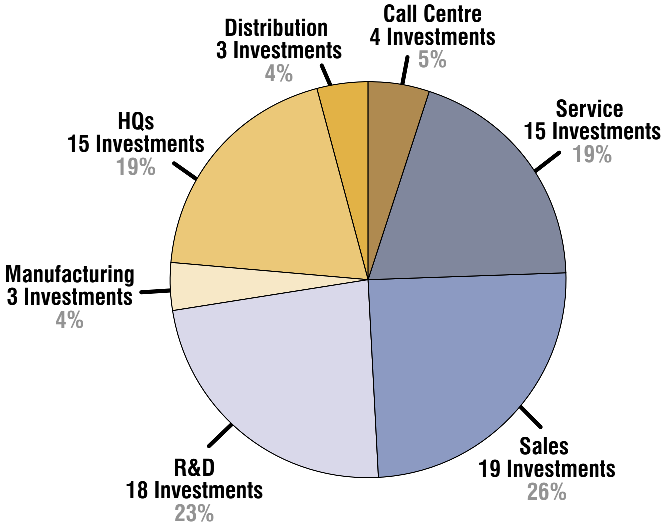
- The USA remains the largest source of supported FDI. Australian investments increased by 22% on the previous year to remain the second largest sources of new investments.

- Investment was attracted from nearly 20 different sectors confirming the region has strengths in many diverse, yet often converging, sectors.

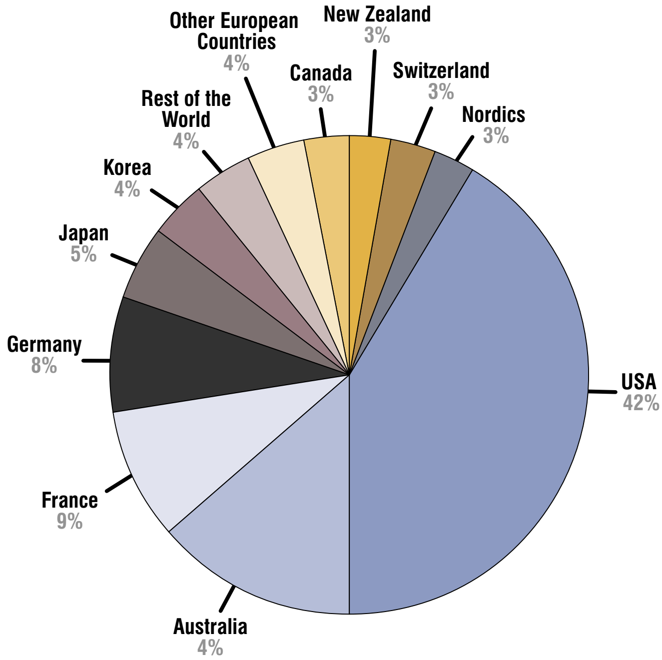
- Around half of SEEDA supported investments were in the ICT sector, with software and computer services again making up more than 30% of supported investments. 91% of software services investments were first time investments.

- The healthcare technology, creative and the aerospace and defence sectors all showed growth this year.

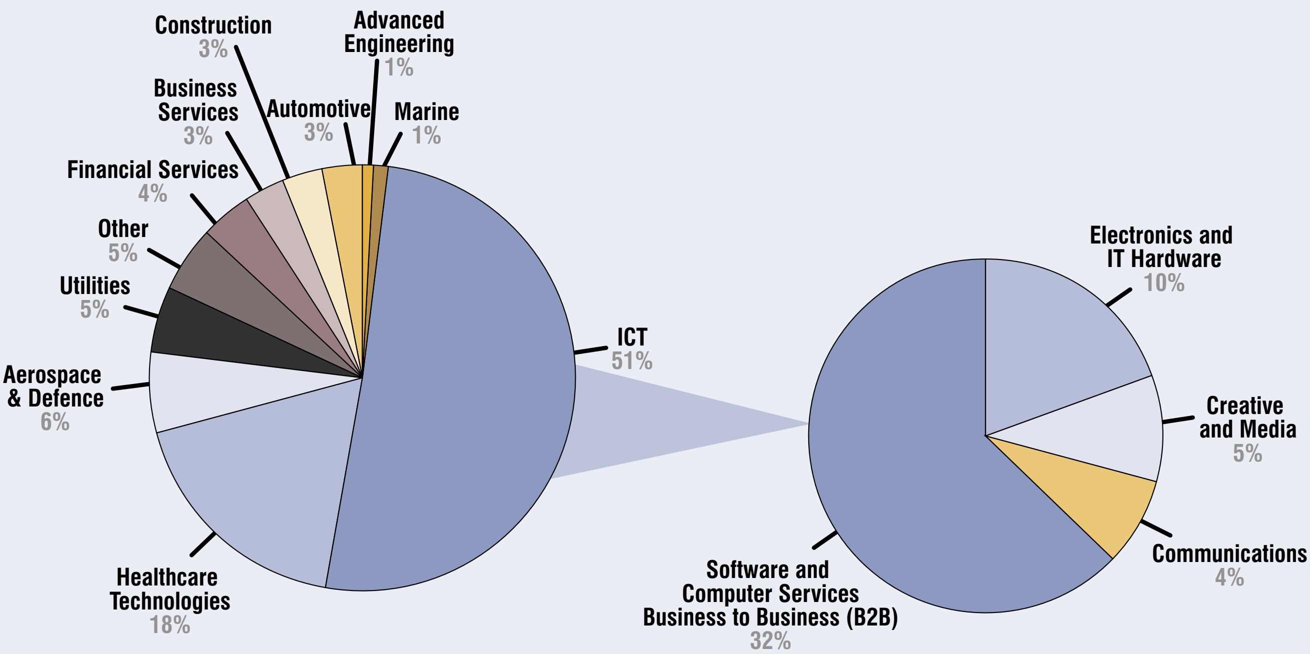
Investments By Operation



Investments By Source Country



Investments By Sector

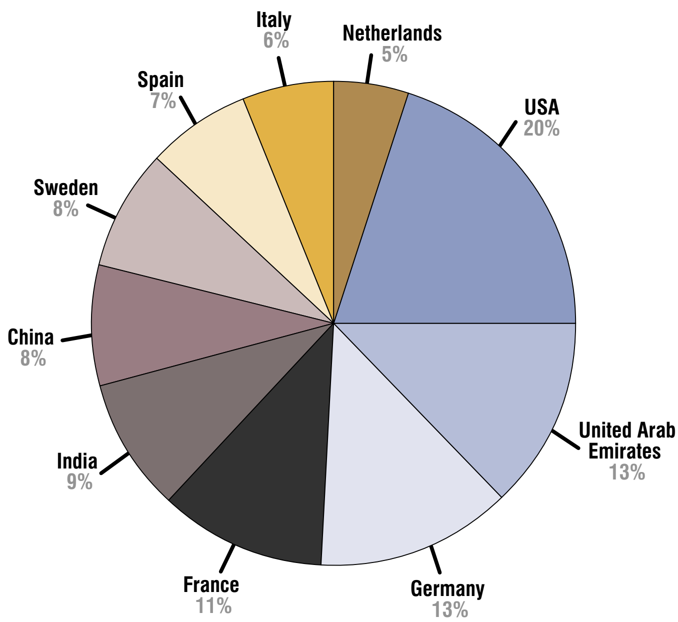


Trade Trends

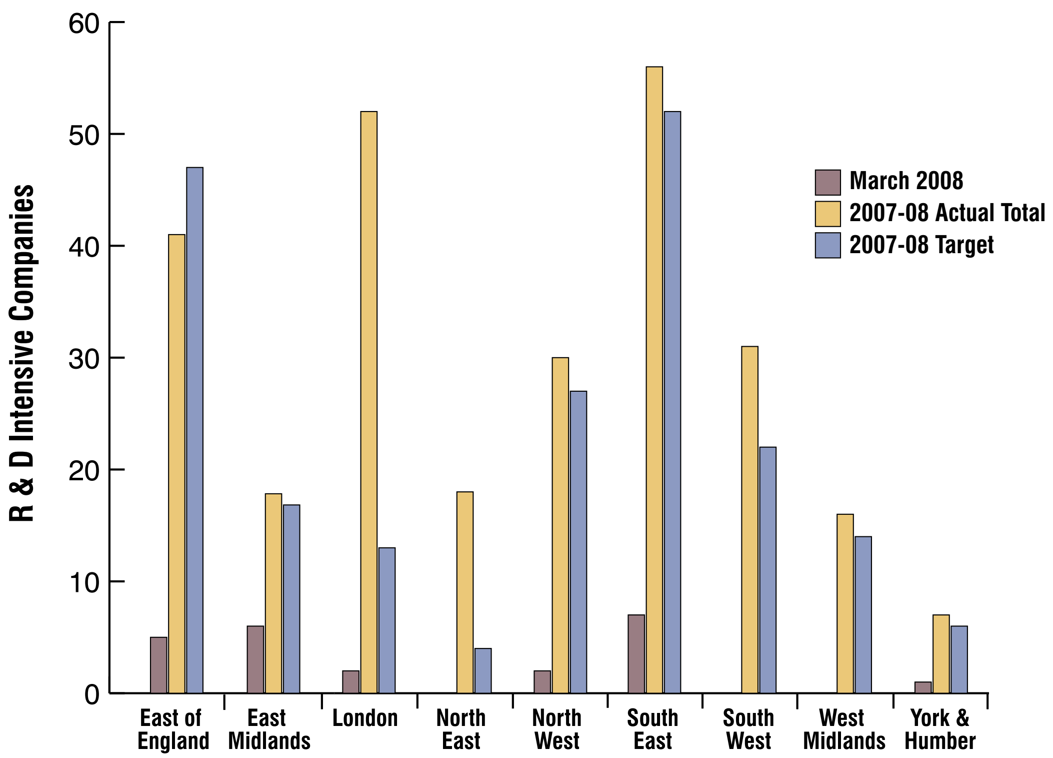
UKTI Trade South East Performance

- UKTI Trade South East have advised over 3,500 companies during the year.
- Over 900 companies received intensive support to improve their competitiveness through international trade.
- Over 70% of these companies were classed as innovative.
- 85% of customers reported that the service received was good or excellent.
- Of the companies that received intensive assistance, the majority were interested in trading with the US, closely followed by Germany, France and the United Arab Emirates.
- A higher number of R&D intensive companies were assisted than in any other region.

Market Of Interest



Supported R&D Intensive Companies



Case Studies

Merrill Lynch

Sector: Finance and Professional Services
Location: Camberley, Surrey
Country of Origin: US

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies. Merrill Lynch has set up their European Technology centre in Camberley, Surrey.

SEEDA gave advice about the local planning process to the management team at Merrill Lynch. They subsequently received swift approval to rebuild the offices. Existing employees and job functions moved from London and Ireland into the new building at the Camberley site. SEEDA also helped Merrill Lynch to recruit staff locally by supplying information and introducing them to other local employers to share best practice and ideas. Merrill Lynch have developed an excellent relationship with Surrey Heath Borough Council and are active members of the local business association. Merrill Lynch continues to work with SEEDA and has also introduced an extensive local travel plan which fits in with local area schemes.

Stephen Love, Head of Regional Development and Corporate Services, said "Camberley is an ideal location for Merrill Lynch's new technology centre. It is well situated for worldwide commerce with London and its international airports, Heathrow and Gatwick, only an hour away by car or train and major towns and cities in the South within easy reach. SEEDA's team offered invaluable advice and support".

Astrium

Sector: Aerospace and Defence
Location: Portsmouth, Hampshire
Country of Origin: France, Germany

Astrium, a wholly owned subsidiary of EADS, provide civil and defence space systems and services. SEEDA supported a proposal to win a European Space Agency contract which resulted in Astrium securing an agreement to produce the payload of the new satellite, Alphasat, in Portsmouth. This will secure at least 360 high skilled jobs.

Alphasat I-XL will be the most technically advanced satellite in the world for civilian applications. It will have a next generation digital processor and solar array drive mechanism developed by Astrium. The satellite will support a new generation of mobile technologies and enable communications across Europe and Africa – creating new business opportunities for UK companies.

SEEDA worked with the East of England Development Agency (EEDA) and the LDA to support Inmarsat's bid for the European Space Agency contract. The contract for €500 million was awarded to Inmarsat over the competing French company Eutelsat. The Regional Development Agencies will contribute £12 million each over three years.

Avolution

Sector: ICT
Location: Oxford, Oxfordshire
Country of Origin: Australian

Avolution, an Australian software company, recently opened an office in Oxford with support from SEEDA. The company is a leader in enterprise modelling, visualisation, and analysis. SEEDA gave guidance on the best location for Avolution's UK Headquarters. The company chose Oxford due to its strong transport links to London and Northern England, as well as proximity to top universities including Oxford and Oxford Brookes. The new office immediately created five jobs in Oxford, with a target of establishing 15 new jobs over the next three years.

Regenatec

Sector: Environmental Technology
Location: Oxford
Trade Market: India

Oxford-based Regenatec has joined forces with CleanStar of India to form, what it believes, will be the world's first truly sustainable biofuel joint-venture company, having received support from UKTI Trade South East to help raise its international profile. The merged company, RegenaStar, aims to become the world's first genuine fairtrade fuel company, based on social and ethical standards, with transparent operations. The venture helped the company to win the 'Engineering the Future' Award at the National Business Awards in 2007.

UKTI's Passport to Export helped Regenatec to fund market visits and commission market research reports for India, where local partners are essential for success. With the help of UKTI's specialist advisers, the company established a link with India's CleanStar, a company that specialises in ethically produced agro-fuels and has intimate knowledge of the Indian market, providing a perfect fit with Regenatec's plant-oil fuel technology.

e-conomic

Sector: ICT
Location: Reading, Berkshire
Country of Origin: Denmark

e-conomic is a Danish company with an innovative, internet-based accounting system aimed at small and medium sized enterprises (SMEs). The company was launched in 2003 and expanded into Sweden and Norway in 2006. The UK was chosen as the right place for further expansion because it has over four million SMEs, representing a huge potential market for the company to tap into following its successes in Scandinavia. The UK headquarters were established in Reading in early 2007 and the company expects to employ 20 staff within three years.

Anders Bjørnsbo, International Business Director of e-conomic International, said "We found that Reading, in the South East of England, is home to many suppliers of products that complement e-conomic. It was crucial to our expansion plans to be close to potential business partners, so we decided to explore Reading further".

Deltex Medical

Sector: Medical Devices
Location: Chichester
Trade Market: Germany, Japan, Saudi Arabia, Iran and Russia

Deltex Medical is a Chichester based company that manufactures and sells medical monitors that help patients recover from the effects of surgery. Deltex Medical started exporting in the 1990. In 2006 UKTI provided advice that enabled Deltex Medical to sell directly in Germany and introduced them to a regulatory company in Japan. The company now has a large distribution network in over 40 countries and is developing successful operations in Asia, US, Latin America and the Middle East. UKTI helped the company benefit from the Tradeshow Access Programme, providing funding to attend the Arab Healthcare tradeshow in Saudi Arabia. This has led to Deltex Medical signing contracts with three new distributors and making sales in Saudi Arabia, Iran and Russia.

Andy Mears, International Sales Director at Deltex Medical, said "We are delighted with the assistance we have had from UKTI. They have enabled us to reach markets we would never have invested in and provided us with valuable information on how to improve our overseas sales activities. We have also been able to get tips on business etiquette which has stood us in good stead when exporting to countries which have a very different business ethos to here in the UK".

PARTEC

Sector: Healthcare Technology
Location: Canterbury, Kent
Country of Origin: Germany

German firm PARTEC, which specialises in measuring devices for the life sciences sector, recently opened an office at the Canterbury Enterprise Hub. The new site provides technical, scientific and sales support for PARTEC's Flow Cytometry products, which accurately measures particles in a wide range of biotechnology areas. PARTEC were given advice and support by UKTI, SEEDA and Locate in Kent to assist in setting up their UK operation in Kent.

Jane Wood, Chief Operating Officer of PARTEC UK, said: "We chose to locate our UK office in Kent because of the Hub's superb facilities. The offices and lab space, and excellent support from the Hub Director, means this is the perfect location. The site also has excellent links to London, and airports such as Stansted and Gatwick, which are essential for an international company like PARTEC".

Linden Lab

Sector: Creative
Location: Brighton
Country of Origin: US

Linden Lab, the developer of Second Life, the largest user-generated 3D virtual world on the web, have set up a development office in Brighton. Second Life has an international population and thriving economy, with many of the world's largest organisations having an in-world presence.

Headquartered in San Francisco, Linden Lab has over 250 employees across the world. Amsterdam, London and Berlin were all potential locations for their European base during early stage research. Linden Lab however chose to set up their operation in Brighton which will create 30 plus jobs in the city. SEEDA will continue to support the company as it grows its European business.

"Linden Lab was keen to establish a European HQ as we have over 40% of our residents there and it would give us access to the large skilled labour force. We are glad we chose Brighton due to its vibrant cluster of digital media companies. SEEDA has many useful contacts and helped us connect with the local community as soon as we arrived."

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Impact of FDI on the Economy

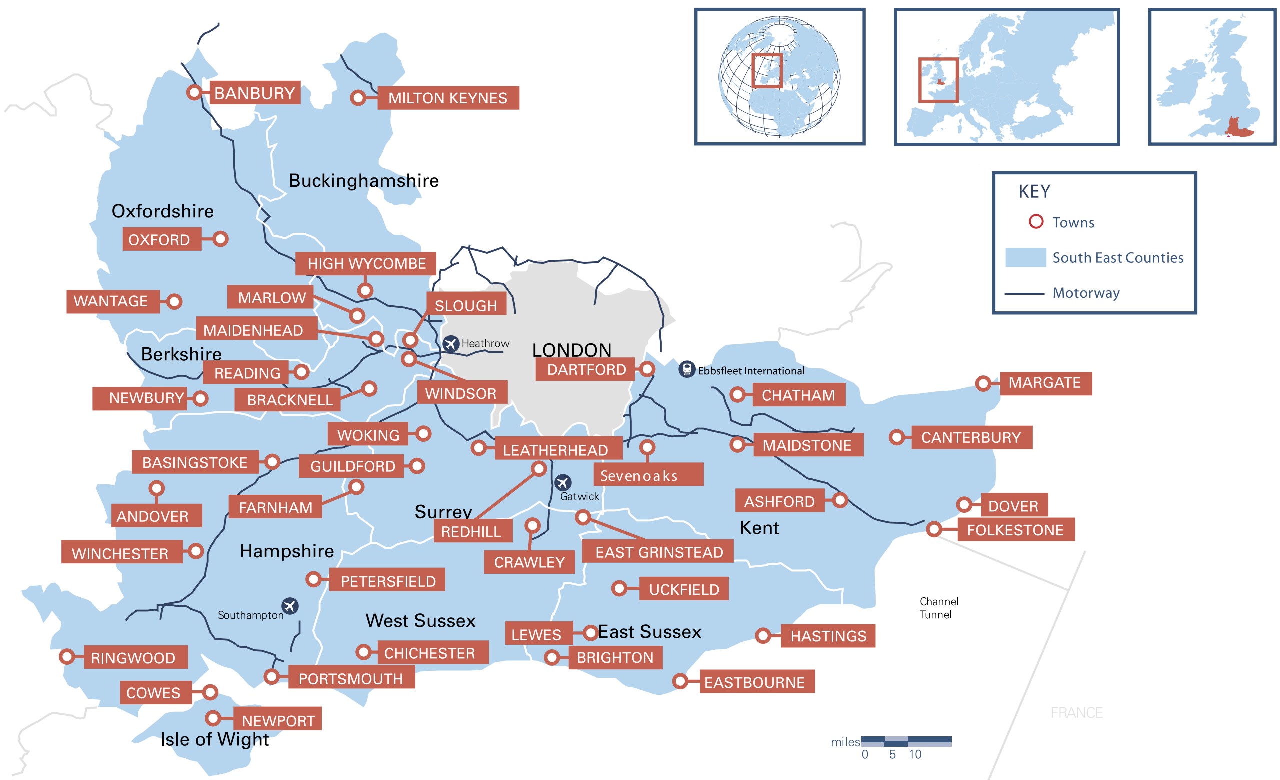
During 2007, SEEDA commissioned SQW Consulting to undertake an economic impact assessment of FDI on the South East economy.

How does inward investment benefit the South East?

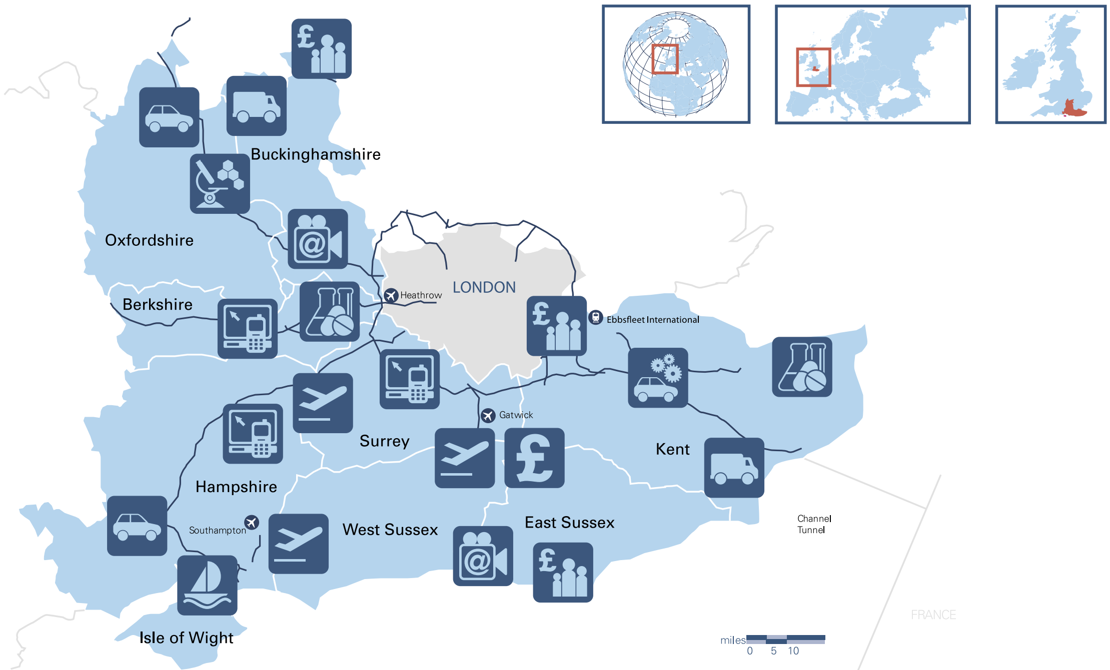
- 5,100 foreign owned enterprises generate a regional GVA of £45.5 billion, which is roughly 27% of the regional total.
- They also directly and indirectly support a total of 825,000 employees, which is about one in five employees in the region.
- Employees are extremely productive, with GVA per employee 75% higher in foreign owned firms than in UK owned firms.
- Since 2005 the number of foreign owned enterprises has increased by 34% in comparison with an 8% increase in UK owned enterprises; and the number of people they employ has grown by 43% compared with a decline of 3% in employment by UK owned enterprises.

Why do these companies choose the South East?

- Of the companies that have invested in the South East, the top reasons for setting up an operation in the UK were to serve the UK and European market, to be close to a customer also setting up an operation and to be close to important centres of expertise in the industry.
- The most quoted reason for choosing the South East is its attractiveness as a physical location. This comes slightly ahead of the availability of skilled labour, proximity to major customers and quality of life.



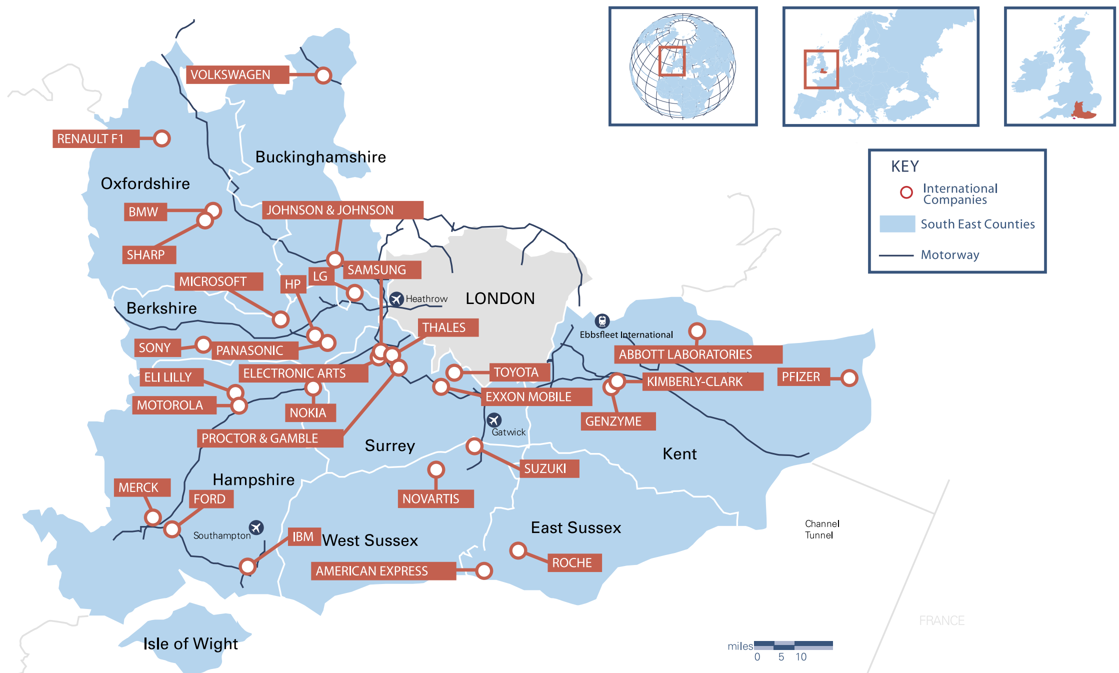
Business Clusters



How does SEEDA help overseas investors?

- The most valued services provided by SEEDA were obtaining market intelligence, introducing inward investors to a ready-made network of contacts, acting as the interface for companies with the range of local business services, guiding them through the various stages of setting up in a new location and 'making it happen'.
- Businesses supported by SEEDA are generally more likely to have HQ status, are slightly larger and are more optimistic about growth than the average company.
- 88% of supported companies surveyed reported SEEDA's services as excellent or good.

Top Companies



Services

SEEDA

SEEDA helps companies from overseas set up and/or expand their operations in the South East of England. To do this SEEDA offers a professional, confidential and free service which aims to save businesses valuable management time and money. A dedicated client manager will assist a company by understanding their key business drivers and tailoring support to meet their needs. The manager will provide the following services:

BUILD A BUSINESS CASE AND MARKET RESEARCH

Provide intelligence on South East

- Sectors/industries
- Companies
- Labour force

Organise fact finding visits to the region

ESTABLISH A PRESENCE

Property Searches

Introductions to professional service providers to help with:

- Tax considerations
- Registering a business
- Bank accounts
- Employing people
- Relocating staff
- Leases

BECOME MORE COMPETITIVE IN THE SOUTH EAST

Expanding premises

Access finance and business support

Recruitment and training

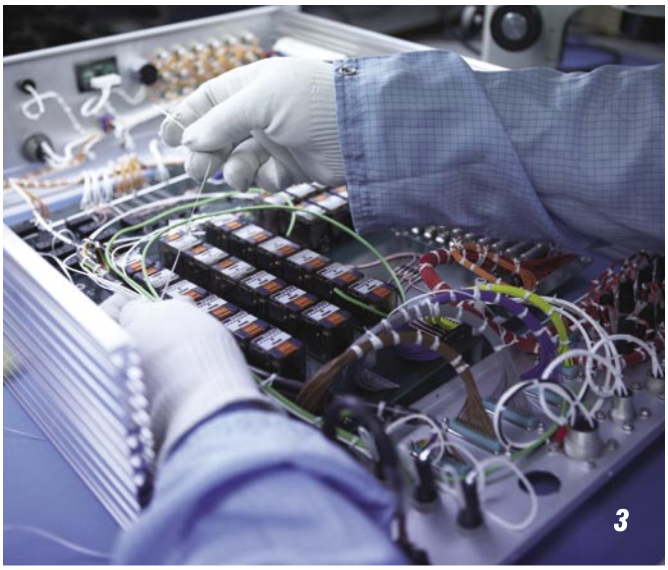
Reducing the cost base

Network: **Introduction to industry associations and networks and local organisations. Source R&D partners, including universities and private companies.**

SEEDA has a network of representatives based in eight countries around the world. For further information, please visit the website at:

www.investsoutheastengland.co.uk/contactus

Tel: +44 (0)1483 474200



UKTI Trade South East

Through a team of locally based market and sector experts, UKTI Trade South East helps UK based businesses succeed in international markets. To do this, UKTI offers one-on-one advice and guidance, market intelligence, information on opportunities and practical support to make things happen.

- Our Passport to Export initiative brings together many of our services and, combined with one-on-one support with our advisers, assists companies to grow their business internationally.

- Bespoke research into potential markets can be provided for specific goods and services in key business sectors. This is carried out by the Commercial Officer on the ground in the target market.

- Other opportunities include:
  - help with identifying potential partners,
  - networking with key market contacts in the impressive surroundings of UK Embassies, High Commissions and Consulates,
  - attending major international trade shows or taking part in the many British Trade Missions that visit overseas markets each year.

For further information, please visit the website at:

www.uktisoutheast.com / www.uktradeinvest.gov.uk

Tel: +44 (0)8452 789 600

Photography

Front cover	Top row left to right: courtesy of South East Health Technologies Alliance (SEHTA), Skandia Cowes Week and Thales UK. Bottom left: BMW Mini factory, Nr Oxford
Image 1	Courtesy of Ilika Technologies
Image 2	Courtesy of Screen South
Image 3	Courtesy of Surrey Satellite Technology Limited (SSTL)
Image 4	Green Park, busines park in the Thames Valley