INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS

2019-20

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ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

Laid before the Northern Ireland Assembly under Paragraphs 17(5) and 18(2) of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 by the Department for the Economy.

on

16 September 2020

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

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Contents

Performance Report

Overview

The purpose of the overview section of the Performance Report is to give you sufficient information to understand Invest Northern Ireland (Invest NI), its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Chair's Statement

I never could have imagined when I accepted the role as Chair of Invest Northern Ireland that the financial year would end with such uncertainty, challenge and concern.

We were already planning for uncertainty and challenge as the practical aspects of Brexit, as they apply to Northern Ireland (NI), began to be understood, but no one could have predicted COVID-19 and the impact that it has had on every nation across the globe. The human cost and suffering has been devastating to see, and on a scale that is somewhat incomprehensible.

The economic impact of COVID-19 and the actions government has to take is hard to gauge at the current time, but it is clear that the pathway to recovery is uncertain. We have seen many businesses furlough staff or face the difficult decision to make employees redundant, and some may face an even more difficult decision to close completely. The long term impact on global markets will mean that many businesses face uncertainty for some time and have to make challenging decisions about how to either adapt, shift or completely change their business model in order to survive.

This review of the 2019-20 business year is not the place for me to talk about how we plan to support businesses to meet this challenge, but I would like to stress that we will do everything within our abilities to help.

Reflections on 2019-20

It is difficult to talk about success and the positive impact of our work over the past 12 months when the reality we are in right now, at the time of writing, is so very different. But, as a public body it is a requirement that we demonstrate, through this Annual Report and Accounts, how we have used the public funds assigned to us and the impact of our work.

3 year progress towards Business Strategy Targets

Over the course of this business strategy period every £1 of assistance we have offered has contributed towards £5 of investment in the local economy.

Performance Report

Overview

	2017*	2018*	2019*	Cumulative Progress Towards Target	2017-2021 Business Strategy Targets
Additional Jobs	11,005	9,087	9,021	29,113	30,000-40,000
All Sales (£bn)	1.7	1.5	1.3	4.5	£3.2-£4.2bn
External Sales (£bn)	1.3	1.3	0.9	3.5	£2.4-£3.1bn
Export Sales (£bn)	0.8	0.8	0.4	2.0	£0.8-£1.2bn
Increase in Business Expenditure on Research & Development (R&D) (£m)	14.8	10.7	TBA	25.5	£160m - £200m

*Refers to the year in which the growth was recorded.

As the table shows, year three saw further growth. Job growth remains consistent with previous years and has brought us to the cusp of the bottom end of our target range. 2019 export and sales growth is slightly lower than in the previous two years, but overall we have surpassed the upper range of the Business Strategy targets for each of these variables.

Our final target is to support increased Business Expenditure on Research & Development (BERD) by £160m-£200m over the four year period. Progress towards this is measured via the annual NISRA report which is released each autumn for the previous calendar year. This is a time lagged measure designed to report the total amount of R&D investment by all companies in NI.

In 2018, Northern Ireland increased its BERD by £10.7m to £549.3m. Whilst the overall level of R&D investment has grown by more than 30 per cent over the last five years I am particularly proud that Small and Medium-sized Enterprise (SME) expenditure on R&D has increased by 64 per cent over this same period to a record level of £314m.

Our ambition for business innovation is greater than the growth trajectory for this measure and we have invested in additional innovation activities to drive this over the last year, including innovation accreditation and innovation voucher schemes. We have also actively stimulated and supported a number of significant R&D projects through the year, and in 2019-20 Invest NI has supported total new investment amounting to £79m. However, even with this additional investment we are likely to miss this target of increased BERD investment over the four years of the Business Plan.

At this point I would like to take this opportunity to acknowledge and thank the Invest NI team for their dedication and professionalism manifest in this three-year performance.

Looking Ahead

2020-21 is the final year of our current Business Strategy but we already know that our focus will have to shift to supporting recovery. The true impact of COVID-19 on our economy, and on the global economy, will not be fully known for a while but we are under no illusion it will be significant – the recovery in various sectors will differ in terms of both scale and pace, as different markets re-open.

Performance Report

Overview

There will be challenges for us all – public and private sector alike. Some businesses will be relatively unscathed, others will emerge stronger. Some will have a short to medium term downturn, and, sadly, others may never recover at all. We will respond to the situation and support government and businesses in whatever way we can.

Our focus will be on providing province-wide solutions delivered in collaboration with partners. We will provide comprehensive support and guidance to help businesses to review their own strategies and deliver targeted assistance to help businesses address the specific challenges, such as providing a safe working environment, raised as a result of COVID-19. We will help companies innovate, embrace digitisation, seek new markets and invest in staff, so they can improve their overall competitiveness and be at the forefront of the global recovery.

The future will not be the same as the past but we will use every opportunity to help rebuild a globally competitive and more sustainable economy that works for everyone.

New Governance and leadership

I became Chair of the Invest NI Board in August 2019, following seven years as a Board member. I knew it would be a busy role – preparing for Brexit, beginning work on the next Business Strategy for 2021-22 onwards, and recruiting a new Chief Executive – but my first eight months have been quite a whirlwind!

I would like to acknowledge the hard work of my predecessor Mark Ennis and thank him for his guidance as I took over the baton, and to recognise the impact and leadership of our previous Chief Executive, Alastair Hamilton. In his 10 years as Chief Executive, Alastair ensured customer focus and effective execution remained central to everything the organisation delivered.

In October we welcomed our new Chief Executive Kevin Holland to the team, officially taking on the role of Accounting Officer of Invest NI in November 2019. Kevin and I have spent a lot of time meeting business organisations, councils, stakeholders and businesses. These meetings have been crucial. We have listened to feedback, discussed issues and built relationships that will help shape our thoughts and ambitions for Invest NI. We see so much potential for what this organisation can do, enhanced through effective partnership and collaboration.

Following several years absence, the return of the NI Assembly and re-establishment of the NI Executive was widely welcomed. Our Ministers play such a vital role as leaders both locally and internationally and I look forward to working with our Minister, Diane Dodds, and her colleagues across all Departments to support the Executive's vision for Northern Ireland.

There have been a number of other changes in our Board and the leadership team within Invest NI. We said farewell to three longstanding Board members – Ken Nelson, Gerard O'Hare and Scott Rutherford. The four of us joined the Invest NI Board at the same time so I have had the pleasure of working closely with them all, and I know the dedication each brought to their eight years as Board members. I would like to thank them for their commitment to the Invest NI Board and wish them all well for the future.

Performance Report

Overview

Coinciding with the start of the new financial year, we welcomed five new Board members: Kieran Kennedy, Managing Director of O'Neills Irish International Sports Company Limited; Colin Coffey, Chair of the Agri-Food & Biosciences Institute; Marie-Therese McGivern, Chair of a number of bodies, and Non-Executive Director of the Strategic Investment Board and NI Water; Kevin Kingston, Chief Executive of Danske Bank; and Michael McQuillan, Chief Executive at Enterprise NI.

Within the Executive Leadership Team we said farewell to Olive Hill, Executive Director of Business Strategy Implementation, following a long and varied career in economic development. We have also offered our best wishes to our Executive Director of HR, Amanda Braden, at the start of this new financial year as she takes a career break. We wish both Olive and Amanda well with their future plans and thank them for their leadership, professionalism and dedication during their time at Invest NI. As well as saying farewell to some colleagues, we welcomed Alan McKeown as Executive Director of the Regional Business Group and Denise Black as Executive Director of HR.

Conclusion

Given the scale of the impact of COVID-19 on the local economy and the number of businesses adversely impacted the focus of the Board and leadership team within Invest NI will be to support government to deliver its COVID-19 economic recovery plan.

An extensive programme of work will be required to support businesses through this recovery and to keep Northern Ireland "front of mind" in international markets. I have no doubt that the team at Invest NI will work hard to deliver this and that every effort will be made to help businesses rebuild, repurpose and recover.

Rising to the challenge ahead of us will take a combined effort, but the Northern Ireland business community has proven itself capable of meeting challenges before. Opportunities exist and it will be by embracing change and grasping these opportunities that we can ensure Northern Ireland is amongst the first and the strongest economies in the recovery.

RM Stalker

Rose Mary Stalker
Chair
Date: 11 September 2020

Performance Report

Overview

Chief Executive's Review

As Rose Mary has commented above, none of us could have predicted the current human health and economic crisis facing many countries across the globe. This crisis places a different lens on our review of the 2019-20 financial year, and we recognise that many of the hard earned gains that have been made will have been negatively impacted by COVID-19.

COVID-19 Response

Our initial focus has been to provide fast, clear official information to support businesses and stakeholders in their decision making. Our Business Support Team responded to unprecedented levels of calls as companies tried to navigate the business challenges and understand their eligibility for government support. Our free-to-all information website nibusinessinfo.com has been the primary source of up-to-date information on national and regional government schemes. We have also partnered with business experts to deliver wide ranging webinars on managing through this crisis.

The resilience and agility of companies across Northern Ireland was both impressive and inspiring, whether quickly switching production to make Personal Protective Equipment supporting the Government collaborations for ventilators or demonstrating Northern Ireland's cybersecurity resilience in assuring continuity for global IT centres. We were glad to contribute a central role in matching government need with business expertise and supporting our health service and wider society.

For Invest NI and its staff, we moved swiftly to remote working in March across all our offices, locally and internationally. Our own global systems preparedness allowed us to rapidly and seamlessly offer full level of support to businesses and our customers while working remotely from homes around the world, in line with local guidance. As each country begins to emerge from the 'stay at home' COVID response, we will review and implement a planned and phased return to office working and field working where and when it is safe to do so.

Passion and determination

When I moved to Northern Ireland in October last year I was struck by the warmth of the welcome I received here, both personally and professionally as well as the true talent I saw in the Northern Ireland business community. And as I spent much of my time in the initial months at Invest NI getting out and meeting people, this first impression was reinforced by the unique and extensive expertise apparent in many sectors here. During my visits to companies right across the province I was greatly impressed by the (often quiet) determination and passion of business owners and their teams.

My visits included companies of all sizes and from different sectors and it gave me a real opportunity to see first-hand the breadth of what Northern Ireland has to offer, whether small companies like signage manufacturer Sign Reload in Dungannon or Lisburn-based technology firm Connected Care which have invested heavily to increase exports.

Performance Report

Overview

I also visited some of our larger companies like Armstrong Medical, when I had the pleasure of announcing the company's expansion of its manufacturing facility in Coleraine. The company exports respiratory products to over 60 countries, and has seen its production output treble following global orders for its products due to COVID-19.

Bangor-based manufacturer Denroy Plastics was a super technology company which graciously welcomed me as it announced its injection moulding technology had achieved Boeing qualification. Such recognition is not only great for the company but a ringing endorsement of Northern Ireland's aerospace sector as a whole.

Innovation and Competitiveness

At the root of competitive success is the ability to innovate – to continually review your technology and business' performance and look for ways to improve efficiency, to refine and reinvent a product, or to break into a new market.

Northern Ireland has many innovative companies but according to the official Innovation Survey, the region falls behind the rest of the UK. However, every day we are working with and supporting companies of all sizes to innovate, but they may not always identify it as such. For this reason, on behalf of the Department for the Economy (DfE), Invest NI launched a new initiative, Innovate NI, to help generate awareness of the importance of innovation and increase the number of Northern Ireland businesses successfully engaging in innovation activity. We are partnering with local councils and further education colleges to deliver this initiative.

Innovate NI provides practical advice for businesses on how to become more innovative and how to keep successfully innovating. The programme also includes a unique Northern Ireland Innovation Accreditation Scheme, awarding bronze, silver, gold or platinum level award in recognition of their current level of innovation. To date 381 businesses had received an Innovation Accreditation Award, with 34 awarded platinum status, 18 gold, 276 silver and 53 bronze, as at the end of the financial year.

Brexit

In addition to our advice and support for growth projects, we also provided tailored specific support to help businesses prepare for Brexit. We launched an online tool, completed by 1,300 companies, to help them assess what areas of their business could be impacted by Brexit and highlight support available to help address this. We ran a series of free seminars and workshops open to all businesses, with presentations from specialist advisors on customs, taxation, transport and logistics, strategic sourcing, immigration, and legal. Over 1,500 company representatives attended our Brexit Workshops, and nearly 500 received 1:1 Specialist Advice.

Performance Report

Overview

We also introduced a Brexit Preparation Grant, providing up to £50,000 support to help businesses prepare for Brexit. By the end of the financial year we had issued 101 grants to a total value of just over £3.2m since the fund launched in January 2019.

Investment and jobs right across Northern Ireland

We provide an extensive range of advice, support and guidance to all businesses throughout Northern Ireland. This includes a wide range of open workshops and seminars, our Business Information Centre and Business Support Team which provide guidance and signposting, and our website nibusinessinfo.co.uk which provides free access to the latest business information.

Over the latter few months of 2019-20 we received questions on the balance of our support across Northern Ireland's regions, in particular in attracting inward investment. As a public body we expect, and understand, the scrutiny we receive. However, our goals and actions are purposefully designed to grow a regionally balanced economy and we will ensure this focus is amplified.

Our financial support packages are designed to help export focussed businesses grow. Last year, three quarters of the businesses we financially supported were based outside Belfast, as it has been for at least the last five years, and similarly for 70 per cent of our financial offers.

We are often asked about how we promote different parts of Northern Ireland to potential foreign investors. Attracting foreign investment is highly competitive where we are often competing against cities with larger populations than the whole of Northern Ireland. For that reason we sell Northern Ireland as a whole. However, we are working closely with all 11 councils to help them develop their investment propositions and identify USPs to attract more investors to their area and tailor the different offers to investor demand. We have also supported a number of councils with visit programmes to the US and UAE to help promote their area. Last year we attracted 28 new investors to Northern Ireland, a powerful performance.

Future Focus

Undoubtedly the impact of COVID-19 on businesses and the NI economy will shape the focus of our work in 2020-21, and beyond.

As we move from emergency response into recovery phase, we are maintaining regular contact with our customers and really listening closely both to provide advice and guidance and to provide strong evidence for potential NI Executive recovery pathways. As a delivery body for government, we will respond rapidly to the economic development policies the NI Executive develops and will either develop or adapt support measures to deliver these policies and help rebuild Northern Ireland's economy.

Performance Report

Overview

I am confident that the determination and passion that I witnessed when I visited companies in my initial months will help many businesses overcome this current challenge. And as markets begin to reopen, Northern Ireland's unique position and relationship with the US to the west, and Great Britain, Ireland and Europe to the east and south, will place us in a strong position to rebuild our exports, attract investment, stimulate innovation and bring money into Northern Ireland to refuel our economy and fund wider public priorities.

KHolland.

Kevin Holland
Chief Executive
Date: 11 September 2020

Performance Report

Overview

The purpose and activities of the organisation

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

As the regional business development agency, Invest NI's role is to grow the local economy. We do this by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland.

We are part of the Department for the Economy and provide strong government support for business by effectively delivering the Government’s economic development strategies.

In addition to the Bedford Square headquarters, Invest NI also has other offices in Northern Ireland, Great Britain, Republic of Ireland, Continental Europe, North America, Africa, the Middle East and in Asia-Pacific. The activities of the overseas offices support a wide range of Invest NI’s economic development objectives by promoting Northern Ireland as a prime location for investment and developing trade opportunities for Northern Ireland’s companies.

The consolidated financial statements include the results of Invest NI and its subsidiary undertakings: Northern Ireland Co-Operation Overseas Limited (NI-CO); Bedford Street Developments Limited (BSDL); MRDE Limited; Bedford Street Management Company Limited; and MRDE FM Limited. Invest NI owns the entire ordinary share capital of NI-CO and the BSDL Group, which is further disclosed in note 10 to the accounts.

Key issues and risks

There is no doubt that the impact of the COVID-19 pandemic has introduced a huge amount of uncertainty that will continue to affect the group’s operations for some time to come. In line with its Risk Management Strategy and Policy, Invest NI has taken a systematic and proactive approach to identifying and articulating the risks associated with the pandemic. It has developed a COVID-19 risk register that is focussed on the following areas:

1. The safety and wellbeing of our staff and their families;
2. Invest NI business continuity;
3. Business continuity in the Northern Ireland economy;
4. Information and decision making; and
5. Invest NI’s objectives and strategy.

We will continue to identify and mitigate the key risks associated with the COVID-19 pandemic.

There are a number of other risks and uncertainties inherent in the group’s operations that could have a significant impact on its business, results and financial position. The Risk Management Strategy and Policy sets out the processes for identifying, managing and recording those risks. The most significant business risks, with a residual risk rated as “very high”, are reported to DfE with updates provided quarterly.

Performance Report

Overview

Four such risks are detailed in the table below along with a risk relating to the UK's exit from the EU that is rated as 'high' and that will continue to affect the group's business in 2019-20.

Risk	Residual Risk Rating
Risk of insufficient skills availability to meet demands of existing and potential Invest NI customers	Very High
Uncertainty over budget allocation affecting Invest NI's ability to honour commitments to clients and deliver corporate objectives.	Very High
Failure to identify, work to and deliver against objectives that appropriately reflect PfG targets	Very High
Potential for staff resourcing to be insufficient to execute Corporate Plan and meet Business Strategy objectives	Very High
Following the vote to leave the EU, there is considerable uncertainty over trade, EU funding, migration and business regulation. Depending on the nature and timing of UK exit, there is a risk of an adverse impact on NI levels of exporting and FDI, resulting in failure to meet key Invest NI corporate objectives in the short to medium term.	High
Failure to focus on changing customer needs in the face of changes in the global or national economic climate	High

Further details about these risks, include their potential impact and the strategies adopted by the group to mitigate them, can be found on page 13, while further information on the group's risk management process through our risk and control framework is at page 44.

Performance Report

Performance Analysis

The purpose of the Performance Analysis section is to provide a detailed performance summary of how Invest NI measures its performance, more detailed integrated performance analysis and long term expenditure trend analysis.

2019-20 Targets and Achievements

Our Business Strategy 2017-2021 provides a clear indication of how Invest NI will contribute to the delivery of the outcomes of the Northern Ireland draft Programme for Government and the associated draft Northern Ireland Industrial Strategy - Economy 2030; by:

- Supporting and encouraging 30,000 - 40,000 additional jobs;
- Increasing business expenditure on Research and Development by £160m - £200m;
- Supporting customers to increase total sales by £3.2bn - £4.2bn, of which £2.4bn - £3.1bn will be sales outside Northern Ireland, including £0.8bn - £1.2bn of new export sales.

Business Strategy Outcome Targets 2017-2021

Invest NI's annual performance is reported from a set of Key Performance Indicators (KPIs) from a portfolio of approximately 1,700 customers with whom we have an account-managed relationship. By gathering and reporting on this data we monitor progress towards the headline outcomes of our Business Strategy,

Key KPI results indicate a strong performance by these customers in the 2019 calendar year.

KPI	2017 Outcome*	2018 Outcome*	2019 Outcome*
Additional New Jobs Created	11,005	9,087	9,021
Total sales growth	£1.7bn	£1.5bn	£1.3bn
External sales growth	£1.3bn	£1.3bn	£0.9bn
Exports sales growth	£0.8bn	£0.8bn	£0.4bn
Business Expenditure on R&D growth	£14.8m**	£10.7m**	-**

*Growth figures based on an annual cohort of businesses which have data recorded for consecutive years.

**Growth figures from the R&D Statistical Bulletin. 2019 figures will be available in late-2020.

Operating Plan 2019-20 Targets

KPI data is gathered and reported annually. The activity measure targets within our Operating Plan have been specifically chosen as they drive the delivery of our Business Strategy outcomes and their progress can be monitored and tracked in-year.

Overall performance within the Operating Plan 2019-20 was very good, with 18 of the 20 activity measures met or exceeded. Performance against the key measures of the Operating Plan 2019-20 are summarised below, while the various factors which influenced 2019-20 performance are explored in the Chair's Statement and Chief Executive's Review.

Performance Report

Performance Analysis

Invest NI fell just short of the 2019-20 target for Total Investment in R&D as one large project proceeded without Invest NI assistance. It should be noted however, that the Four-Year Operating Plan Target for Total Investment in R&D target has already been achieved.

Activity	Target 2017-21	Progress 2017-18	Progress 2018-19	Progress 2019-20
1. Total Assisted Jobs	16,000 - 24,000	4,467	5,728	6,254
a) Assisted Jobs from **locally-owned** companies	8,800 - 13,400	2,777	3,138	3,667
b) Assisted Jobs from **externally-owned** companies	7,200 - 10,600	1,690	2,590	2,587
of which:	of which:	of which:	of which:	of which:
c) Assisted Jobs from **first time inward investment**	5,340 - 7,700	820	1,120	1,386
2. Total Investment in Innovation	£64m - £80m	£20m	£20m	£17m
3. Total Investment in R&D	£400m - £700m	£131m	£255m	£79m
4. Total Investment in Skills	£130m - £170m	£24m	£47m	£46m
5. Companies entering New Markets	600 - 800	260	335	300
of which:	of which:	of which:	of which:	
a) Companies selling **outside NI for the first time**	300 - 400	107	175	135

Invest NI revises performance data on a regular basis to ensure that it reflects implemented projects; for this reason the data above may differ to previously published information.

Internal Audit Service (IAS) has completed a verification exercise of the performance data and is satisfied that the activity outturn for 2019-20 reported by Invest NI has been accurately stated, and presents a true and fair view of activity for the period.

2020-21 Targets and Goals

Invest NI, along with stakeholders and economic partners, stands ready to take all necessary steps to facilitate the restart and recovery of the Northern Ireland economy following the unprecedented impact of the COVID-19 global pandemic. We will prioritise the delivery of the NI Executive's Recovery Plan; where required implementing new and adapted national and local initiatives to aid recovery.

Given the significant changes to the external environment and in consultation with the Department for the Economy, priorities, resources and Operating Plan targets in 2020-21 will be allocated / reset to help businesses manage uncertainty and ensure the long-term sustainability of our economy.

Performance Report

Performance Analysis

KPI Risk

The risk and control framework of Invest NI is explored in detail in the Corporate Governance Report. Risks specific to the KPIs are regularly reviewed and assessed by our Executive Leadership Team as part of our ongoing risk management arrangements. These include risks to the quality and timeliness of the KPI data, as well as the survey completion rate by customers.

Risk Profile

Invest NI's goal is to transform Northern Ireland into a truly world-leading, internationally competitive economy that provides opportunities for all. In order to deliver this objective, we must understand the risk/reward profiles of what we do to an even greater extent than other public sector bodies.

The Risk Management Strategy and Policy sets outs the organisation's proactive approach to the identification, evaluation and cost effective control of risks, to ensure that they are either eliminated or reduced to an acceptable level. We recognise that risk can rarely be eliminated completely but encourage all staff to understand the nature of risk and accept responsibility for risks in their area of authority. We mitigate risk through good policy and process but also through instilling the right attitude and awareness across our team.

The 2019-20 year marked the third year of Invest NI's four year Business Strategy period. Strong performance to date against the objectives set out in the strategy has been overshadowed by the COVID-19 pandemic, which has introduced a level of uncertainty that will continue to affect Invest NI's operations as we look beyond the immediate impact and toward recovery.

Invest NI has identified a number of key risks relating to COVID-19 and has established a specific risk register to complement the existing Corporate Risk Register. Risks are categorised within the following priority areas:

1. The safety and wellbeing of our staff and their families;
2. Invest NI business continuity;
3. Business continuity in the Northern Ireland economy;
4. Information and decision making; and
5. Invest NI's objectives and strategy.

These priority areas reflect the need to address risks arising in the immediate response to the pandemic, for example: ensuring that our staff and their families are not exposed to the risk of infection; ensuring that Invest NI operations can continue while staff are working remotely; assisting in DfE's response to the short-term financial impact of the lockdown; and assessing and meeting the short-term needs of our customers. We are also considering the risks associated with longer-term recovery plans, for example: tailoring our support to meet the long-term needs of our customers; the impact on Invest NI objectives going forward.

We will continue to develop the COVID-19 Risk Register so that we can identify and mitigate those risks that have the potential to impact on the economy and our ability to contribute towards recovery.

Performance Report

Performance Analysis

There are a number of other risks that have impacted the organisation during 2019-20 and that have the potential to continue to do so. The following table details those key risks, how they have been mitigated and their potential impact on our future plans and performance.

Risk	Potential Impact	Mitigating Actions
Following the vote to leave the EU, there is considerable uncertainty over trade, EU funding, migration and business regulation. There is a risk of an adverse impact on NI levels of export and Foreign Direct Investment.	The uncertainty over the UK's future relationship with the EU has the potential to impact on business confidence particularly in terms of investment and exporting. There is a need to ensure that the requirements of NI businesses are represented in the exit negotiations to ensure that NI is not disproportionally affected.	A detailed EU Exit Action Plan is in place, which is being updated on a monthly basis. Dedicated EU Exit team established. Extensive business engagement collating information on EU exit issues and implications. These business insights are being shared with DfE to feed into NI Executive Inter-Departmental Co-Ordinating Group. We will continue to monitor ongoing policy development by the UK Government and continue to maintain close contact with colleagues in DfE. As greater certainty emerges, we will consider how these will impact on the delivery of economic policy. Where opportunities exist, these will be maximised to benefit our local economy. We stand ready to roll out a range of advisory support to all NI businesses, as the out-workings of the NI Protocol become clear.
Risk of insufficient skills availability to meet demands of existing and potential Invest NI customers.	Insufficient skills availability to meet demand of customers will (1) impact on productivity of indigenous and established companies; (2) impact on ability to attract new inward investment to NI; (3) restrict growth of indigenous and established companies.	Ongoing engagement with existing client base, potential new investors, Universities and DfE. Supply information to Skills Barometer for articulation of demand and collaborative approach with DfE on the Assured Skills Program to create pipeline of available skills. Collaborative Network planned for each priority sector. Review the impact of COVID-19 on work by other bodies in relation to engaging with the economically inactive. Overall, a consequence of COVID-19 will be a significantly changed labour market, with higher unemployment against lower economic activity, in the short to medium term. It will be necessary to review this risk when the impact of COVID-19 is clearer.
Uncertainty over budget allocation affecting Invest NI's ability to honour commitments to clients and deliver corporate objectives.	As a result of the previous absence of the Executive, a multi-year budget exercise has not been completed. Budgets have therefore been allocated to Invest NI for the 2020-21 financial year but not beyond. This impacts negatively on our ability to plan going forward. The programme budget includes ERDF funds, which will be impacted by Brexit in future years. The COVID-19 crisis has resulted in significant additional budget uncertainty as clients re-think their plans in light of the business impacts of the pandemic.	Budgets were allocated for 2020-21 in April 2020, but uncertainty remains for both resource and capital beyond this financial year. While the material uncertainty around the budget allocation for 2020-21 has reduced as a result of the allocation being made, the COVID-19 crisis has brought additional uncertainty to the situation. We continue to work with DfE on the economic response and will align our budget requirements behind this as quickly as possible. Continue to engage with DfE in submitting bids and supporting information to the Department of Finance (DoF). Continue to explore best use of other funds including FTC and EU funds. Work with DfE to develop an economic response to the COVID-19 crisis and align our schemes and interventions as well as our budget allocations behind these.

Performance Report

Performance Analysis

Risk	Potential Impact	Mitigating Actions
Failure to identify, work to and deliver against objectives that appropriately reflect PfG targets	To ensure that progress is made against known, specified objectives and targets to deliver the PfG goals	ELT monitors monthly progress against all key targets and can implement remedial actions quickly as appropriate. Quarterly Oversight & Liaison meeting with DfE includes Invest NI performance as a key agenda item. Quarterly performance reporting to The Executive Office (TEO) on progress against PfG targets. Full ELT liaison with the Executive, TEO, DfE and all other relevant stakeholders in the creation of NI Assembly's new PfG. The COVID-19 pandemic emerged during March 2020, leading to unprecedented intervention by governments across the world to limit economic activity and minimise the impact on public health. At this point, the focus is on shielding businesses, workers and individuals to avoid an economic crisis becoming a deep recession. The outworkings of COVID-19 on the wider economic context will emerge in the months ahead, the implications of which can be reflected in a new Invest NI Business Strategy and NI Industrial Strategy/PfG. Whilst Invest NI has continued to perform strongly, the risk score has been increased to reflect the substantial uncertainty over the achievement of objectives in 2020-21 including potentially delivering new tasks on behalf of DfE.
Potential for staff resourcing to be insufficient to execute Corporate Plan and meet Business Strategy objectives	If the number of priority vacancies is not reduced to an acceptable level then staffing levels in critical areas will be insufficient resulting in a negative impact on our ability to execute against Corporate Plan and Business Strategy objectives.	ELT to identify and agree priority resourcing for critical areas on a quarterly basis. HR team to work with ELT to continue to progress and monitor the recruitment plan and flag up any need for re-setting of priorities. COVID-19 crisis has further materialised since the end of March and will impact on vacancy list. Likelihood scores (unmitigated and mitigated) have been increased and risk is now in 'Very High' category as a result.
Failure to focus on changing customer needs in the face of changes in the global or national economic climate	An inappropriate product offering could result in the failure to meet corporate objectives, poor delivery of services to customers, confusion and inconsistency of approach. It could also have a negative impact on Invest NI's reputation through adverse publicity	Scoring increased in the March 2020 update as a result of the current volatility of the operating environment due to the COVID-19 pandemic. Invest NI continues to work closely with DfE on a combined emergency response to the impact of the pandemic on the economy. This has included the c£220m Small Business Grant Scheme, the c£80m Hospitality, Tourism and Retail Sectors Grant Scheme and the c£40m Hardship Fund Scheme. In order to reflect our expectation that companies will rethink their plans in 2020-21, we have adjusted our budget focus and submitted a range of bids to the COVID-19 response intervention funds.

The table also describes how the potential impact from these risks has changed throughout the course of 2019-20, in particular how these existing risks have been impacted by the COVID-19 pandemic. This is exemplified by the final entry ('Failure to focus on changing customer needs') where an existing risk, which has featured on the Corporate Risk Register for some time at a relatively low risk rating, has now been escalated as a result of the current situation.

Invest NI also has an Emerging Risk Register that captures those risks that have the potential, if they were to come to fruition, to impact on Invest NI's business but which are relatively remote from the organisation's day-to-day business, either because they are further away from materialising or because they exist on a wider scale than Invest NI can influence through mitigating actions.

The Invest NI Board conducts a horizon-scanning exercise twice a year in order to ensure that all relevant emerging risks have been captured and appropriately assessed and to make recommendations for risks to be escalated to the Corporate Risk Register. This process has led to a number of new risks being placed on the Corporate Risk Register (e.g. the threat/opportunity from AI and automation) and existing risks being augmented to reflect emerging issues.

Performance Report

Performance Analysis

Business Review

Invest NI Budget outturn

- In March 2020 Invest NI, in conjunction with DfE and by Ministerial Direction, delivered the £220m COVID-19 Small Business Grant Scheme.
- Excluding the Small Business Grant Scheme the total net outturn for the year was £106.9m against an allocated budget of £107.8m, a 99 per cent achievement against target.
- Receipts generated in the year, excluding EU programme funding, totalled £24.1m against a target of £23.4m. These receipts related to the disposal of property, plant and equipment, sale of investments, property rental, dividends and loan interest, and the clawback of grant monies to the extent that they have been deemed to be recoverable.

Financial performance and position

Consolidated Statement of Comprehensive Net Expenditure

Total consolidated net operating expenditure for the year, excluding interest payable and corporation tax, has increased from £84.5m to £327.0m.

The increase of £242.5m in consolidated net operating expenditure relates to a £9.0m decrease in operating income and a £233.4m increase in operating expenditure.

The decrease in total income for the year of £9.0m from £71.0m to £62.0m, is mainly as a result of the following movements:

There was a decrease in grant clawback income of £7.0m, as compared with last year. Whilst this can fluctuate year on year, clawback relates to grant amount recovered when there is default on the conditions in the grant offers.

NI-CO turnover has decreased by £2.5m from £13.5m to £11.0m from reduced revenues on contracts.

There was an increase of £1.3m in receipts from the European Commission as compared to last year, reflecting an increase in the related grant expenditure eligible to attract EU funding.

Finally, the investment property in the BSDL group has held its value in the current year, contributing to a £0.8m decrease in income year on year as there was a revaluation gain of £0.8m in the prior year.

Total operating expenditure has increased by £233.4m from £155.5m to £388.9m. The increase in operating expenditure is mainly due to costs of £220m recognised in year in respect of the Small Business Grant Scheme referenced above. The explanations for the additional increase in expenditure of £6.8m are also included in the analysis overleaf:

Performance Report

Performance Analysis

Business Review (continued)

Salary costs within Invest NI increased by £3.5m. Within this gross wages and salaries have increased by £1.6m, and an increase in employer contribution rates for the NICS pension scheme resulted in additional costs of £1.9m. The £1.6m of additional gross salary costs related to UK-based staff of £1.1m and staff based overseas of £0.5m. The UK staff cost uplift was as a result of implementation of the NICS pay award averaging 1.9 per cent in Invest NI as well as an increase of average FTE in post from 584 to 594. Further contributing to the increase was a charge of £0.1m for holiday pay accrued but not taken. The overseas salary costs increased by £0.5m as we continued the roll out of the overseas expansion as outlined in the International strategy.

Purchases of goods and services has decreased by £1.1m from £36.2m to £35.1m. Within this, the costs of servicing contracts within NI-CO decreased by £2.8m from £14.3m to £11.5m as the company delivered a portfolio of higher-margin contracts during the year.' This was offset by an increase in administrative costs of £1.3m, as a result of a foreign exchange loss of £1m this year compared to a £0.3m gain last year.

Depreciation and impairment charges have increased by £2.1m from £1.7m to £3.8m, largely in relation to valuation impairments of £1.8m in certain land and property holdings. Whilst the overall portfolio increased in value by £11m, some individual sites decreased in value.

The provisions charge in respect of grants earned but not yet claimed at year end was £6.4m, an increase of £1m on the prior year charge of £5.4m. This relates to increased liabilities relating to skills offers and a higher volume of large live offers in the marketplace leading up to year end.

Other operating expenditure, excluding salaries, increased by £7.9m from £78.5m to £86.4m. Within this, expenditure on grants has increased by £8.0m with £7.8m relating to increased expenditure on Innovation, research and development. Profits of £2.2m were realised in year on the disposal of some land holdings and financial assets, and recognition of fair value movements and expected credit losses on financial instruments resulted in a charge of £2.4m, an increase of £1.2m on last year. The share of results of associates accounts for an increase in expenditure of £1.1m, as this year we have recorded a charge of £3.4m compared to £2.3m last year. This is measured as the net change in asset value of associates, accounting for any distributions received less the capital contributions paid by Invest NI in the year.

Consolidated Statement of Financial Position

Non-current assets including investments at the year-end were £217.0m, an increase of £20.5m on 2018-19. This is principally due to the following factors:

Property, plant and equipment increased by £9.9m from £70.3m to £80.2m mainly as a result of revaluation movements of £11.0m, additions of £2m and transfers from assets held for sale of £1.6m, offset by disposals of £3.0m (net) and depreciation of £1.7m.

Performance Report

Performance Analysis

Business Review (continued)

Investments in associates has increased by £3.5m from £51.7m to £55.2m reflecting further investment of £19.7m in loan and equity funds, offset by a decrease in valuation of £3.4m and £12.7m of distributions back to Invest NI.

Investments in financial assets increased from £41.6m to £48.8m, mainly as a result of additional share investments through the Co-investment Fund.

Total current assets at the year-end have remained consistent with that of the previous year at £72m, although an increase in cash and cash equivalents of £1.7m has been offset by a transfer of assets back to plant, property and equipment that are no longer expected to be sold within the next 12 months. Within trade and other receivables, there was a £3.8m increase in EU Receivables relating to the timing of receipts by Invest NI from the European Commission. There was a £2.2m decrease in Invest NI recoverable trade receivables due to the timing of receipts. Other receivables, prepayments and accrued income have decreased by £1.7m, related to the timing of invoicing.

Total current liabilities have increased by £161.1m from £76.9m to £238.0m. Of this movement, £153m relates to the element of the £220m Small Business Grant Scheme that was accrued but unpaid at 31 March 2020. An overdraft in the books but not at the bank (as a result of the timing of payments around 31 March) of £4.7m is noted at the year end and trade and other payables, deferred income, and tax and other social security have decreased by £1.6m due to the timing of invoices received and payments made at year end. Provisions have increased by £6.4m in respect of grants earned by 31 March but not yet claimed.

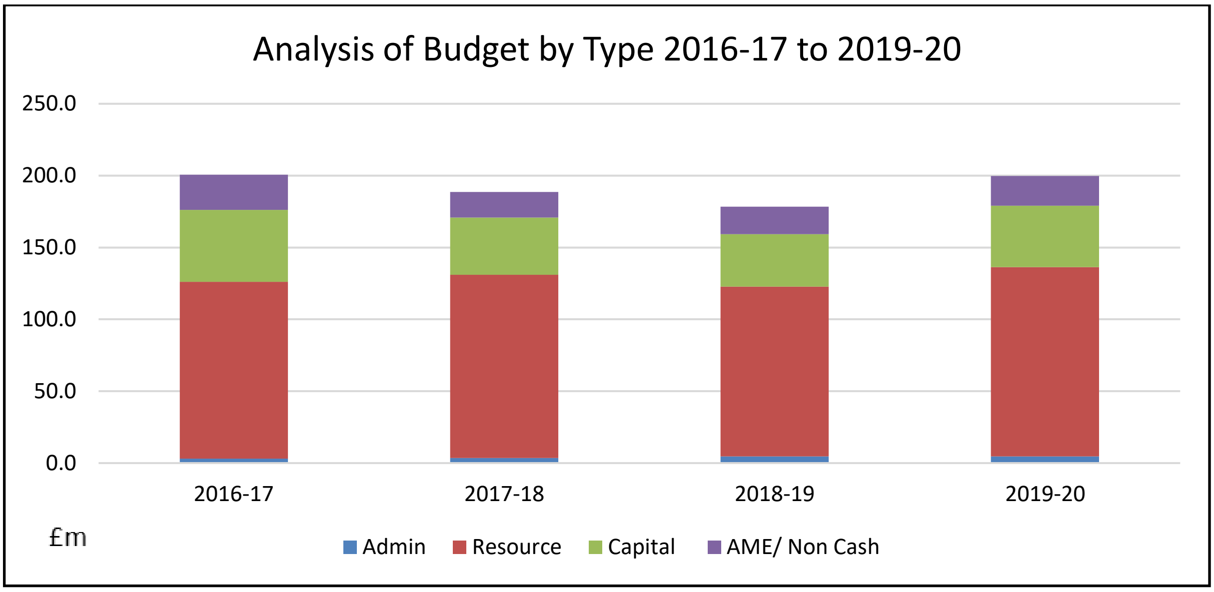
Total non-current liabilities at the year-end were £22.4m, a decrease of £0.5m on the previous year, mainly as a result of a reduction in group borrowings due in more than one year.

Total taxpayers’ equity has reduced by £140m from £169m to £29m. This reduction is as a result of costs of £220m of the Small Business Grant Scheme being recognised in year, while the notional grant-in-aid received and recorded through general reserve in 2019-20 relates only to the amount of £67.7m paid in year. The additional grant-in-aid will be recorded in the 2020-21 financial year as the grants are paid out against the remaining accrual of £153m. Within total equity, the revaluation reserve has increased by £14m as a result of valuation uplifts in property plant and equipment.

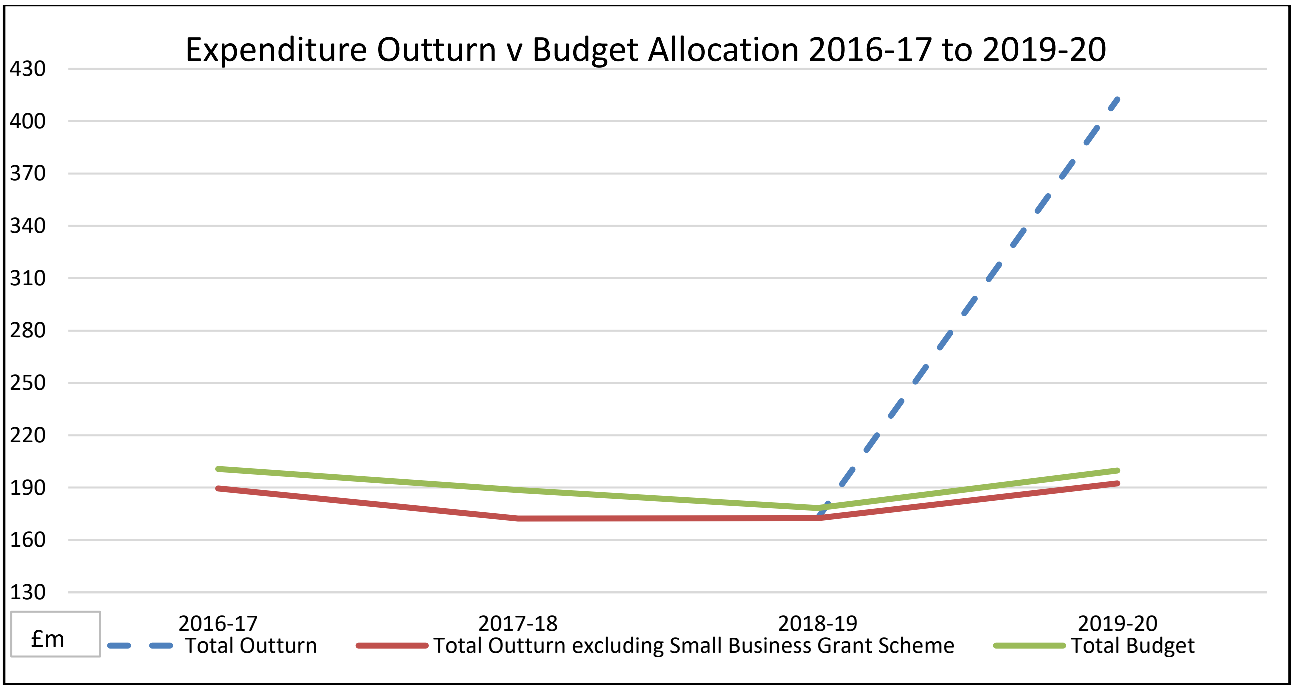
Performance Report

Performance Analysis

Long Term Expenditure Trends



Note: Admin comprises mainly running costs, Resource comprises mainly revenue grant payments and other revenue support to companies, Capital comprises mainly capital grant payments and other capital support to companies. AME (Annually Managed Expenditure)/Non-Cash comprises provisions, asset revaluations and depreciation charges.



Performance Report

Performance Analysis

Long Term Expenditure Trends (continued)

Invest NI assisted in delivering the COVID-19 Small Business Grant Scheme in conjunction with DfE and by Ministerial Direction. While the scheme was approved by the Northern Ireland Executive on 26 March 2020, it was not possible at that stage of the year to adjust the 2019-20 Budget Estimates. This expenditure, which was approved by the Finance Minister has therefore been reported separately on the Invest NI outturn as there is no related budget cover. As the scheme was launched in March 2020, estimated expenditure of £220m is recognised in 2019-20.

	2019-20 Budget Outturn £'000	**2018-19 Budget Outturn £'000**	**2017-18 Budget Outturn £'000**	**2016-17 Budget Outturn £'000**
Total Resource DEL *	**357,017**	**126,544**	**132,315**	**127,764**
Of Which:				
Administration	4,621	4,688	3,512	3,117
Programme – Small Business Grant Scheme	220,000	-	-	-
Programme - Other	130,291	119,902	126,947	123,514
Non-Cash	2,105	1,954	1,856	1,133
Total Capital DEL *	**42,048**	**38,132**	**40,220**	**48,568**
Of Which:				
Capital Grant	26,446	25,305	28,256	28,219
Direct Capital	6,257	3,801	2,767	3,554
Financial Transactions	9,345	9,026	9,197	16,795
Total AME	**13,372**	**7,765**	**(246)**	**13,108**
Total Spending	**412,437**	**172,441**	**172,289**	**189,440**
Total Receipts	**72,181**	**70,594**	**44,726**	**31,134**
Of Which:				
Resource Receipts	9,945	11,927	8,588	8,569
Capital Receipts	14,143	19,303	3,642	3,645
EU Receipts including Recyclables	48,093	39,364	32,496	18,920

* DEL (Departmental Expenditure Limits)

The Total Comprehensive Net Expenditure for the year is reconciled to the Budget Outturn. There are a range of reconciling items between the Comprehensive Net expenditure in the Annual Accounts and the Budget Outturn, for example investments in loans, shares and associates, and the proceeds from the sale of assets.

Performance Report

Performance Analysis

Strategy, Objectives and Future Direction

While our strong performance and outlook has been overshadowed by the unprecedented COVID-19 pandemic and the consequent economic shock that this has caused globally, it is imperative that we look beyond the immediate negative impacts and plan for economic recovery and re-building the future. The COVID-19 pandemic has forced governments and central banks across the world to take extraordinary steps to try to prevent an economic crisis from turning into a deep, long-lasting, global depression. Now they are turning to tailored steps to rebuild the economy.

As we enter the final year of our four-year strategy, it is difficult to predict how far-reaching and sustained the negative impacts of COVID-19 will be on the Northern Ireland economy, the UK and indeed, economies all around the world. This will depend on how effectively governments globally manage the health crisis, the extent to which future outbreaks of the virus re-emerge and how quickly a vaccine and effective treatments can be found.

Significant and specific measures have been taken by the UK Government, the Northern Ireland Executive, DfE and Invest NI to combat the negative economic impacts of COVID-19, to reduce and offset exceptional business costs and to help businesses to conserve cash. This may enable businesses to weather the storm so that they can return to work safely, reset their value propositions for the new normal of consumer and industrial demand and begin the recovery and re-building process as the pandemic abates.

However, it is clear that the focus for this next year will be on helping businesses to survive, to recover through the COVID-19 crisis, however long its impacts continue, and then to begin to re-build. For all businesses, particularly those firms and sectors hardest hit, this may be a long and difficult process as they try to re-establish their operations, re-build supply chains, re-develop markets, restore customer confidence and re-build sales and demand. Recovery re-building process represents the most significant challenge that the Northern Ireland economy has faced in a generation. We remain committed to working with NI businesses to help them plan for the future, to become even more innovative and resilient and to plot our pathway towards a self-sustaining Northern Ireland – creating jobs, increasing exports and expanding innovation.

We recognise too that the process of recovery in the next year will take place alongside major changes in global trade including the establishment of a new economic relationship between the UK and the EU and the implementation of the NI Protocol. New export potential may also become accessible as global trade deals are completed. These changes will bring many challenges and opportunities which we will support businesses to address.

Partnership working in a region of 1.8 million people is more important than ever before and we are fully committed to forging strong, collaborative working relationships with our economic development partners and stakeholders across Northern Ireland's business support ecosystem. We will continue to work with the Northern Ireland Executive, DfE, academia, business and sector bodies regionally and nationally to ensure our extensive range of support will help business to re-build and achieve future growth. We will ensure that our support underpins and contributes to the delivery of the economic outcomes within the proposed new Programme for Government and Economic Strategy.

Performance Report

Performance Analysis

We will continue to work in partnership with DfE and UK government departments such as the Department for International Trade and the Department of Business, Energy and Industrial Strategy as well as local councils, universities, colleges and other stakeholders to support businesses to access the opportunities that will continue to emerge from the UK Industrial Strategy.

Northern Ireland has business and research expertise and capability across many growing technology areas including cyber security, financial technology, life and health sciences, business and professional services, advanced manufacturing, data analytics, digital and creative industries. Research has indicated that, despite the impacts of COVID-19, these sectors will continue to present new opportunities for global market growth. We will work in close collaboration with businesses, academia and economic development partners to determine those areas where Northern Ireland can excel globally and together, develop a robust pathway to success.

The coming year will also see the further development of the four Northern Ireland Regional City/Growth deals. We will work closely with the various City and Growth Deal partner councils and other stakeholders across Northern Ireland as these deals are further developed and implemented. We will advise and support these initiatives which are key catalysts to creating sustainable economic growth and jobs through long-term investment in local projects.

The COVID-19 pandemic has demonstrated like never before, the need for and importance of building greater business resilience and innovation across the Northern Ireland economy. This involves business continuity planning, increasing operational flexibility and driving productivity improvements. Organisations need to become more agile in transforming their products, services, processes and business models to new global demand, in undertaking sustained internal improvement initiatives and in pursuing new forms of collaboration with customers, suppliers, and partners.

The current pandemic has exposed both challenges and opportunities in local and global supply chains. Northern Ireland firms have an opportunity to play a greater role in global sourcing and dual sourcing of products and services. With an emphasis on building robust, shorter supply chains, on developing province-wide capability and on delivering co-ordinated solutions in collaboration with partners, we will aim to seize emerging opportunities locally as large businesses look to re-configure their global supply chains.

The emergence and adoption of new digital technologies and automation are changing business operations, redefining markets and creating new global opportunities at an unprecedented scale and speed. Technological disruption powered by the Internet of Things (IoT), advanced analytics, machine learning and artificial intelligence technologies have already heralded the “fourth industrial revolution” which has the potential to transform the world economy, all aspects of business and our everyday lives.

Performance Report

Performance Analysis

In this next year and beyond, we propose to roll out a comprehensive ‘Digital First’ programme to support businesses to adopt, deploy and exploit digitalisation, e-commerce and automation. We will continue to provide comprehensive support to help businesses invest in new technology, improve their operational efficiency and resource utilisation, upskill and re-skill their workforces and exploit innovation to develop and improve their products, services and processes. We will support NI businesses to enhance their digital capability and develop a more competitive online offering that will enable them to grow their customer base and build a resilient online and offline business in both the domestic and global marketplace.

Through our international office network, our teams overseas and strong international partnerships, we will re-double our efforts to support businesses to identify and access new market and sales opportunities that are identified post-COVID and to take advantage of the new trading relationships that will emerge as a result of EU exit and the UK’s independent trade policies. We will closely monitor how global markets begin to emerge from COVID-19 and to identify new opportunities for foreign direct investment or re-shoring activity. We will also build a global network of new International Advisory Groups and Trade Envoys to bring an international perspective and market insights and help leverage export opportunities for our local businesses in key markets and sectors and support our drive for inward investment.

We remain committed to concentrating our efforts on those sectors and sub-sectors where Northern Ireland has world-class capability and the greatest potential to exploit global market opportunities. Promoting innovation, enhancing business resilience, leadership, management and workforce skills and improving export capability of large and small firms across Northern Ireland will remain a key focus in helping improve productivity and competitiveness in the coming years and into our next Business Strategy period.

Invest NI will continue to play a key role within the wider economic development landscape to help transform Northern Ireland into a truly leading internationally competitive economy that provides opportunities for all and successfully brings money and investment back in to the region.

Performance Report

Performance Analysis

Consideration of Rural Needs

Section 1(1) of the Rural Needs Act (NI) 2016 (‘the Act’) requires public authorities to have due regard to rural needs when developing, adopting, implementing or reviewing a policy, strategy or plan and when designing or delivering a public service. If the activity which a public authority is engaged in falls within the scope of section 1(1) of the Act, then the guidance recommends that a Rural Needs Impact Assessment is carried out and a Rural Needs Impact Assessment (RNIA) Template completed.

Invest NI has been subject to this legislation since 1 June 2018 and has taken a number of measures in order to comply with its obligations in this regard, including staff training and quarterly monitoring. The following outlines the actions taken between April 2019 and March 2020:

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Energy Efficiency Finance (EEF)	Jobs or Employment	The EEF support enables businesses to implement cost savings through energy efficiency, by providing access to finance through a hybrid loan-grant fund. The objective of the EEF support is to enable businesses to invest in energy efficient equipment and/or renewable technologies covering a range of technologies, such as lighting, heating, air conditioning, compressed air, process heating & cooling, solar PV, building control systems. The EEF is available to the entire NI business base. There is no granular breakdown into NI regions, previous fund data shows the spread of support across all council areas. This has been collated from the available data on our Customer Relationship Management System (CRM), and shows 38 per cent of interventions were delivered in rural areas. The spread of interventions demonstrates there are no barriers to delivery in rural areas and there are further opportunities to expand uptake. The only additional cost for delivery in rural areas may be additional mileage expenses incurred by the programme team. The programme is reviewed on an ongoing basis and through a mid-term evaluation, taking into account levels of participation and feedback from participants. Adjustments, for example in the timing and location of events are considered in conjunction with Invest NI colleagues, relevant stakeholders and customers.

Performance Report

Performance Analysis

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Innovation Accreditation	Jobs or Employment	This Programme involves the introduction to Northern Ireland (NI) of an internationally recognised innovation accreditation, directly mapped to all existing public and private sector innovation-related support programmes. 39 per cent of Northern Ireland’s firms are actively engaged in innovation, the second lowest rate of the 12 UK regions. There is no granular breakdown into NI regions. Rural stakeholders such as councils and colleges have been engaged. They both recognise the low levels of innovation in their respective rural areas and see this programme as a way of increasing innovation capabilities. The spread of customers and referrals demonstrates there are no barriers to delivery in rural areas. The only additional cost for delivery in rural areas may be additional mileage expenses incurred by the team. The programme is a DfE initiative and all DfE stakeholders will be involved. This includes councils, colleges, universities and InterTradeIreland.
Resource Efficiency Finance	Jobs or Employment	Resource Efficiency Finance (REF) enables businesses to implement cost savings through resource efficiency (water, waste and raw material efficiencies). The REF support provides a capital grant for the installation of new equipment that offers greater efficiency in the use of water and raw materials, reducing associated waste, and enabling costs savings and productivity improvement for NI businesses. The REF is revised support that has evolved from the Resource Efficiency Capital Grant (RECG) which was a strand of the previous programme – the Sustainable Development Support Programme (SDSP). The REF is open to Invest NI clients and is easily accessed by businesses during periodic Open Calls for application, with service providers travelling to business premises to deliver advisory support. The evaluation of the previous programme noted 93 per cent business satisfaction and also determined that market failure still exists to deliver these services to NI businesses. There is no granular breakdown into NI regions, however previous programme data shows the spread of support in council areas. This has been collated from the available data on CRM, and shows 69 per cent of interventions delivered in rural areas.

Performance Report

Performance Analysis

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Energy and Resource Efficiency Advisory Programme	Jobs or Employment	The Energy and Resource Efficiency Programme (EREAP) aims to deliver support to Northern Ireland businesses to identify and implement cost savings in the use of energy, water, material and waste through advisory support in Technical Consultancy and Industrial Symbiosis resource matching support. Technical Consultancy & Support provides one-to-one support brokered by technical advisors from Invest NI's Energy and Resource Efficiency team and delivered through a framework of sustainable development consultants. The support covers nine specialist areas: resource efficiency and waste management systems; clean technology systems; renewables; energy management and efficiency; investigation of new technologies; low carbon packaging solutions; environmental accreditation; transport efficiency; and sustainable business collaborations. This support is open to all NI businesses who have an energy and resource spend of £30,000 or more per annum. The EREAP is a revised programme delivering similar services to the previous programme (SDSP) with enhanced efficiencies built in. It is open to the entire NI business base and is easily accessed by businesses, with service providers travelling to business premises to deliver the advisory support. The evaluation of the previous programme noted 93 per cent business satisfaction and also determined that market failure still exists to deliver these services to NI businesses. There is no granular breakdown into NI regions, however previous programme data shows the spread of support in council areas. This has been collated from the available data on our internal customer management systems, and shows 45.2 per cent of interventions delivered in rural areas.

Performance Report

Performance Analysis

Corporate Responsibility

Through Invest NI's Corporate Responsibility (CR) strategy, we have made a clear commitment to value the talents of our employees, create a positive workplace and give something back to the community through responsible business practices.

Employee Health, Wellbeing and Engagement

Health and Wellbeing is a key area under our CR agenda and we continue to work hard supporting our staff with improving both their physical and mental health. In the last year we have developed a comprehensive Mental Health Strategy with the aim of preventing mental ill-health, reducing stigma and intervening at an earlier stage to expedite recovery. We have provided a Mental Health Awareness e-learning programme for all staff and, in partnership with Action Mental Health, have started training our managers in this area. This training equips participants with the knowledge and skills necessary to fully understand issues around mental health and the importance of becoming more mentally resilient. It also helps managers signpost staff to the appropriate organisation should they need specialist services.

Our network of staff engagement champions continues to help us to build our approach to employee engagement and understand what is important to our people. Over the last year we have increased our ability to help staff progress their careers, promote development and increase engagement through our flexible staff movement process. This has helped significant numbers of people move around the organisation and develop their skillsets and experience.

Our Employee Recognition and Notepad Schemes continue to offer formal recognition for those people deemed to have gone above and beyond their daily role and shown to be exemplars of Invest NI's vision and values.

During the year, the organisation implemented barrier control and other mitigations for its staff in HQ and the regional offices in order to protect their health and safety through the COVID-19 pandemic. Some of our overseas staff have been self-isolating since January and Northern Ireland-based staff have all been working from home since March. Promotion of wellbeing along with health advice has been included in weekly newsletters to staff.

Customer Service Excellence (CSE)

Following this year's CSE assessment we again achieved full compliance against all 57 criteria and in 27 of those criteria the assessor deemed us to be 'Compliance Plus' which maintains our place as the highest accredited organisation in Northern Ireland. By maintaining these extremely high standards we continue to demonstrate our commitment to providing excellent customer service, increased engagement and greater opportunities for staff to get involved in CR activities.

Performance Report

Performance Analysis

Smart Working

Invest NI has implemented a pilot Smart Working scheme in the last year which has the potential to further reduce energy and waste within our buildings and have wider benefits to localised air pollution levels. Smart Working gives us the opportunity to make Invest NI a more agile and flexible organisation and be able to respond quickly to customer need. Environmental benefits are being monitored and measured as the scheme is rolled out and will be reported on in our next Sustainability Report.

The preparation for Smart Working placed Invest NI in a good position for a rapid move to home working in March, while maintaining Invest NI business continuity globally during the COVID-19 pandemic.

Social & Community

Invest NI continues to maintain its Business in the Community (BITC) CORE Benchmarking Standard, held by only a small number of organisations in Northern Ireland. In the last year we have worked alongside our latest charity partner, the Air Ambulance NI and so far have fundraised over £10,000. Through our CR volunteering scheme we continue to work with a wide range of community and voluntary-based organisations as well as our CR partners, BITC, Young Enterprise, Sentinus and Prince’s Trust. We also offer a Payroll Giving Scheme that allows staff to make tax-efficient donations to charities of their choice.

Regional Network

Invest NI delivers a wide range of its services through its Regional Office Network in all 11 NI council areas. This network provides entrepreneurs, customers and stakeholders with direct links to all Invest NI services at sub regional level. By working in partnership with these councils and other local stakeholders Invest NI can ensure that the economic development actions contained within Community Plans are implemented and that maximum economic impact for Northern Ireland is achieved.

Environmental Matters

We are strongly committed to undertaking environmentally sound practices in the areas of energy, waste and transport. This approach is adopted for all Invest NI sites and in the last year 99.5% of waste was recycled or converted into an alternative energy source. In addition Invest NI has been guided by DfE’s environmental policy and devised initiatives which promoted and enhanced biodiversity on the Invest NI estate. Biodiversity has now become integral in our everyday estate management regimens and, where practical, we look for opportunities to incorporate biodiversity into our maintenance and development projects

In addition over the last year we have replaced emergency lighting with updated LED units and have installed LED office lighting within our HQ building. LED units will consume less power, emit less heat thereby reducing air conditioning and disposal of hazardous waste bulbs.

Performance Report

Performance Analysis

Invest NI provides significant energy and environmental technical advice as well as grant assistance to the Invest NI client base and wider NI businesses. A range of energy audits and technical services are aimed at increasing the capability of the businesses to adopt energy efficiency, optimisation of machinery, waste/water reduction, and adoption of international standards for energy and environmental management.

Invest NI will continue to review its internal/external approaches to environmental matters, and we are cognisant of the objectives in the recently published NI Executive Strategy ‘New Decade New Approach’ for adoption of a Zero Carbon Economy, elimination of plastic pollution, adoption of Climate Change Act, and creation of jobs as part of a Green New Deal.

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Kevin Holland
Accounting Officer
Date: 11 September 2020

Accountability Report

Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of Invest NI's governance structures and how they support the achievement of its objectives.

Directors' Report

The directors present their report and the audited consolidated financial statements of the group and parent entity for the year ended 31 March 2020.

Results

The net expenditure for the year is £328,954,000 (2019: £86,125,000).

Directors

The directors who served during the year and up to the date of signing the financial statements are the Board members as follows:

Board members

Rose Mary Stalker	Chair (Appointed 1 August 2019)
Deborah Lange	
Gerard O'Hare	(Retired 31 March 2020)
Ken Nelson	(Retired 31 March 2020)
Scott Rutherford	(Retired 31 March 2020)
Mark Nodder	
Mark Sweeney	
Padraig Canavan	
Brian Baird	
Judith Totten	
Mark Ennis	(Chair, Retired 31 July 2019)
Colin Coffey	(Appointed 1 April 2020)
Kieran Kennedy	(Appointed 1 April 2020)
Kevin Kingston	(Appointed 1 April 2020)
Marie-Therese McGivern	(Appointed 1 April 2020)
Michael McQuillan	(Appointed 1 April 2020)

Executive Leadership Team

Kevin Holland*	Chief Executive
Jeremy Fitch	Executive Director, Business Solutions
Brian Dolaghan	Executive Director, Business and Sector Development
Mel Chittock	Executive Director, Finance and Operations
Denise Black**	Executive Director, Human Resources
Alan McKeown***	Executive Director, Regional Business
Donal Durkan	Executive Director, Strategy
Steve Harper	Executive Director, International Business
Peter Harbinson	Executive Director, Communications

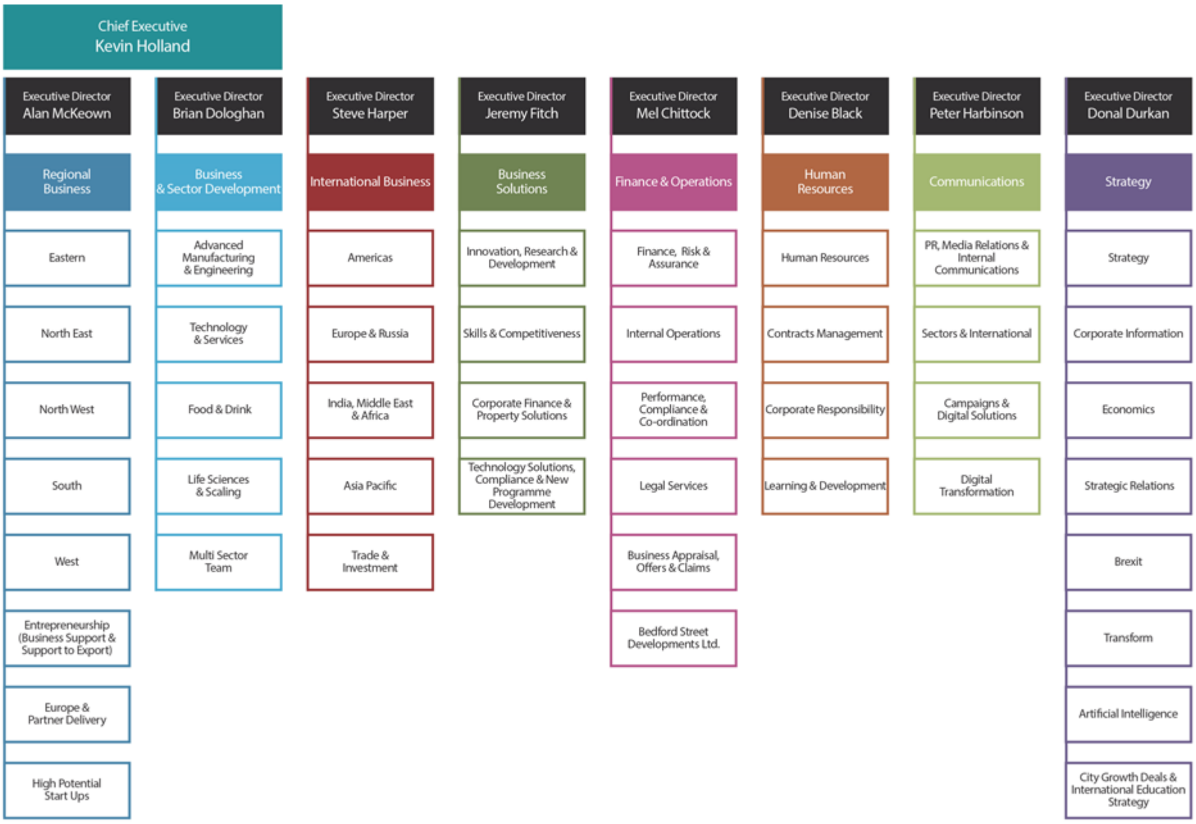
* Alastair Hamilton retired on 31 December 2019. Kevin Holland was appointed to the role of Chief Executive on 21 October 2019.
** Amanda Braden commenced a career break on 5 May 2020. Denise Black was appointed to the role of Executive Director, Human Resources on 20 April 2020.

Accountability Report

Corporate Governance Report

*** Des Gartland was Acting Executive Director, Regional Business until 3 June 2019. Alan McKeown was appointed on this date.
Olive Hill retired from the role of Executive Director, Business Strategy Implementation on 23 April 2019. The activities of the Business Strategy Implementation Group were redistributed throughout the organisation from this date.

Organisational Structure



Prompt Payment Policy

Invest NI is committed to the prompt payment of invoices for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of delivery of the invoice or of the goods and services, whichever is later. During 2019-20 Invest NI paid approximately 98 per cent of invoices (2018-19: 98 per cent) within this standard.

In 2008 the Finance Minister announced that Northern Ireland Departments had been set a target of ensuring that invoices are paid within ten working days, in order to help local businesses. During 2019-20 Invest NI paid approximately 96 per cent of invoices (2018-19: 96 per cent) within the ten working day target.

Accountability Report

Corporate Governance Report

Register of Interests

The Chairman, Board members, and ELT are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgment. The Register of Interests is available for public inspection by contacting the Chairman's Office, Invest NI, Bedford Square, Bedford Street, Belfast, BT2 7ES.

Personal Data Related Incidents

During the year there were no Personal Data Related Incidents that were required to be reported to the Information Commissioner's Office (ICO) for review. Further information on data security is provided in the Governance Statement.

Estate Management Strategy

With the exception of assets held by Invest NI for its own use and Linum Chambers, which is held by BSDL as an investment property, our land and property portfolio is held exclusively for development by client companies, to facilitate Northern Ireland's long-term strategic economic development.

Invest NI Complaints and Feedback Process

Invest NI continues to promote a customer focussed culture placing the needs of our clients and their customer experience at the heart of everything we do. Occasionally our customers may feel that we fall short of our own standards and our Complaints and Feedback Process affords us the opportunity to address instances when something goes wrong and to identify areas in which we can make improvements. It also gives us the ability to recognise good experiences through the recording of positive feedback.

Our complaints process is designed to be accessible and user friendly for our customers. Complaints are acknowledged within one working day, and we strive to issue a response within a target of 10 working days. If we are unable to provide a response within this timescale revised timelines will be clearly communicated to our customer with the reviewed response date advised.

If we are unable to resolve the complaint to our customers' satisfaction at this stage a review can be requested through the office of the Chief Executive. Should the customer be dissatisfied with the outcome of this review they may refer their complaint to the Northern Ireland Public Services Ombudsman for consideration.

In 2019-20 a total of 8 (2018-19: 6) complaints were received. Of these complaints 5 were responded to within our target of 10 working days. When we were unable to reply within this timeframe, for example due to the complexity of investigation or because we were waiting for further information, our customers were kept fully advised of the revised schedules. A total of 27 cases of negative feedback (2018-19: 24) were recorded that did not require a response within the 10 working day target. One request for a Formal Review was received (this complaint was not upheld on review).

Accountability Report

Corporate Governance Report

Invest NI Complaints and Feedback Process (continued)
In March 2020, the Northern Ireland Public Services Ombudsman (NIPSO) concluded its investigation into a complaint about Invest NI that was originally referred to its office in April 2017. The final report did not uphold the complaint.

The details of all complaints are recorded centrally, and feedback is sought through questionnaires. The information we hold is then analysed to identify trends or themes to drive improvement in our processes and services. Issues identified included poor communication, timescales in claims payments or claims processes, the programme development process and perceived religious bias (note that this last complaint was not upheld). In all cases where the complaint was upheld or partially upheld (three out of the eight complaints received), further engagement was undertaken to remedy the situation and in two cases an apology was issued.

Invest NI's progress against the ten day response target is reported through our Standards of Service.

Further information on the handling and monitoring of complaints can be found in the Invest NI Customer Charter and, more specifically in the Invest NI Complaints Procedure, both of which are available on the Invest NI website.

Accountability Report

Corporate Governance Report

Statement of Accounting Officer's Responsibilities

Under the Industrial Development Act (Northern Ireland) 2002, DfE (with approval from the Department of Finance (DoF)) has directed Invest NI to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Invest NI and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by DfE with the approval of DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

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

As Accounting Officer I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that Invest NI's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Accountability Report

Corporate Governance Report

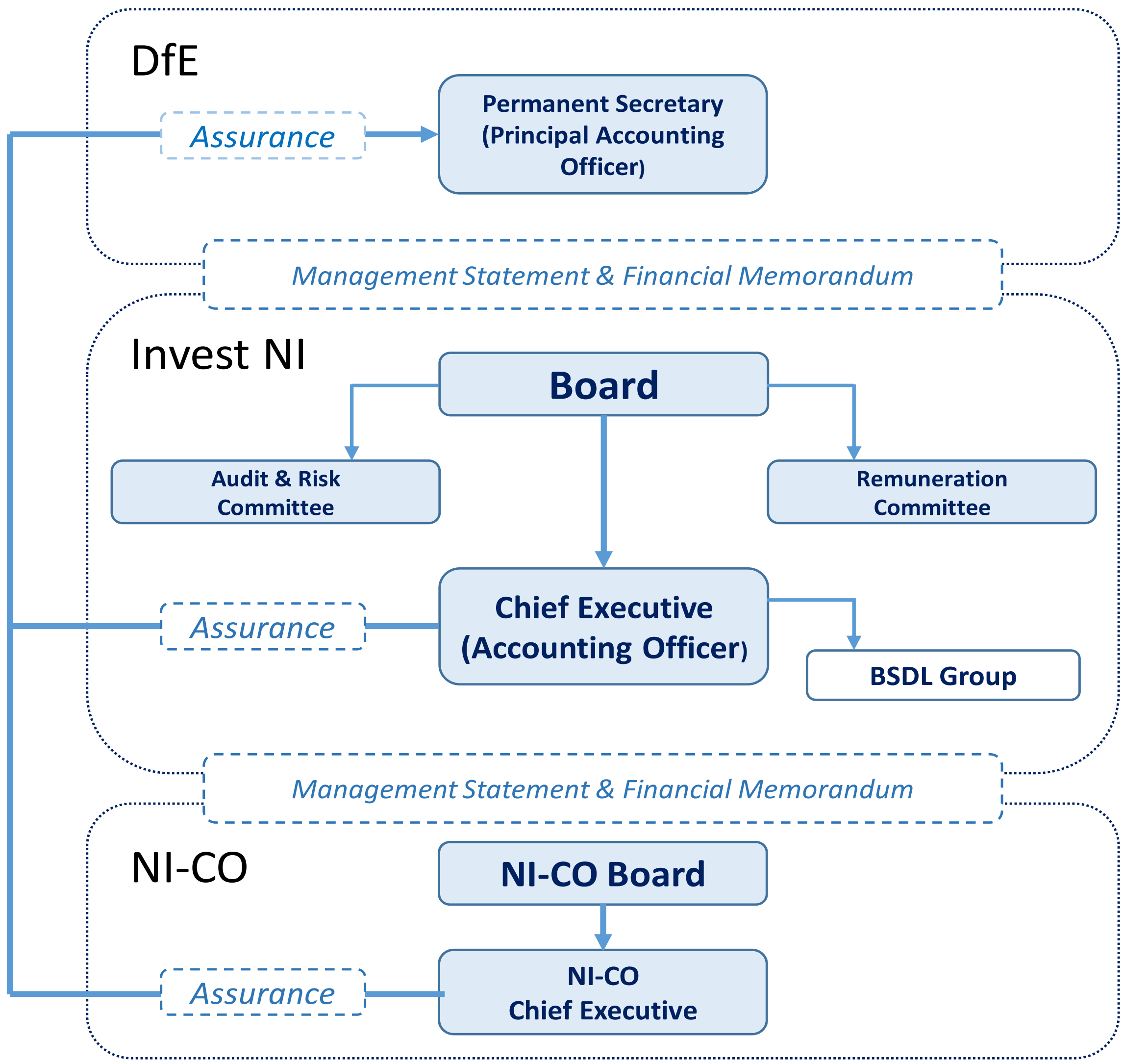
Governance Statement
Year ended 31 March 2020

Introduction and scope of responsibility

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within Invest NI during the financial year 2019-20 and up to the date of approval of the Annual Report and Accounts, and accords with DoF guidance.

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

Invest NI's Governance Framework



Accountability Report

Corporate Governance Report

Responsibilities of the Board and Chair

Invest NI has a Board comprising a Chair and not fewer than 10 or more than 20 other members. Board members are appointed by DfE in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland. The tenure of Invest NI's Chair, Mark Ennis, ended in July 2019, with Rose Mary Stalker appointed to the position from 1 August 2019. The terms of three other Board members came to an end on 31 March 2020, with five new appointments taking up their roles from 1 April 2020. As a result, there are currently 12 Board members (including the Chair).

The Board usually meets 10 times each year and the meetings are attended by the Chief Executive and members of the ELT. The role of the Board is to establish Invest NI's overall strategic direction and provide advice to the Departmental Minister on matters relating to the organisation. The Board oversees the achievement of Invest NI's objectives and targets and has responsibility for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds.

The role of the Chair is to provide leadership, strategic support, corporate governance direction, and to represent Invest NI in the local and international business communities. The Chair is personally responsible to the Departmental Minister for ensuring that Invest NI's strategies are compatible with those of the Department, that Invest NI meets its agreed objectives and targets, and for probity in the conduct of the organisation's affairs.

The roles of the Chair and Board are set out in the Management Statement and Financial Memorandum and in the Board Operating Framework, which was last updated in October 2019 and is available on Invest NI's website.

Conflicts of interests

Board members are asked to declare any conflict of interest related to meeting agendas or casework panels they may be attending. On the identification of any conflict of interest, either the relevant Board member(s) would be excluded from the discussions/decision-making related to the conflicted area of business or, in the case of casework panels, an alternative Board member would be selected. Further details regarding Related Party Transactions are on page 129.

Board performance and effectiveness

In 2019-20 the Board met 10 times, with the March 2020 meeting held remotely due to COVID-19 restrictions. All subsequent meetings to-date have also been held remotely. Within the Board Operating Framework there is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation; introductions to the senior management team; and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. Induction training held in April and May 2020 for new Board members also served as refresher training for existing members.

Accountability Report

Corporate Governance Report

In February 2020, the Board undertook its annual strategy workshop, which was designed to enable Board members to provide input to the development of Invest NI's next Business Strategy. The workshop explored the key priorities within the *New Decade, New Approach* agreement and set out the economic policy context and wider macro-environmental factors that will inform the next Programme for Government. As the Business Strategy is further developed, the Board will continue to provide direction and input, particularly in light of the economic impact of the COVID-19 crisis.

Board attendance 2019-20

Name of Board member	Board meetings attended per Board member (out of a possible 10[1])	Audit & Risk Committee (ARC) meetings attended per Committee member (out of a possible 4[1])	Remuneration Committee meetings attended per Committee member (out of a possible 2[1])
Rose Mary Stalker	10	2[2]	2
Brian Baird	10	N/A	N/A
Padraig Canavan	8	N/A	N/A
Deborah Lange	10	4	2
Ken Nelson	9	N/A	N/A
Gerard O'Hare	6	2	1
Mark Nodder	9	1[3]	N/A
Scott Rutherford	7	3	N/A
Mark Sweeney	10	N/A	N/A
Judith Totten	8	3	N/A
Mark Ennis	3[4]	N/A	2

Notes:
1. Except where noted.
2. Out of a possible 2 (stepped down from ARC after appointment to position of Chair in August 2019).
3. Out of a possible 2 (appointed to ARC in September 2019).
4. Out of a possible 3 (term ended in July 2019).

Board Succession Management

The tenure of Invest NI's Chair, Mark Ennis, expired on 31st July 2019, and terms for three other Board members came to an end on 31 March 2020. As part of a succession strategy agreed with DfE, the Department carried out separate recruitment exercises that resulted in Rose Mary Stalker being appointed as Chair from 1 August 2019 and five further Board members (Colin Coffey, Kieran Kennedy, Kevin Kingston, Marie-Therese McGivern and Michael McQuillan) taking up their positions from 1 April 2020.

Accountability Report

Corporate Governance Report

Board Committees
The discharge of some of the Board's responsibilities is delegated to the following Committees:

- Audit & Risk Committee
- Remuneration Committee

Audit & Risk Committee

The Audit & Risk Committee is responsible for reviewing and providing independent assurance to the Board and Accounting Officer on:

- the adequacy of the internal control environment;
- risk management and corporate governance arrangements;
- compliance matters; and
- internal and external audit issues.

During 2019-20, the Committee comprised the Chair (Deborah Lange) plus four other Board members (Rose Mary Stalker was replaced by Mark Nodder following her appointment to the role of Chair). The terms of two ARC members (Scott Rutherford and Gerard O'Hare) came to an end in March 2020, with Kevin Kingston and Colin Coffey appointed to replace them. Meetings are also attended by the Chief Executive; Executive Director of Finance & Operations; the Director of Finance, Risk and Assurance Division; Risk Manager; the Director of Performance, Compliance and Co-ordination Division; and representatives from DfE, Northern Ireland Audit Office (NIAO), and Internal Audit Service (IAS). The Committee met four times during 2019-20.

The Committee's Terms of Reference include an annual commitment to review its own performance. In January 2020 a self-assessment exercise was conducted, comprising commissioned emailed returns from the Committee based on a checklist derived from 'Key questions for an Audit and Risk Assurance Committee to ask' (Annex F of the Audit and Risk Assurance Committee Handbook (NI), which was updated in March 2018). While the Committee identified some areas for improvement, which have been incorporated into an action plan, the results demonstrate that members felt that the Committee was operating effectively and adhering to good or best practice in all areas.

The Committee continues to operate a 'Rolling Agenda' system that ensures that all major issues are reviewed at least on an annual basis. The rolling agenda was reformatted in October 2019 and the update also reflects changes made to the process for reviewing Risk Registers. Standing items on the agenda of each regular meeting include a review of the Corporate Risk Register, detailed discussion on key corporate risks, an update on progress against the agreed Internal Audit plan, internal and external audit recommendations and updates on current fraud and whistleblowing investigations. Other topics covered by the Committee in 2019-20 included actions arising from the Board Risk Workshop held in November 2019; GDPR compliance; Procurement practices; Management of External Delivery Organisations (EDOs); Accountability Grids; Business Continuity Planning, including the risk of Cyber Security attacks; Department of Finance guidance on the move to Partnership Agreements between departments and their Arm's Length Bodies; Complaints & Feedback; Brexit Planning and a Brexit-specific Risk Register; review of Core Policies; and review of the Risk Management Strategy and Policy.

Accountability Report

Corporate Governance Report

In the Audit & Risk Committee Annual Report for 2019-20 the Chair confirmed that the Committee considered the assurance available was sufficient to support the Board and the Accounting Officer in their decision-taking, their accountability obligations and the overall management of risk. Following each Audit & Risk Committee meeting, the Chair provides a verbal report and update to the full Board, with full written minutes provided by the Committee secretariat.

Remuneration Committee

The Remuneration Committee meets at least annually and is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive. The Committee comprises the Chair and three other Board members, with meetings attended by the Executive Director, Human Resources. The committee met twice during 2019-20.

Board Working Groups

Board Working Groups, in contrast to the Committees referenced above, are established to undertake a specific task and to report back to Board within a defined timeframe. In general, Working Groups tend to be of a more temporary and transient nature designed to focus on current, strategic issues facing Invest NI and to draw on the pertinent expertise of Board members. They can also, where appropriate, provide Board members with an element of oversight in line with the corporate governance framework.

The topics currently covered by Board Working Groups include Sub-regional, Access to Finance, Competence Centres and Business Strategy.

Executive Committees

In addition to the Board Committees, there are also a number of Executive Committees:

Internal Audit Committee

The Internal Audit Committee is an executive committee responsible for reviewing internal compliance issues, implementing action plans and audit recommendations, developing internal control systems and providing advice to the Audit & Risk Committee. The Committee met three times during 2019-20 and was chaired by the Executive Director, Finance & Operations. Issues discussed included: reviews of the audit strategy and annual plan; progress against the annual audit plan; reviews of External Delivery Organisations; assurance provided by other bodies; and updates on current fraud investigations. The Committee also includes a number of other Executive Directors, the Director of Finance, Risk and Assurance Division and the Director of Performance, Compliance and Co-ordination Division, with representatives from IAS also in attendance. The terms of reference were last updated in February 2018.

Executive Leadership Team

The ELT, which reports directly to the Chief Executive, has responsibility for the strategic direction and operating effectiveness of Invest NI and for promoting an effective financial control and budgetary management framework. The ELT is responsible for achieving Invest NI's goals and targets, as set out in the corporate and operating plans, and oversees the delivery of Invest NI's range of programmes and services.

Accountability Report

Corporate Governance Report

The ELT meets at least three times per month focussing on operations and strategic direction and once a month on financial and governance matters. It regularly reviews the performance of the organisation against agreed targets, monitors budget requirements and outturn, and ensures implementation of agreed actions to achieve Invest NI's strategic, operational and financial objectives.

Other guidance and policies

Code of Ethics and Conduct

Invest NI operates a robust Code of Ethics applicable to all staff members. The code sets out in particular the obligations of staff in respect of private interests and possible conflict with public duty, the disclosure of official information and political activities. Invest NI's policy on handling and managing possible conflicts of interest is stated in its staff handbook. All staff are required to disclose, through an annual declaration of interests, any area of actual, potential or perceived conflict with the interests of Invest NI. Individual members of staff are not involved in any casework evaluation or tendering assessment process in which they might have any potential conflict of interest and the ELT is required to ensure that timely and appropriate action is taken to resolve any other perceived conflicts. Procedures are also in place to ensure that all gifts and hospitality given and received are registered and monitored by the Directors.

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

Bribery, Fraud Prevention and Whistle-Blowing Policies

Invest NI requires all staff to act honestly and with integrity and to safeguard the public resources for which they are responsible. Invest NI procedures stipulate that any suspected or alleged fraud (anonymous or otherwise) must be investigated and, where substantiated, reported to DfE's Corporate Governance team, who in turn notify the Northern Ireland Audit Office and the Department of Finance. Cases are referred to the police where appropriate. Invest NI continues to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud, as well as their responsibilities regarding bribery and encourages staff to raise their concerns in line with public disclosure legislation.

A summary of the activity related to these policies in 2019-20 is outlined in the table below.

Governance Process	Guidance Documents	Incidents Reported in Year
Bribery	Anti-Bribery Compliance Policy and Guidance Manual	None
Public Interest Disclosure	Whistleblowing Policy	None
Fraud Prevention	Anti-Fraud Policy and Fraud Response Plan	Three cases of suspected fraud were notified to the NIAO in line with the Invest NI Fraud Response Plan. Two of these cases have subsequently been closed with no further action required. Information gathering is ongoing in the third case.

Accountability Report

Corporate Governance Report

In addition, four further cases of suspected fraud arose during 2019-20. In three cases, the claims were not substantiated and no further action was required. The fourth case is being assessed to determine if further action and notification is warranted. Two further cases, which had been notified in 2018-19, are still under investigation, as are the two cases reported under the Whistleblowing Policy in 2018-19.

Progress on outstanding cases is reported to the Audit & Risk Committee and the Internal Audit Committee.

Invest NI's compliance with the Corporate Governance Code

The Corporate Governance in Central Government Departments: Code of Good Practice NI (the Code) seeks to promote good corporate governance in central government departments. The focus of the Code is on ministerial departments but as a NDPB, Invest NI is compliant with the practices set out in the Code wherever this is relevant, practical and suits our business needs.

Relationship with subsidiary company NI-CO

The Management Statement and Financial Memorandum between Invest NI and DfE, most recently updated in October 2018, contains the relationship framework between Invest NI and its subsidiary NI-CO. It sets out the responsibilities and reporting requirements between the Company, Invest NI and DfE. As designated Accounting Officer for Invest NI and its subsidiary companies, the Chief Executive of Invest NI is ultimately responsible to the Departmental Permanent Secretary in his role as DfE Accounting Officer. In terms of overall governance arrangements, a schedule of formal meetings between Invest NI and NI-CO is in place, including a formal, annual review meeting at year end. Informal, ad-hoc contact is maintained with NI-CO throughout the year. The NI-CO Board meets quarterly and NI-CO submits full sets of the Board papers in advance of each Board meeting for review and comment by Invest NI, as appropriate. The Director of Invest NI's Performance, Compliance and Co-ordination Division attends meetings of NI-CO's Audit & Risk Committee.

The tenure of the NI-CO Chair and three Board Members is due to come to an end in September 2020. Given the current uncertainty due to the Covid-19 pandemic, and in liaison with the Public Appointments Commission, these appointments will be extended for a further 12 months to September 2021.

Relationship with BSDL Group

During 2013-14 the acquisition of the BSDL Group was completed, allowing Invest NI to take ownership of the Bedford Street building. The BSDL Board meets regularly and financial reporting for the group is consolidated within the Invest NI annual accounts. The BSDL Group Directors, comprising the Invest NI Executive Directors of Human Resources and Finance and Operations, present the audited BSDL annual financial statements to the Accounting Officer prior to consolidation into the Invest NI annual accounts. The Group Directors receive no remuneration from BSDL. The Invest NI policies and procedures, including all governance arrangements, have been adopted by the BSDL group and during 2018 the companies were classified by HM Treasury as Non Departmental Public Bodies. As such any significant governance issues arising would be reported in the six-monthly assurance statement and brought before the Invest NI Audit & Risk Committee and Board as required. No such issues were identified in 2019-20.

Accountability Report

Corporate Governance Report

Relationships with Arm's Length Bodies

Written contractual or partnership agreements are in place with Arm's Length Bodies (known as EDOs) or Service Providers who deliver specific services or activities on behalf of Invest NI.
These agreements also set out the performance and reporting requirements, which in turn are monitored by designated managers within Invest NI. Detailed guidance on the commissioning and management of EDOs is available to all staff via the Invest NI intranet. As part of the overall internal audit service provided by DfE, a rolling inspection programme of EDOs and their management by Invest NI is carried out by external consultants. The most recent contract for this work expired in May 2019, after which work has continued to complete the programme from 2018-19.

As a result, no new inspections were carried out in 2019-20. The Internal Audit Committee and the Audit & Risk Committee have confirmed that they are content that sufficient assurance has been provided by the rolling programme of inspections and that the lack of new inspections commenced 2019-20 does not represent a cause for concern. A summary of the outcomes of the work carried out during 2019-20 can be seen in the Internal Audit section of this statement.

Ministerial directions

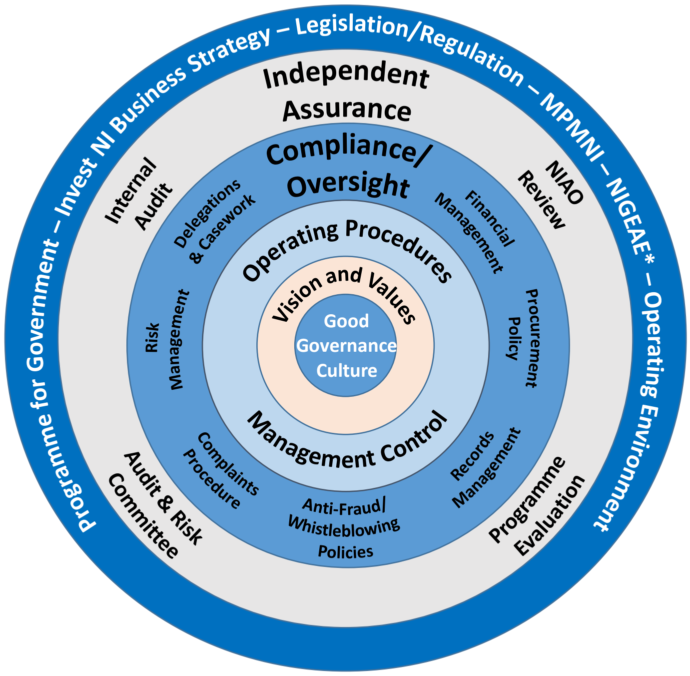
In March 2020 the Small Business Grant Scheme was launched by the Department for the Economy and the estimated cost of £220m was recognised in Invest NI accounts. This was an NI Executive initiative to provide one-off grants to small businesses to help them to meet their ongoing business costs during the COVID-19 crisis. The scheme was subject to a Ministerial Direction from the Economy Minister.

The risk and control framework

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

Accountability Report

Corporate Governance Report



** Northern Ireland Guide to Expenditure, Appraisal & Evaluation (NIGEAE)*

Risk Management policy

The Board, Chief Executive, and the ELT have overall responsibility for determining the risk management policy within Invest NI. This includes designing, implementing and maintaining risk management systems to identify and manage those risks that could adversely impact the achievement of the organisation's objectives. The organisation's risk management arrangements are documented in the Risk Management Strategy and Policy.

Risk management is increasingly integrated into the corporate planning and decision-making processes of the organisation. During the year bi-annual assurance statements were submitted to DfE, providing an account of the internal control matters arising in each of the reporting periods. Details of significant risks (in the 'Very High' category) are regularly sent to DfE for monitoring. The Audit & Risk Committee is provided with a copy of the Corporate Risk Register and a summary of any additions, deletions and movement in the 'Very High' category. Through these processes, the Board and the ELT demonstrate that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

The Risk Register is subject to a quarterly review by a group that includes the Risk Manager, Finance Director and the Director of Performance, Compliance and Co-ordination. The group undertakes an independent challenge function and works closely with Divisions to refine, articulate and manage risks at Corporate and Group level. Any fully managed risks are removed from the Register and kept under review, while new risks, both at Corporate and Group level, are brought forward as considered necessary.

Accountability Report

Corporate Governance Report

The impact of the COVID-19 crisis featured heavily on the updates to many of the key risks for the quarter ending 31 March 2020. In order to capture more fully those risks caused by the global pandemic, a COVID-19 specific risk register has been collated and was reviewed by the Audit & Risk Committee at its May 2020 meeting.

During 2019-20 four new risks were identified and added to the Corporate Risk Register as part of the review process. No risks were removed and/or downgraded from Corporate to Group Registers. Key risks and uncertainties have been discussed in more detail on page 3 and page 13.

Invest NI continued to monitor longer term threats through the Emerging Risk Register, which was introduced in September 2015 to analyse developing hazards that were relatively remote but which had the potential to impact on the organisation's business. In September 2019, the review of the Risk Management Strategy and Policy clarified responsibilities for review of the Emerging Risk Register, meaning that it now comes to Board twice per year for a full review and discussion. The Board meeting in November 2019 featured a risk workshop, primarily focussing on a review of the Emerging Risk Register, with the subsequent actions (primarily changes and additions to the Emerging Risk Register, and suggestions for escalations to the Corporate Risk Register) reported regularly to the Audit & Risk Committee.

The Audit & Risk Committee and the Internal Audit Committee met on a quarterly/three times annually basis respectively, to review and advise on the risk management, control and governance arrangements. These include audit issues arising during the period, key projects, ongoing operational matters and investigations.

Business Continuity

Business Continuity and Recovery Plans have been developed for the organisation and responsibilities have been clearly defined and communicated. Business Continuity arrangements are regularly monitored, tested and improved.

Business Continuity Plans have been established in order to ensure the continuation of Invest NI operations in the event of an exit from the EU on a 'no deal' basis. Business Continuity has also been a consideration as part of the organisation's deliberations around Smart Working.

An update on Business Continuity was provided to the Board in October 2019 and to the Audit & Risk Committee in February 2020.

Due to the COVID-19 global pandemic, Invest NI has successfully put into practice its Business Continuity arrangements. Staff are equipped to work flexibly and securely from home and from a range of other locations. During the pandemic the organisation has been able to maintain its operations for staff and customers while following Government & Public Health Guidelines. The organisation has issued regular communications to all staff to keep them updated and continues to monitor the situation closely.

Accountability Report

Corporate Governance Report

Data Security

Following the annual Information Security Audit in November and December 2019, Invest NI continues to be accredited to the international security standard ISO 27001. The accreditation provides assurance that Invest NI protects the confidentiality, integrity and availability of corporate information. A review of Invest NI's Information Security Management System was also carried out by IAS during 2019-20, with no significant issues identified. Security matters are reviewed by an Information Governance Group which met four times during the year. All approved USB devices, Invest NI laptops and mobile data devices are encrypted. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements.

During the year there were a number of losses involving portable data storage devices and incidents relating to unauthorised disclosure of information, the majority of which had a mitigated risk rating of "low". Seven incidents had a mitigated rating of 'Medium' due to the nature of the information disclosed or due to a breach in policy. One incident had a mitigated rating of 'High' due to the personal nature of the information involved. However, none were deemed necessary to report to the ICO as no significant risk was posed to individuals. All of the incidents were contained and mitigations put in place against future risk. Communications on information security matters were issued on a regular basis throughout the year. All staff have completed annual mandatory information security training during quarter 1 of 2019-20.
Invest NI's Data Protection Officer (DPO) continues to work with all parts of the business on the ongoing compliance with the requirements of the General Data Protection Regulation (GDPR), which came into effect in May 2018, and to promote the principles of 'Data Protection by Design and by Default'. The DPO provides assurance to the Audit & Risk Committee on the progress of the GDPR Compliance Programme. All staff have completed annual mandatory data protection awareness training during quarter 4 of 2019-20.

A Data Protection Impact Assessment was carried out in preparation for the launch of the Smart Working Initiative and an action plan was developed to address the risks identified. With the wider, temporary move to remote working as a result of the onset of the COVID-19 crisis, work is continuing on any final, outstanding elements of the action plan.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, by the Executive Directors within Invest NI, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their 'Report to those Charged with Governance' and other reports. The Audit & Risk Committee, on behalf of the Board, reviews the range of available assurance in formulating its opinion on the overall effectiveness of the controls in place, with the Committee's Annual Report concluding that controls are operating effectively. I have noted the Audit & Risk Committee's opinion in my review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Accountability Report

Corporate Governance Report

Group Assurance Statements on Internal Control

During 2019-20 each of the Executive Directors conducted a quarterly review and provided Assurance Statements on Internal Control for their areas of responsibility. These reviews and the completion of the Assurance Statements were supported by the use of Internal Control checklists. Key findings were discussed with me and this work helped inform my bi-annual Assurance Statements to the DfE Permanent Secretary.

Internal Audit

IAS, the internal auditor of Invest NI, operates to standards defined in the Public Sector Internal Audit Standards. The work of IAS carried out in the year was based on the four year (2017-18 to 2020-21) Audit Strategy, which was formulated with due consideration to the key corporate and operational risks to which Invest NI is exposed. The strategy and each annual plan, including the analysis of risks, are reviewed and agreed with the Internal Audit Committee and Invest NI management prior to approval by the Audit & Risk Committee, which approved a three year strategy at its meeting in May 2017, with a one year extension (covering 2020-21) approved in February 2018.

Progress against the annual Internal Audit Plan is reviewed at each meeting of the Internal Audit Committee and at each regular Audit & Risk Committee meeting. IAS submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Invest NI's system of internal control and the management of key business risks, together with recommendations for improvement.

The table below provides a summary of the audit activity completed in line with the 2019-20 audit plan.

	Satisfactory	Limited	TBC	N/A[1]
Final Reports	3	0	0	2
Draft Reports	3	0	0	0
Fieldwork	0	0	0	0

Notes:
1. Refers to audit assignments for which an audit opinion is not required.

No IAS Audit Reports received a limited opinion in 2019-20 and all reports have been issued in at least draft form. At the request of management, one review was deferred until 2020-21 due to scheduling issues. Fieldwork has now started on this review. One review from the 2018-19 programme is not yet at final report stage but has now been issued in draft.

In addition to the formal reporting IAS responded to a number of requests for advice from Invest NI management.

Accountability Report

Corporate Governance Report

IAS manages the rolling programme of EDO audit work through the engagement of an external service provider. The contract for this service expired in May 2019. Although work continued past this date on the 2018-19 programme and on follow up reports from previous years, there was no new schedule of work for 2019-20. However, due to the fact that all existing EDOs have been subject to review in recent years and no significant issues have been identified to date, IAS was content that it had sufficient assurance to provide its overall audit opinion. The Internal Audit Committee and the Audit & Risk Committee have confirmed that they are content with this position.

IAS has provided an overall satisfactory audit opinion (the highest rating available) with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes for the 2019-20 year. IAS's overall audit opinion reflects the positive results from the audit work undertaken in the year.

Accountability Grids

Since the early 1980s a number of reports have been presented by bodies such as the NIAO and Public Accounts Committee, Westminster or Stormont, making recommendations relevant to corporate governance arrangements within Invest NI or its predecessor bodies. All recommendations that directly related to DfE and/or Invest NI are now recorded in an 'Accountability Grid' to ensure that all necessary actions are being progressed.
This is supplemented by recommendations made in reports related to other organisations that also had an impact on, or potential relevance to, Invest NI.

A total of 31 recommendations have been added to the Accountability Grids as a result of the circulation by DfE's Corporate Governance, Accountability and Casework team of a summary of responses to a number of Westminster Public Accounts Committees and an NIAO report on the Social Investment Fund. Following a review of recommendations added in previous years, a number have been removed due to a lack of relevance to Invest NI. As a result, there are a total of 363 recommendations on the Accountability Grids.

Six of the 31 recommendations added this year are relevant to Invest NI's operations. They all emanate from the NIAO report on the Social Investment Fund and focus on the need to provide clear audit trails when awarding public money. Details have been shared with relevant Invest NI officials.

A summary of the Accountability Grids was reviewed by the Audit & Risk Committee in November 2019.

As a result of the review of the recommendations, Invest NI is taking forward a small number of actions, which represent minor enhancements to existing arrangements. No major gaps or system issues have been identified.

Accountability Report

Corporate Governance Report

NIAO Reports

There were no Invest NI specific Value for Money studies published by the NIAO in 2019-20 and there are currently no such examinations planned. The NIAO has commenced work on a report looking at “Promoting Entrepreneurship Culture and Start-ups” and Invest NI has provided relevant information to assist with this work. Other reports issued by the NIAO are reviewed for relevance to Invest NI operations and actions are taken as appropriate.

Significant internal control problems

No significant internal control problems have been identified.

Public Accounts Committee Issues

There were no Public Accounts Committee issues raised in 2019-20.

Small Business Grant Scheme

As outlined above, in March 2020 the Small Business Grant Scheme was launched by the Department for the Economy in response to the unprecedented impact of COVID-19. This was an NI Executive initiative to provide one-off emergency grants to small businesses to help mitigate the potential threat of business closures.

In order to deliver this emergency grant DfE agreed a memorandum of understanding (MOU) with Invest NI and DoF / Land and Property Service (LPS). Under the terms of the MOU, Invest NI’s only responsibility was to record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts. DfE took responsibility on behalf of the Executive for the design and delivery of the scheme, and also assumed responsibility for any potential error, fraud or losses arising from the administration of the scheme. DoF (via LPS) were responsible for the identification and checking of eligible businesses and arranging the payments from the DfE bank account to those businesses.

The cost of the scheme for 2019-20 (£220m), together with the associated funding, was provided by DfE to Invest NI for recording in the 2019-20 accounts

As outlined in the C&AG report, during the course of their audit, NIAO has reviewed the payments made by LPS in respect of the scheme. The sample testing identified three errors totalling £30,000. The extrapolation of this sample indicates the potential for irregular expenditure of £13.5m (6.1%) to be included in the £220m that was provided to Invest NI for inclusion in the 2019-20 accounts. As a result the C&AG has issued a qualification on the DfE and Invest NI 2019-20 accounts in respect of this expenditure.

The scheme was required to be designed and delivered by DfE and LPS at a rapid pace to urgently combat the impact of COVID-19 on businesses and processes were put in place to ensure that all reasonable governance and control mechanisms were established in advance of payments, albeit in a proportionate manner given the nature of the crisis and the extraordinary urgency with which the scheme was introduced. It was in recognition of these particular circumstances that the scheme was subject to a Direction from the Economy Minister, which was provided following discussion and agreement at the wider Executive.

Accountability Report

Corporate Governance Report

Conclusion

I have considered the evidence provided with regards to the production of the Annual Governance Statement and the independent advice and assurance provided by the Audit & Risk Committee. I conclude that Invest NI has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

Accountability Report

Remuneration and Staff Report

Remuneration Report
Year ended 31 March 2020

The Remuneration and Staff Report sets out Invest NI's Remuneration Policy for our Board members and ELT, reports on how that policy has been implemented and sets out the amounts awarded to Board members and ELT and, where relevant, the link between performance and remuneration. It also contributes to Invest NI's accountability to the Northern Ireland Assembly and best practice with corporate governance norms and codes.

Chairman and Board members

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

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

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

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

	Salary (£'000)		Benefits in kind (to nearest £100)	
	2019-20	**2018-19**	**2019-20**	**2018-19**
Mark Ennis (Chair until 31 July 2019)	16	43	-	-
Rose Mary Stalker (Chair from 1 August 2019)	34	12	400	-
Ken Nelson	13	12	-	-
Gerard O'Hare	13	12	-	-
Scott Rutherford	13	12	-	-
Deborah Lange	13	12	300	200
Mark Nodder	13	12	-	-
Mark Sweeney	13	12	700	-
Padraig Canavan	13	12	-	-
Brian Baird	13	12	-	-
Judith Totten	13	12	-	-

Accountability Report

Remuneration and Staff Report

Benefits In Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Reimbursement of Board members' travel expenses in respect of journeys made to Invest NI Headquarters has been determined by HMRC to be taxable emoluments. As a result, travel expenses reimbursed in respect of these journeys are now included above as a benefit in kind together with the related tax on the benefit that is carried by Invest NI.

Executive Leadership Team

The ELT comprises of the Chief Executive and Executive Directors.

Remuneration Policy

The Remuneration Committee of the Board is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive. The annual pay increases for other members of ELT are paid on the same arrangements that apply to the Senior Civil Service (SCS). The pay policy for the Northern Ireland public sector, including SCS, is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary set the 2019-20 NI public sector pay policy (October 2019) in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS staff, for 2019-20 was announced by DoF on 7 May 2020 and will be implemented in due course.

The pay of SCS is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Service Contracts

As with all staff appointments, ELT appointments are made in accordance with Invest NI's recruitment policy. The policy requires appointments to be made on merit on the basis of fair and open competition.

All ELT members hold permanent appointments with the organisation that are open-ended. Early termination, other than for misconduct, would result in these individuals receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners for Northern Ireland can be found at www.nicscommissioners.org

Accountability Report

Remuneration and Staff Report

Remuneration and pension entitlements

The following sections provide details of the remuneration and pension interests of the ELT (the information in the table below has been subject to audit):

	Salary (£'000)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Chief Executive:								
Kevin Holland (from 21 October 2019)	75-80 (170-175 FYE)	N/A	-	N/A	30	N/A	105-110	N/A
Alastair Hamilton ** (until 31 December 2019)	150-155 (200-205 FYE)	195-200	-	-	-	69	150-155	265-270
Executive Directors:								
Mel Chittock	95-100	95-100	-	-	49	41	145-150	130-135
Jeremy Fitch	100-105	100-105	-	-	51	46	150-155	145-150
Amanda Braden	75-80	60-65	-	-	18	38	90-95	100-105
Bill Scott (until 20 September 2018)	N/A	35-40 (70-75 FYE)	N/A	-	N/A	(111)	N/A	(70-75)
Peter Harbinson	75-80	70-75	-	-	29	29	105-110	100-105
Olive Hill (until 23 April 2019)	5-10 (75-80 FYE)	75-80	-	-	15	27	20-25	100-105
Steve Harper	95-100	95-100	-	-	39	39	135-140	130-135
Tracy Meharg (until 7 December 2018)	N/A	70-75 (100-105 FYE)	N/A	-	N/A	10	N/A	80-85
Brian Dolaghan (from 3 December 2018)	90-95	25-30 (85-90 FYE)	-	-	56	8	145-150	35-40
Donal Durkan (from 4 April 2018)	75-80	70-75	-	-	41	(12)	115-120	60-65
Des Gartland (from 3 September 2018 to 3 June 2019)	10-15 (70-75 FYE)	40-45 (65-70 FYE)	-	-	33	73	40-45	110-115
Alan McKeown (from 3 June 2019)	55-60 (70-75 FYE)	N/A	-	N/A	23	N/A	80-85	N/A

The salary figures included in the table above reflect what was paid to the individuals during 2019-20, which may include an element of back pay relating to the previous year.

**Pension Benefits*
The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. This figure has been calculated and provided to us by Civil Service Pensions.

** Alastair Hamilton chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

Accountability Report

Remuneration and Staff Report

Salary
'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation and any severance or ex gratia payments.

Bonuses
No member of ELT received any bonuses during 2019-20 or the previous year.

Pay Multiples
The following section is subject to audit

	2019-20	**2018-19**
	£'000	**£'000**
Band of Highest Paid Director's Total Remuneration *	200-205	195-200
	£	**£**
Median Total Remuneration *	37,272	31,760
Ratio	5.4	6.2

**Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.*

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Invest NI in the financial year 2019-20 was £200,000-£205,000 (2018-19, £195,000-200,000). This was 5.4 times (2018-19, 6.2) the median remuneration of the workforce, which was £37,272 (2018-19, £31,760). In 2019, the individual at the median salary point was at Staff Officer Grade but in 2020 this was at Deputy Principal Grade. The median represents the mid-point of all the salaries in the organisation.

In 2019-20, no employees (2018-19, no employees) received remuneration in excess of the highest-paid director.

Remuneration ranged from £19,000 to £200,000-205,000 (2018-19 £18,000 to £195,000-200,000).

Accountability Report

Remuneration and Staff Report

Pension Entitlements

Pension details of ELT as at 31 March 2020 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Kevin Holland (from 21 October 2019)	0-5 plus nil lump sum	0-2.5 plus nil lump sum	24	-	18	-
Alastair Hamilton * (until 31 December 2019)	-	-	-	518	-	20,000
Mel Chittock	35-40 plus 90-95 lump sum	2.5-5 plus 0-2.5 lump sum	736	668	34	-
Jeremy Fitch **	40-45 plus 85-90 lump sum	2.5-5 plus 0-2.5 lump sum	783	714	32	-
Amanda Braden	10-15 plus nil lump sum	0-2.5 plus nil lump sum	182	160	9	-
Peter Harbinson **	25-30 plus nil lump sum	0-2.5 plus nil lump sum	540	488	26	-
Olive Hill ** (until 23 April 2019)	25-30 plus 80-85 lump sum	0-2.5 plus 0-2.5 lump sum	618	602	15	-
Steve Harper	5-10 plus nil lump sum	0-2.5 plus nil lump sum	88	59	18	-
Brian Dolaghan	30-35 plus nil lump sum	2.5-5 plus nil lump sum	555	489	39	-
Donal Durkan (from 4 April 2018)	35-40 plus 95-100 lump sum	0-2.5 plus nil lump sum	746	691	21	-
Des Gartland ** (from 3 September 2018 to 3 June 2019)	20-25 plus 40-45 lump sum	0-2.5 plus 0-2.5 lump sum	372	348	23	-
Alan McKeown (from 3 June 2019)	0-5 plus nil lump sum	0-2.5 plus nil lump sum	16	-	11	-

*Alastair Hamilton chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

** The prior year CETV figure for this individual has been restated by Civil Service Pensions.

Accountability Report

Remuneration and Staff Report

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The **alpha** pension scheme was introduced for new entrants from 1 April 2015. The **alpha** scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the **classic, premium, classic plus** and **nuvos** pension arrangements also moved to **alpha** from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to **alpha** and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to **alpha** on 1 April 2015 or at a later date determined by their age.

Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current accrual rate is 2.32%.

New entrants joining can choose between membership of **alpha** or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the **nuvos** arrangement or they could have opted for a partnership pension account. **Nuvos** is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current accrual rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (**classic, premium** and **classic plus**). From April 2011, pensions payable under **classic, premium,** and **classic plus** are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of **premium** or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2019 was 1.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contribution rates for all members for the period covering 1 April 2020 – 31 March 2021 are as follows:

Scheme Year 1 April 2020 to 31 March 2021

Annualised Rate of Pensionable Earnings (Salary Bands)		**Contribution rates -** All members
From	**To**	**From 1 April 2020 to 31 March 2021**
£0	£23,999.99	4.6%
£24,000.00	£55,499.99	5.45%
£55,500.00	£152,499.99	7.35%
£152,500.00 and above		8.05%

Accountability Report

Remuneration and Staff Report

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic, premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in **alpha** is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/civilservicepensions-ni.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the NICS Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Accountability Report

Remuneration and Staff Report

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office

The following section is subject to audit

No member of ELT received compensation for loss of office. In 2019-20 one member (2018-19: one member) of ELT retired early at no additional cost to Invest NI.

Payments to past Directors

The following section is subject to audit

No payments have been made to former directors in either the current or previous year.

Accountability Report

Remuneration and Staff Report

Staff Report

Staff Costs

The following section is subject to audit

Group

	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2019-20 Total £'000	2018-19 Total £'000
Wages and salaries	23,113	3,941	1,011	28,065	26,481
Social security costs	2,462	-	32	2,494	2,389
Other pension costs	6,872	-	78	6,950	5,003
Sub total	**32,447**	**3,941**	**1,121**	**37,509**	**33,873**
Less recoveries in respect of outward secondments and others	(303)	-	-	(303)	(178)
Total net costs	**32,144**	**3,941**	**1,121**	**37,206**	**33,695**

Invest NI

	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2019-20 Total £'000	2018-19 Total £'000
Wages and salaries	22,229	3,941	1,011	27,181	25,655
Social security costs	2,382	-	32	2,414	2,313
Other pension costs	6,649	-	78	6,727	4,820
Sub total	**31,260**	**3,941**	**1,121**	**36,322**	**32,788**
Less recoveries in respect of outward secondments and others	(427)	-	-	(427)	(279)
Total net costs	**30,833**	**3,941**	**1,121**	**35,895**	**32,509**

*Others include Board members, temporary staff/external secondees and employees who are engaged on a fixed term contract. Included within wages and salaries above are costs of £691,000 (2018-19: £633,000) in respect of external secondees and temporary staff.

Accountability Report

Remuneration and Staff Report

Pension Costs

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but Invest NI is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £6,693,000 were payable to the NICS pension arrangements (2018-19 £4,811,000) at one of three rates in the range from 28.7 per cent to 34.2 per cent of pensionable pay, based on salary bands.

This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% pa above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £32,000 (2018-19: £9,000) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8 to 14.75 per cent (2018-19: 8 to 14.75 per cent) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earning.

Employer contributions of £1,000, 0.5 per cent (2018-19: £Nil, 0.5 per cent) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the **partnership** pension providers at the reporting period date were £1,000 (2018-19: £Nil). Contributions prepaid at that date were £Nil (2018-19: £Nil).

Four persons (2018-19: four persons) retired early on ill-health grounds. The total additional accrued pension liabilities amounted to £1,000 (2018-19: £20,000).

NI-CO contributed £223,000 (2018-19: £183,000) to a defined contribution scheme during the year.

Accountability Report

Remuneration and Staff Report

Average number of persons employed

The following section is subject to audit

The average number of Full Time Equivalent (FTE) persons employed during the year was as follows:

Group	Permanently employed staff	Others	2019-20 Total	2018-19 Total
Directly employed	562	12	574	566
Temporary staff/external secondees	-	10	10	7
Board members	-	10	10	11
Overseas staff	-	49	49	45
NI-CO staff	27	-	27	26
Total	**589**	**81**	**670**	**655**

Invest NI	Permanently employed staff	Others	2019-20 Total	2018-19 Total
Directly employed	562	12	574	566
Temporary staff/external secondees-	-	10	10	7
Board members	-	10	10	11
Overseas staff	-	49	49	45
Total	**562**	**81**	**643**	**629**

Note: The following 'Information on people' table is based on total numbers employed, whereas the average number employed referred to above is based on total FTE.

	2019-20			2018-19		
Information on people	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board members	7	3	10	8	3	11
Senior civil servants (SCS)*	16	5	21	14	6	20
Number of employees (excluding SCS)	293	361	654	290	346	636
Total	**316**	**369**	**685**	**312**	**355**	**667**

*Senior civil servants are defined as a member of staff at Grade 5 or above. The 21 employees referred to above comprise one individual at Grade 1, four individuals at Grade 3 and 16 individuals at Grade 5.

Accountability Report

Remuneration and Staff Report

Off-payroll engagements
There were no off-payroll engagements requiring disclosure. During the year, a number of individuals were engaged by Invest NI via secondment arrangements. In all cases these individuals are on the payroll of their employer and the appropriate income tax and NI obligations are being met by their employing organisation.

Off payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:

	Total
No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on-payroll that have been deemed Board members, and/or, senior officials with significant financial responsibility, during the financial year.	19

Reporting of Civil Service and other compensation schemes – exit packages
The following section is subject to audit

Invest NI did not implement any Voluntary Exit Scheme in the current or previous year.

Consultancy costs and temporary staff
Consultancy costs of £Nil (2018-19: £Nil) were incurred and there was expenditure of £74,000 (2018-19: £16,000) on temporary staff during the year.

Employee-related policies
Invest NI has issued a Joint Declaration of Protection, which is a joint management and union agreement recognising the moral and statutory responsibilities placed on Employers and Trade Unions. Its purpose is to make certain that all Invest NI employees understand their responsibility for ensuring that their conduct is consistent with Invest NI's determination to provide a neutral and harmonious working environment for staff.

Invest NI's policy on Equality of Opportunity aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance. All staff receive mandatory training in Disability, Equality and Dignity Awareness on joining the organisation, and refresher training in these areas was also delivered during 2019-20.

Accountability Report

Remuneration and Staff Report

Recruitment and selection training, including awareness of unconscious bias, is provided to all members of recruitment panels. Invest NI gives full and fair consideration to employment applications made by disabled persons, having regard to their particular aptitude and abilities. It takes appropriate action to facilitate the employment, training, career development and promotion of disabled staff members, including those who have become disabled during the period of their employment with the organisation. It promotes a diverse and inclusive workforce by supporting alterations to the working environment to assist disabled persons.

Invest NI continues to fulfil its statutory obligations under fair employment legislation, including the annual return to the Equality Commission for Northern Ireland.

Staff attendance is actively managed, and the organisation's absence rate for the 2019-20 year was 3.11 per cent including long-term sickness (2018-19: 3.84 per cent). In 2018-19 the NI Civil Service's absence rate was 5.8 per cent (the NI Civil Service comparison for the year 2019-20 is not currently available).

The Learning and Development function supports the development of all staff by providing internal and external training to develop skills and expertise. Invest NI offers a range of career development opportunities, and is committed to the continuous development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. It ensures that all learning interventions are aligned to the business strategy and organisational values.

Employees are actively involved in all relevant matters, and communication and consultation are conducted both directly and through the recognised Trade Union (NIPSA).

Invest NI recognises its statutory responsibility to provide healthy and safe working conditions, and its range of people policies and practices support the human rights and wellbeing of employees. Invest NI believes this is essential to achieving our organisational aims in line with our core vision and values.

Accountability Report

Assembly Accountability and Audit Report

The Assembly Accountability and Audit Report brings together the key Assembly accountability documents with the annual report and accounts.

Losses and special payments

The following sections are subject to audit

Losses

Invest NI is required by MPMNI to disclose losses and related information, including any waiver of Invest NI's entitlement to income and write off. Details are as follows:

	Group and Invest NI					
Waiver/Write off	**2020 Losses £'000**	**2020 No. of cases >£250k***	**2020 No. of cases <£250k**	**2019 Losses £'000**	**2019 No. of cases >£250k***	**2019 No. of cases <£250k**
Grants recoverable	1,137	-	33	5,328	3	23
Others including investments and accrued income	634	2	8	13,210	1	27

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

Included in the table above in the prior year was one legacy case from prior to the formation of Invest NI with a value of £14,719,000, in relation to Mackie International Limited and Springvale Foundry Limited which included both grant and loan balances.

At the year-end there are 37 cases of potential losses totalling £5,249,000 (2019: 14 cases totalling £1,713,000) that are under management review. Of these cases £1,429,000 were reported in previous years; £3,820,000 were new cases in 2019-20.

These cases have been notified to DfE and DoF as potential losses and the review process is on-going. All of these cases have been fully provided for so will have no future impact on the accounts.

*Individual company names not disclosed due to commercial sensitivity.

Special payments

There were no special payments greater than £250,000 in the current or previous year. Special payments are defined in Managing Public Money (Northern Ireland).

Accountability Report

Assembly Accountability and Audit Report

Fees and charges

This section is subject to audit

There are no fees and charges that require disclosure.

Remote Contingent Liabilities

This section is subject to audit

There are no remote contingent liabilities that require disclosure.

KHolland.

Kevin Holland
Accounting Officer
Date: 11 September 2020

INVEST NORTHERN IRELAND

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2020 under the Industrial Development Act (Northern Ireland) 2002. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the group's and of Invest Northern Ireland's affairs as at 31 March 2020 and of the group's and Invest Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department for the Economy directions issued thereunder.

Emphasis of matter

I draw attention to Notes 1,7,11,12 and 18 of the financial statements, which describes the material valuation uncertainties for land and buildings, investments in associates, financial assets and grant provisions due to the consequences of the COVID-19 pandemic. My opinion is not modified in respect of the matter.

Qualified opinion on regularity

In my opinion, except for the estimated levels of ineligible grant expenditure described in the basis of opinions section below, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

Included within expenditure is £220 million on the Small Business Grant Scheme. I identified an estimated £13.5 million paid to recipients who were not eligible under the scheme rules. I consider this to be material to my opinion on the accounts. I have therefore qualified my opinion on regularity as the expenditure has not been made for the purposes intended by the Assembly and does not conform to the authorities which govern it.

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Invest Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- Invest Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Invest Northern Ireland has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Invest Northern Ireland's ability to continue to adopt the going concern basis.

Other Information

Invest Northern Ireland and the Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department for the Economy directions made under the Industrial Development Act (Northern Ireland) 2002; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of Invest Northern Ireland and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, Invest Northern Ireland and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Industrial Development Act (Northern Ireland) 2002.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

Matters on which I report by exception

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

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

My detailed observations are included in my report attached to the financial statements.

K J Donnelly

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

14 September 2020

Consolidated Statement of Comprehensive Net Expenditure
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue from contracts with customers	5	12,601	14,986
Other operating income	5	49,340	55,980
Total Operating income	5	**61,941**	**70,966**
Staff Costs	3	(37,206)	(33,695)
Purchase of goods and services	3	(35,106)	(36,185)
Depreciation and impairment charges	3	(3,845)	(1,728)
(Increase) in Provisions	3	(6,381)	(5,385)
Other Operating Expenditure	3	(86,378)	(78,490)
Small Business Grant Scheme	3	(220,000)	-
Total operating expenditure	3	**(388,916)**	**(155,483)**
Net operating expenditure		**(326,975)**	**(84,517)**
Finance income		54	35
Finance expense		(1,502)	(982)
Net expenditure for the year before taxation		**(328,423)**	**(85,464)**
Tax	6(i)	(531)	(661)
Net expenditure for the year after taxation		**(328,954)**	**(86,125)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	6(iii)	12,738	2,253
Net gain/(loss) on revaluation of intangible assets	9	-	19
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	12	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2020		**(316,216)**	**(83,853)**

All activities derive from continuing operations.

Notes **1 to 26** form part of these accounts.

Statement of Comprehensive Net Expenditure – Invest NI

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue from contracts with customers	5	1,238	1,200
Other operating income	5	48,835	54,659
Total Operating income	5	**50,073**	**55,859**
Staff Costs	3	(35,895)	(32,509)
Purchase of goods and services	3	(28,952)	(27,089)
Depreciation and impairment charges	3	(3,308)	(1,552)
(Increase) in Provisions	3	(6,381)	(5,385)
Other Operating Expenditure	3	(86,378)	(78,482)
Small Business Grant Scheme	3	(220,000)	-
Total operating expenditure	3	**(380,914)**	**(145,017)**
Net operating expenditure		**(330,841)**	**(89,158)**
Finance income		-	-
Finance expense		-	-
Net expenditure for the year before taxation		**(330,841)**	**(89,158)**
Tax	6(i)	-	-
Net expenditure for the year after taxation		**(330,841)**	**(89,158)**

Other Comprehensive Net Expenditure

	Note	2020 £'000	2019 £'000
Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	7	11,409	1,217
Net gain on revaluation of intangible assets	9	-	19
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	12	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2020		**(319,432)**	**(87,922)**

All activities derive from continuing operations.

Notes **1 to 26** form part of these accounts.

Consolidated Statement of Financial Position
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	7	80,184	70,250
Investment properties	8	7,600	7,600
Intangible assets	9	20,868	20,785
Investments in associates	11	55,241	51,741
Financial assets	12	48,768	41,641
Trade and other receivables	13	4,341	4,515
Total non-current assets		**217,002**	**196,532**
Current assets			
Trade and other receivables	13	49,192	49,336
Cash and cash equivalents	14	22,808	21,080
Assets classified as held for sale	15	-	1,569
Total current assets		**72,000**	**71,985**
Total assets		**289,002**	**268,517**
Current liabilities			
Trade and other payables	16	(194,831)	(40,464)
Borrowings	17	(893)	(608)
Current tax liability		(295)	(218)
Provisions	18	(41,970)	(35,589)
Total current liabilities		**(237,989)**	**(76,879)**
Total assets less current liabilities		**51,013**	**191,638**
Non-current liabilities			
Borrowings	17	(15,438)	(16,329)
Provisions	18	-	-
Derivative financial instruments	20	(6,270)	(5,836)
Deferred tax liability	6(iii)	(660)	(734)
Total non-current liabilities		**(22,368)**	**(22,899)**
Total assets less total liabilities		**28,645**	**168,739**
Taxpayers' equity and other reserves			
Revaluation reserve		22,920	9,033
General reserve		5,725	159,706
Total equity		**28,645**	**168,739**

Notes **1 to 26** form part of these accounts.

The financial statements on pages **68 to 135** were approved by the Board on 9 September 2020 and signed on its behalf by

KHolland.

Kevin Holland
Accounting Officer Date 11 September 2020

Statement of Financial Position – Invest NI
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	7	52,617	43,592
Intangible assets	9	934	851
Investments in subsidiaries	10	17,593	17,593
Investments in associates	11	55,241	51,741
Financial assets	12	48,768	41,641
Trade and other receivables	13	4,341	4,515
Total non-current assets		**179,494**	**159,933**
Current assets			
Trade and other receivables	13	47,717	46,721
Cash and cash equivalents	14	457	898
Assets classified as held for sale	15	-	1,569
Total current assets		**48,174**	**49,188**
Total assets		**227,668**	**209,121**
Current liabilities			
Trade and other payables	16	(187,860)	(32,282)
Provisions	18	(41,970)	(35,589)
Total current liabilities		**(229,830)**	**(67,871)**
Total assets less current liabilities		**(2,162)**	**141,250**
Non-current liabilities			
Provisions	18	-	-
Total assets less total liabilities		**(2,162)**	**141,250**
Taxpayers' equity and other reserves			
Revaluation reserve		17,387	6,669
General reserve		(19,549)	134,581
Total equity		**(2,162)**	**141,250**

Notes **1 to 26** form part of these accounts.

The financial statements on pages **68 to 135** were approved by the Board on 9 September 2020 and signed on its behalf by:

KHolland.

Kevin Holland
Accounting Officer

Date 11 September 2020

Consolidated Statement of Cash Flows
Year ended 31 March 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Net expenditure before taxation			(328,423)		(85,464)
Adjustments for non-cash transactions	19	109,022		36,429	
Finance costs		1,502		982	
Finance income		(54)		(35)	
Decrease/(increase) in trade and other receivables		876		10,854	
Increase/(decrease) in trade and other payables		149,899		(6,749)	
Use of provisions		(30,634)		(28,999)	
			230,611		12,482
Net cash (outflow) from operating activities			**(97,812)**		**(72,982)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,240)		(1,552)	
Purchase of intangible assets		(438)		(102)	
Proceeds of disposal of property, plant and equipment		2,513		1,602	
Repayments from other bodies		14,653		4,726	
Investment in associates		(19,702)		(18,344)	
Investment in financial assets		(6,148)		(6,140)	
Loan interest and dividends received		249		562	
Interest paid		(1,068)		(1,122)	
Corporation tax (paid)/repaid		(445)		(702)	
Net cash (outflow) from investing activities			**(12,626)**		**(21,072)**
Cash flows from financing activities					
Grants from sponsoring department		108,051		96,000	
Consolidated fund payments to DfE		-		(9)	
Repayment of borrowings		(606)		(479)	
Net financing			**107,445**		**95,512**
Net (decrease)/increase in cash and cash equivalents in the year			**(2,993)**		**1,458**
Cash and cash equivalents at the beginning of the year			**21,080**		**19,622**
Cash and cash equivalents at the end of the year	14		**18,087**		**21,080**

Notes **1 to 26** form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity
Year ended 31 March 2020

	General reserve	Revaluation reserve	Taxpayers' Equity
	£'000	**£'000**	**£'000**
Balance at 31 March 2018 as previously reported	**150,559**	**7,228**	**157,787**
Impact of adoption of IFRS 9	(1,195)	-	(1,195)
Balance at 1 April 2018	**149,364**	**7,228**	**156,592**
Changes in Taxpayers' Equity for 2018-19			
Other reserves movements including transfers	467	(467)	-
Comprehensive Net Expenditure for the Year	(86,125)	2,272	(83,853)
Grants from sponsoring department	96,000	-	96,000
Balance at 31 March 2019	**159,706**	**9,033**	**168,739**
Changes in Taxpayers' Equity for 2019-20			
Decrease in deferred tax liability	-	102	102
Other reserves movements including transfers	(1,047)	1,047	-
Comprehensive Net Expenditure for the Year	(328,954)	12,738	(316,216)
Grants from sponsoring department:			
Cash	108,051	-	108,051
Notional	67,700	-	67,700
Reversal of notional costs	269	-	269
Balance at 31 March 2020	**5,725**	**22,920**	**28,645**

Notes **1 to 26** form part of these accounts.

Statement of Changes in Taxpayers' Equity – Invest NI
Year ended 31 March 2020

	General reserve	Revaluation reserve	Taxpayers' Equity
	£'000	**£'000**	**£'000**
Balance at 31 March 2018 as previously reported	**128,467**	**5,900**	**134,367**
Impact of adoption of IFRS 9	(1,195)	-	(1,195)
Balance at 1 April 2018	**127,272**	**5,900**	**133,172**
Changes in Taxpayers' Equity for 2018-19			
Other reserves movements including transfers	467	(467)	-
Comprehensive Net Expenditure for the Year	(89,158)	1,236	(87,922)
Grants from sponsoring department	96,000	-	96,000
Balance at 31 March 2019	**134,581**	**6,669**	**141,250**
Changes in Taxpayers' Equity for 2019-20			
Other reserves movements including transfers	691	(691)	-
Comprehensive Net Expenditure for the Year	(330,841)	11,409	(319,432)
Grants from sponsoring department:			
Cash	108,051	-	108,051
Notional	67,700	-	67,700
Reversal of notional costs	269	-	269
Balance at 31 March 2020	**(19,549)**	**17,387**	**(2,162)**

Notes **1 to 26** form part of these accounts.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES

Statement of accounting policies
The financial statements of Invest NI have been prepared in compliance with paragraph 17 (2) of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by DfE, and in accordance with the 2019-20 *Government Financial Reporting Manual (FReM)* issued by DoF. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the organisation, for the purpose of giving a true and fair view, has been selected.

The particular accounting policies adopted by Invest NI are described below. They have been applied consistently to all years presented, in dealing with items considered material in relation to the financial statements.

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

Accounting conventions
These financial statements are prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property, intangible assets and derivative financial instruments which are held at their fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards
In the current year, the group has applied the following new standards:

- IFRIC 23 Uncertainty over Income Tax Treatments; and
- The Annual Improvements 2015-2017 Cycle.

The adoption of these standards and interpretations did not have a material impact on the group's financial statements in the period of initial application.

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the group but are applicable to the group:

During the year, the IASB and IFRIC have issued accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date).

- The implementation of IFRS 16 Leases (IFRS deadline effective 1 January 2019) has been delayed by HM Treasury in the FReM until 1 April 2021.
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Interest Rate Benchmark reform (Amendments to IFRS 9 and IFRS 7) (Effective 1 January 2020).

With the exception of IFRS 16, management do not anticipate that the adoption of the above amendments will have a material impact on the group's financial statements in the period of initial application.

The adoption of IFRS 16 will have a material impact on the group's financial statements in the period of initial application, as all operating leases will be brought on to the Statement of Financial Position as a right of use asset with a corresponding lease liability. As a number of existing leases will expire before the effective date of 1 April 2021 and new leases may be entered into before that date it is not possible to quantify the initial impact at this point. The ongoing COVID-19 pandemic will have an impact on decision-making regarding entering into leases between now and the date of transition.

HM Treasury has issued application guidance in relation to IFRS 16 which has been applied to all current leases and will be used to assess the impact of any new leases entered into before the date of application. This guidance has been used to determine the lease term. The option for lessees to combine lease and service components and account for them as a single lease has also been selected in cases where it is costly to separate lease and service components.

The standard contains a number of recognition exemptions, including short-term leases. Any lease meeting this exemption (i.e. as having a lease term of 12 months of less, after the assessment of any options) will be outside the scope of IFRS 16.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

HM Treasury has mandated a number of public sector interpretations to the standard to improve consistency across the public sector and to ease implementation. Upon transition, Invest shall recognise the cumulative effect if initially applying the Standard at the date of initial application (1 April 2021) as an adjustment to taxpayers' equity. There will also be no requirement to reassess whether a contract is, or contains, a lease at the date of initial application.

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

Where material, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

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

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

Depreciation
Freehold land is not depreciated. For other assets, depreciation is provided on a straight line basis in order to write-off the valuation, less estimated residual value, of each asset over its expected useful life, or lease period if shorter. The base useful lives of assets, which are reviewed regularly, are as follows:

Freehold buildings	50 years
Fixtures and fittings	10 years
Computer equipment	3-5 years

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

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Revaluation of land and buildings
Land and buildings are revalued every year with the surplus or deficit on book value being transferred to the Revaluation reserve. The only exception is where a deficit in excess of any previously recognised surplus over depreciated cost relating to the same property, is charged to Net Expenditure.

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

Investment properties
Properties that are held for long term rental yield, for capital appreciation or both, and that are not occupied by group companies, are classified as investment properties. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recorded in Net Expenditure.

Assets held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Invest NI's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of any non-controlling interest in the acquiree.

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

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Following initial recognition of development expenditure, the cost, adjusted for inflation using appropriate indices, is amortised over the project’s estimated useful life of 3 to 6 years. The minimum level of capitalisation is £1,000.

Impairment of tangible and intangible assets
At each reporting date, Invest NI reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Any impairment recognised on goodwill is not subsequently reversed.

Financial instruments
Financial assets and liabilities are recognised in Invest NI’s Statement of Financial Position when Invest NI becomes a party to the contractual provision of the instrument.

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Classification
The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Assets can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in Net Expenditure.

For debt instruments, the subsequent measurement depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in Other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in Net Expenditure and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are included within the Financial instruments gains or losses heading in the Statement of Comprehensive Net Expenditure.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognised in Net Expenditure. Interest income from these financial assets is included in Other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in Other gains/ (losses) and impairment expenses are included within the Financial instruments gains or losses heading in the Statement of Comprehensive Net Expenditure.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in Net Expenditure and presented net within Other gains/ (losses) in the period in which it arises.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments
The group enters into derivative financial instruments to manage its exposure to interest rate risk using interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The group's derivative financial instrument is valued under level 2 in the fair value hierarchy. The fair value of the group's derivative financial instruments is obtained from counterparty valuation, and is based on observable market data.

Impairment of financial assets
The group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The group always recognises lifetime Expected Credit Loss (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

(i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the group's debtors operate.

(ii) Definition of default
The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 180 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy
The group writes off a financial asset only when non-recovery is considered certain and after the appropriate approvals have been granted.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. For financial assets, the exposure at default is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The group recognises an impairment gain or loss in Net Expenditure for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities
The group classifies all its financial liabilities as Other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest rate basis.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Interest income
Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings
Borrowings are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least twelve months after the year-end.

Borrowing costs directly attributable to qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

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

Investments in associates
An associate is an entity over which Invest NI is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are valued using the equity method, carried at Invest NI's share of the net assets of the associate, in accordance with the distribution of income and capital laid out in the limited partnership agreements. Any significant restriction due to contractual arrangements will be accounted for using this method and will be reflected in the carrying value.

Taxation (including Value Added Tax)
As Invest NI does not have Crown exemption it is liable to Corporation Tax on certain sources of income earned in any year.

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

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

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

Financing from DfE
Financing represents net funding received from DfE and is credited to the General reserve.

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

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Income
Revenue from contracts with customers consists primarily of recoupment of costs, client contributions to assistance and additional services to tenants. This revenue is from contracts that typically satisfy their performance obligations as services are rendered/upon completion of the service. Contracts do not have a significant financing component, and payment is typically due within 30 days of the rendering of the service. The contracts are non-complex and there is a single performance obligation to be met for every service provided. The transaction price is the fixed price for the service provided and does not include variable amounts.

This revenue from contracts with customers is from similar supplies made to the same class of customer under the same contracts and as such cannot be disaggregated further.

NI-CO revenue from long term contracts for the delivery of the company's services is recognised according to the percentage of completion method by reference to the value of work completed as a proportion of the total agreed contract value. The amount by which revenue exceeds payments on account is shown under Trade and other receivables as amounts recoverable on contracts. The amount by which payments received for services exceeds revenue recognised is shown under Trade and other payables as payments received on account;

Other operating income includes:

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

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

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

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

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Pensions
Present and past employees are covered by the provisions of the NICS Pension arrangements which are unfunded multi-employer defined benefit schemes. Invest NI is unable to identify its share of the underlying assets and liabilities. Invest NI recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the NICS Pension arrangements of amounts calculated on an accruals basis. All pension contributions are charged to Net Expenditure when incurred.

Employee benefits
IAS19 requires that the cost of employee benefits that have been earned but not paid at the reporting date is recognised as a liability. An accrual for the estimated cost of total employee annual leave at the reporting date has been included in the financial statements.

Early Departure Costs
Invest NI is required to meet the additional cost of benefits beyond the normal NICS Pension arrangements benefits in respect of employees who retire early. Invest NI recognises in full for this cost when the early retirement programme has been committed.

Leases
Operating lease rentals are charged to Net Expenditure over the period of the lease. There are a number of 999 year lease arrangements in place with Invest NI being the lessor in receipt of a peppercorn rent. These arrangements are in place in order to control the future use of the properties in line with property best practice. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

PFI contracts
Upon entering into a PFI contract, Invest NI assesses whether it controls or regulates what services the operator of the contract must provide with the infrastructure, to whom it must provide them and at what price. It also assesses if it controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. If both the above conditions are met, the infrastructure will be recognised on the Statement of Financial Position as an asset. If not recognised as an asset the unitary charge and associated costs under the PFI contract are recognised in Net Expenditure.

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

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are in the areas of valuation of non-current assets, impairment of financial assets and provisions for liabilities. These involve estimation of future cash flows that are inherently uncertain, particularly as a result of the unprecedented circumstances caused by COVID-19.

In light of the rapidly escalating COVID-19 pandemic, the Group has considered whether any adjustments are required to reported amounts in the financial statements. The current response to COVID-19 gives rise to an unprecedented set of circumstances on which to base a judgement. Invest NI is providing support in line with DfE's COVID-19 support packages. It is likely that COVID-19 related interventions will be the focus for Invest NI in the opening period of 2020-21 and beyond, with economic implications of the pandemic being difficult to assess. It is also likely to have budgetary implications as the priority moves towards economic recovery in the medium to long term.

The share of net assets of each associate is determined using the latest available financial information at the time of approval of these financial statements. Each of the associates are investment entities with large portfolios of loan and equity investments. The unprecedented market conditions caused by COVID-19 create a higher level of uncertainty than in previous years. This may impact the valuation of associates and underlying investments depending on future developments which at present cannot be predicted.

The grant provision is a critical accounting estimate. Grants are paid by Invest NI to client companies under the terms and conditions of financial assistance agreements. These agreements last for a number of years and assistance is only payable when eligible activities have been satisfactorily undertaken.

The grant accruals calculated for financial assistance agreements are based on a review of claims received at the year-end.

The grant provision is an estimation of the amount of grant earned by client companies that has not yet been claimed at the year-end. The diverse range of grants offered by Invest NI requires a variety of methodologies to be used in order to calculate the provision amounts. For offers with a balance remaining of over £1m, a provision is assessed for each individual offer on information obtained from the client company. For R&D grants the provision is based on the individual claim history of each offer. For the other grants under £1m, a forecast of grant drawdown is used as the basis of the provision calculation.

Notes to the Accounts
Year ended 31 March 2020

1. ACCOUNTING POLICIES (CONTINUED)

Whilst it is recognised that this involves an element of estimation of the liability owed to third parties, an annual review is carried out to assess the amount of the provision that is subsequently claimed by client companies and therefore utilised. Any element of the previous year provision that is not subsequently claimed will be released or re-provided for in the following financial year. Grants will continue to be provided where companies can demonstrate meeting the defined terms of their financial assistance agreement, however, due to the challenging conditions created by COVID-19 there is a risk of postponement or abandonment of current and future initiatives. Invest NI Client Executives are closely monitoring current and proposed grants through regular contact with clients.

The fair value valuation of the group's derivative financial instrument is also a critical accounting estimate. The fair value has been obtained from counterparty valuation, and is based on observable market data (level 2). The valuation provided is reviewed by management.

The valuation of property, plant and equipment is a critical accounting estimate. A valuation has been performed at the reporting date by LPS who are third party qualified valuers. The valuation provided is reviewed by management. This has resulted in the property, plant and equipment being held at fair value in the financial statements. In light of the current economic environment surrounding COVID-19, LPS have noted that the valuations are reported on the basis of ‘material valuation uncertainty’. Consequently, less certainty – and a higher degree of caution – should be attached to them than would normally be the case.

The valuation of investment property is a critical accounting estimate. A valuation has been performed at the reporting date by LPS. The valuation provided is reviewed by management. This has resulted in the investment property being held at fair value in the financial statements.

The group tests annually whether goodwill has suffered any impairment, in accordance with the group’s accounting policies. The recoverable amounts of cash-generating units have been determined based on value in use. These calculations require the use of estimates as detailed in note 9.

Going concern
All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2020-21 has been approved at an opening value of £112.9m, of which £104.4m relates to Resource funding and £8.5m to Capital funding. Planned activities for 2020-21 have been formulated in light of the requested funding applied to DfE. Therefore, the future financing of any Invest NI liabilities is expected to be met by DfE. The uncertainty as to the future impact on the Group of the COVID-19 pandemic has also been considered as part of the Group’s adoption of the going concern basis. In this context, the accounts have been prepared on a going concern basis.

Notes to the Accounts
Year ended 31 March 2020

2. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT

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

- Business Solutions
- Business and Sector Development
- Finance and Operations
- Regional Business
- International Business
- Human Resources
- Communications
- Strategy
- Board and CEO

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

The results of NI-CO are included separately overleaf as they do not form part of any of the Invest NI operating segments. The results of the BSDL Group are included within the Finance and Operations operating segment.

Services provided by each segment

- The Business Solutions Group is responsible for providing a wide range of advisory and financial business support. The group works in partnership with the Sector, Regional and International teams to ensure that businesses get the support they need to help them to start, grow, innovate and export.
- The Business and Sector Development Group is made up of four teams that manage client portfolios organised on a sectoral basis. The four teams are Food & Drink; Life Sciences & Scaling; Advanced Engineering & Manufacturing and Technology & Services.
- The Finance and Operations Group provides a range of corporate functions to the wider organisation including financial management, EU structured funds management, procurement, corporate risk management, legal advice, equality, information technology, business appraisal, offers and claims management, general governance advice and management of the BSDL Group.
- The Regional Business Group supports new and existing businesses, through the Regional Office Network, offering advice and relevant support. The primary objectives of the Regional Business Group are to encourage enterprise and entrepreneurship, to improve the capability and capacity of local businesses to compete in export and global markets and to encourage local economic development and sub-regional economic growth. More widely, as statutory partners in the Community Planning process, the Regional Office Network works closely with Councils and Stakeholders in the development and delivery of local actions to improve economic well-being through the pooling of resources at a sub-regional level.

Notes to the Accounts
Year ended 31 March 2020

2. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT (CONTINUED)

- The International Business Group develops relationships to secure new business for Northern Ireland, either through increased exports, new Foreign Direct Investment or collaborations, supporting the internationalisation of the Northern Ireland economy.
- The Human Resources Group manages Human Resources, People Development and Facilities.
- The Communications Group is responsible for developing and implementing an integrated marketing and communications strategy for the organisation in both foreign and domestic markets.
- The role of the Strategy Group is to lead the development of Invest NI's corporate strategy in response to the NI Executive's economic agenda and DfE's policy objectives. It also leads on the design and development of advice, guidance and support for businesses in the lead up to the UK's exit from the European Union.
- The Board and CEO are responsible for Invest NI's performance and strategic direction.

Further information about the structure of the organisation is detailed on page 31.

2020	**Gross expenditure**	**Income**	**Total net expenditure per CSoCNE**
	£'000	**£'000**	**£'000**
Business Solutions	71,999	6,576	64,423
Business and Sector Development	31,717	54	31,663
Finance and Operations	237,503	43,741	193,762
Regional Business	9,350	2	9,348
International Business	18,353	506	17,847
Human Resources	2,908	-	2,908
Communications	5,012	17	4,995
Strategy	1,678	-	1,678
Board and CEO	551	-	551
NI-CO	10,845	11,045	(200)
Total	**388,916**	**61,941**	**326,975**
Reconciliation to CSoCNE			
Net finance costs			1,448
Tax on ordinary activities			531
Net expenditure for the financial year			**328,954**

Whilst the £220m cost of the Small Business Grant Scheme has been allocated to the Finance and Operations Group, the ongoing response to the COVID-19 pandemic will take place across all areas of the business.

Notes to the Accounts
Year ended 31 March 2020

2. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT (CONTINUED)

2019	Gross expenditure	Income	Total net expenditure per CSoCNE
	£'000	£'000	£'000
Business Solutions	60,899	3,017	57,882
Business and Sector Development	30,470	3,797	26,673
Finance and Operations	14,416	46,354	(31,938)
Regional Business	10,179	3,807	6,372
International Business	16,190	502	15,688
Human Resources	2,602	12	2,590
Communications	4,719	-	4,719
Strategy	1,636	-	1,636
Board and CEO	517	-	517
Business Strategy Implementation *	403	-	403
NI-CO	13,452	13,477	(25)
Total	**155,483**	**70,966**	**84,517**
Reconciliation to CSoCNE			
Net finance costs			947
Tax on ordinary activities			661
Net expenditure for the financial year			**86,125**

* The Business Strategy Implementation Group was established on a temporary 12-month basis to drive the implementation of the Business Strategy and deliver our Transform, Business Improvement and Digital Transformation agendas. The activities previously undertaken within this group have been redistributed within the Communications and Strategy Groups.

Notes to the Accounts
Year ended 31 March 2020

3. EXPENDITURE

	Group		Invest NI	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Staff costs				
Wages and salaries	28,065	26,481	27,181	25,655
Social security costs	2,494	2,389	2,414	2,313
Other pension costs	6,950	5,003	6,727	4,820
Recoveries in respect of outward secondments and others	(303)	(178)	(427)	(279)
	37,206	**33,695**	**35,895**	**32,509**
Purchase of goods and services				
Programme support	18,577	18,250	18,577	18,328
Rentals under operating leases	1,213	1,234	1,213	1,234
PFI (and other service concession arrangements) service charges	-	-	5,244	5,154
Other administration expenses	3,527	2,433	3,649	2,373
Cost of servicing contracts	11,520	14,270	-	-
Auditor's remuneration – notional	95	94	95	94
Other notional costs	174	220	174	220
Reversal of notional costs **	-	(314)	-	(314)
	35,106	**36,185**	**28,952**	**27,089**
Depreciation and impairment charges				
Depreciation (note 7)	1,709	1,145	1,172	1,066
Amortisation (note 9)	355	401	355	401
Asset impairment (note 7)	1,781	182	1,781	85
	3,845	**1,728**	**3,308**	**1,552**
Increase/(decrease) in provisions	**6,381**	**5,385**	**6,381**	**5,385**
Other operating expenditure				
Grants	81,867	73,902	81,867	73,902
Programme support activities	339	435	339	435
Property acquisition and development	548	739	548	739
(Profit)/loss on disposal of Property, Plant and Equipment	(1,170)	345	(1,170)	337
(Profit) on disposal of Financial assets	(1,021)	(443)	(1,021)	(443)
Financial instruments gains or losses (note 4)	2,392	1,222	2,392	1,222
Share of results of associates (note 11)	3,423	2,290	3,423	2,290
	86,378	**78,490**	**86,378**	**78,482**
Small Business Grant Scheme *	**220,000**	**-**	**220,000**	**-**

Notes to the Accounts
Year ended 31 March 2020

3. EXPENDITURE (CONTINUED)

Total operating expenditure	Group		Invest NI	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Staff costs	37,206	33,695	35,895	32,509
Small Business Grant Scheme *	220,000	-	220,000	-
Revenue grants	20,525	20,137	20,525	20,137
Innovation, research and development	45,894	38,056	45,894	38,056
Capital grants	8,751	9,331	8,751	9,331
Skills grants and competitiveness programmes	8,127	7,510	8,127	7,510
International Business support	6,585	6,100	6,585	6,100
Promotion and marketing	5,706	5,967	5,706	6,047
Programme support activities	2,699	2,643	2,699	2,643
Property acquisition and development	3,044	3,580	3,044	3,580
Rentals under operating leases	1,213	1,234	1,213	1,234
PFI (and other service concession arrangements) service charges	-	-	5,244	5,154
Other administration expenses	3,527	2,433	3,649	2,373
Cost of servicing contracts	11,520	14,270	-	-
Depreciation and impairment charges	3,845	1,728	3,308	1,552
Auditor's remuneration – notional	95	94	95	94
Other notional costs	174	220	174	220
Reversal of notional costs **	-	(314)	-	(314)
(Profit)/loss on disposal of Property, Plant and Equipment	(1,170)	345	(1,170)	337
(Profit) on disposal of Financial assets	(1,021)	(443)	(1,021)	(443)
Financial instruments gains or losses (note 4)	2,392	1,222	2,392	1,222
Share of results of associates (note 11)	3,423	2,290	3,423	2,290
Increase/(decrease) in provisions	6,381	5,385	6,381	5,385
Total operating expenditure	**388,916**	**155,483**	**380,916**	**145,017**

The 2018-19 Note 3 'Expenditure' includes minor reanalysis to improve comparability.

Further analysis of staff costs is located in the Staff Report within the Accountability Report.

*The Small Business Grant Scheme was launched in March 2020 with costs of £220m recognised in the 2019-20 year. This was an NI Executive initiative to provide one-off grants to small businesses to help them to meet their ongoing business costs during the COVID-19 crisis.

** From 1 April 2019, the reversal of notional costs has been credited directly to the General reserve.

Included within other administration expenses above were fees of £Nil (2019: £1,000) payable to NIAO in respect of non-audit services, £26,000 (2019: £23,000) of fees payable by subsidiaries to the companies' auditors for audit of the subsidiaries financial statements and £2,000 for non-audit services. NI-CO also incurred fees of £28,000 (2019: £14,000) for non-audit services, which are included within the 'Cost of servicing contracts' heading above.

Notes to the Accounts
Year ended 31 March 2020

3. EXPENDITURE (CONTINUED)

Invest NI made grant payments of £872,000 (2019: £1,048,000) and payments of £41,000 (2019: £81,000) in respect of non-audit services to PwC (auditors of NI-CO). PwC also rented a premises from Invest NI on a commercial, arm's length basis in the previous year. Grant payments of £476,000 (2019: £560,000) were made by Invest NI to Deloitte (auditors of BSDL Group).

4. FINANCIAL INSTRUMENTS GAINS OR LOSSES

	Group and Invest NI	
	2020	**2019**
	£'000	**£'000**
Fair value adjustment on shares and convertible loan notes (note 12)	203	(2,735)
ECL allowance on fixed rate loans (note 12)	932	2,587
ECL allowance on variable rate loans (note 12)	(5)	121
ECL allowance on trade receivables (note 20)	1,553	1,002
ECL allowance on other receivables	2	82
Fair value adjustment on re-measurement of financial assets held at amortised cost (note 12)	(293)	165
	2,392	**1,222**

5. INCOME

	Group		Invest NI	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Revenue from contracts with customers				
Recoupment of programme expenditure and related costs from client companies and third parties	1,238	1,200	1,238	1,200
Other	318	309	-	-
NI-CO turnover	11,045	13,477	-	-
	12,601	**14,986**	**1,238**	**1,200**
Other operating income				
Other	1,991	1,694	1,991	1,694
Property rent	1,805	1,953	1,300	1,432
Interest income on financial assets at amortised cost	2,474	2,503	2,474	2,503
Share dividend income	7	77	7	77
Grant clawback	2,581	9,810	2,581	9,810
Core programme receipts from EU	40,482	39,143	40,482	39,143
Consolidated Fund income *	18	12	18	12
Amount payable to the Consolidated Fund*	(18)	(12)	(18)	(12)
Gain on revaluation of Property, Plant and Equipment and Investment Property	-	800	-	-
	49,340	**55,980**	**48,835**	**54,659**
Total income	**61,941**	**70,966**	**50,073**	**55,859**

* These amounts were collected by Invest NI acting as agent for the Consolidated Fund (and are otherwise excluded from these financial statements).

Notes to the Accounts
Year ended 31 March 2020

5. INCOME (CONTINUED)

The core programme receipts from EU relate to funding under the European Union Investment for Growth and Jobs Programme (IGJ) 2014-2020.

Under the current terms of the Withdrawal Agreement, the UK will continue to participate in EU annual budgets funded under the current Multiannual Financial Framework (2014-2020 MFF). This means that the UK will continue to make its contribution to and get receipts from current EU programmes under the existing EC rules. This will guarantee Invest NI receives funds under the IGJ Programme for remainder of eligibility period which is until 31 December 2023.

6. TAXATION

(i) Tax charge in the year	**Group**		**Invest NI**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Analysis of charge in year				
Current tax:				
UK corporation tax on taxable income for the current year	584	494	-	-
Adjustments to tax charge in respect of previous periods	(62)	(40)	-	-
Total current tax	**522**	**454**	**-**	**-**
Deferred tax:				
Origination and reversal of temporary differences	(54)	231	-	-
Impact of rate changes	63	(24)	-	-
Total deferred tax	**9**	**207**	**-**	**-**
Total tax charge	**531**	**661**	**-**	**-**

(ii) Factors affecting tax charge	**Group**	
	2020 £'000	**2019 £'000**
Net expenditure before taxation	(328,423)	(85,464)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2019: 19%)	(62,400)	(16,238)
Tax effects of:		
Add: expenditure not deductible for tax purposes	72,460	27,577
Less: income not subject to tax	(9,515)	(10,613)
Tax losses brought forward	(24)	(5)
Origination and reversal of temporary differences	(58)	6
Capital allowances	67	(1)
Impact of rate changes	22	(57)
Adjustments in respect of previous periods	(21)	(7)
Exempt amounts	-	(1)
Total tax charge	**531**	**661**

Notes to the Accounts
Year ended 31 March 2020

6. TAXATION (CONTINUED)

Invest NI does not have Crown exemption in relation to Corporation Tax and therefore is subject to Corporation Tax in relation to:

- property transactions;
- chargeable gains;
- interest receivable; and
- profits derived from certain activities such as the provision of scientific services.

(iii) Deferred tax

Invest NI
Invest NI has not recognised deferred tax assets of £721,000 (2019: £846,000) in relation to brought forward tax losses at 1 April 2019 of £3,795,000 (1 April 2018: £4,451,000), as deferred tax assets are recognised for tax loss carry-forwards only to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Group
The movement on the group deferred tax account is as follows:

	Revaluation of financial assets £'000	Capitalised interest £'000	Accelerated tax depreciation £'000	Revaluation of building £'000	Total £'000
At 1 April 2019 – asset/(liability)	994	(94)	(1,088)	(546)	(734)
Credited/(charged) to CSoCNE	198	(11)	(132)	(64)	(9)
Charged to Other Comprehensive Income – in year	-	-	(19)	-	(19)
Charged to Other Comprehensive Income – adjustment to opening balance			102		102
At 31 March 2020	**1,192**	**(105)**	**(1,137)**	**(610)**	**(660)**

The tax charge relating to components of other comprehensive income is as follows:

	Group 2020 £'000	Group 2019 £'000
Fair value gains on Property, plant and equipment		
Before tax	12,757	2,179
Tax credit/(charge)	(19)	74
After tax	**12,738**	**2,253**

Notes to the Accounts
Year ended 31 March 2020

7. PROPERTY, PLANT AND EQUIPMENT

Group

	Land £'000	Buildings £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2019	38,599	34,488	6,397	1,024	80,508
Additions*	209	-	991	787	1,987
Disposals	(2,889)	-	(1,590)	-	(4,479)
Revaluation gain	10,850	1,456	9	-	12,315
Transfer from/(to) Assets held for sale (note 15)	1,419	185	-	-	1,604
Impairment (note 3)	(1,781)	-	-	-	(1,781)
At 31 March 2020	**46,407**	**36,129**	**5,807**	**1,811**	**90,154**
Depreciation:					
At 1 April 2019	-	5,924	4,000	334	10,258
Charge for year (note 3)	-	711	905	93	1,709
Revaluation (loss)/gain	-	(448)	6	-	(442)
Transfer from /(to) Assets held for sale (note 15)	-	35	-	-	35
Disposals	-	-	(1,590)	-	(1,590)
At 31 March 2020	**-**	**6,222**	**3,321**	**427**	**9,970**
Net Book Value:					
1 April 2019	38,599	28,564	2,397	690	70,250
31 March 2020	**46,407**	**29,907**	**2,486**	**1,384**	**80,184**

*Invest NI Additions are funded by financing received from DfE

Notes to the Accounts
Year ended 31 March 2020

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2019	33,199	13,120	6,213	500	53,032
Additions*	209	-	963	717	1,889
Disposals	(2,889)	-	(1,579)	-	(4,468)
Revaluation (loss)/gain	10,650	756	9	-	11,415
Transfer (to)/from Assets held for sale (note 15)	1,419	185	-	-	1,604
Impairment (note 3)	(1,781)	-	-	-	(1,781)
At 31 March 2020	**40,807**	**14,061**	**5,606**	**1,217**	**61,691**
Depreciation:					
At 1 April 2019	-	5,356	3,859	225	9,440
Charge for year (note 3)	-	263	874	35	1,172
Disposals	-	-	(1,579)	-	(1,579)
Revaluation	-	-	6	-	6
Transfer (to)/from Assets held for sale (note 15)	-	35	-	-	35
At 31 March 2020	**-**	**5,654**	**3,160**	**260**	**9,074**
Net Book Value:					
1 April 2019	**33,199**	**7,764**	**2,354**	**275**	**43,592**
31 March 2020	**40,807**	**8,407**	**2,446**	**957**	**52,617**

*Invest NI Additions are funded by financing received from DfE

Notes to the Accounts
Year ended 31 March 2020

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Land £'000	Buildings £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2018	41,818	33,435	5,331	602	81,186
Additions*	188	1	801	478	1,468
Disposals	(2,804)	(3)	(63)	(57)	(2,927)
Transfer from Intangible assets (note 9)	-	-	220	-	220
Revaluation gain	901	1,240	108	1	2,250
Transfer to Assets held for sale (note 15)	(1,419)	(185)	-	-	(1,604)
Impairment (note 3)	(85)	-	-	-	(85)
At 31 March 2019	**38,599**	**34,488**	**6,397**	**1,024**	**80,508**
Depreciation:					
At 1 April 2018	-	5,706	3,101	337	9,144
Charge for year (note 3)	-	270	827	48	1,145
Transfer from Intangible assets (note 9)	-	-	47	-	47
Revaluation (loss)/gain	-	(14)	85	-	71
Transfer to Assets held for sale (note 15)	-	(35)	-	-	(35)
Disposals	-	(3)	(60)	(51)	(114)
At 31 March 2019	**-**	**5,924**	**4,000**	**334**	**10,258**
Net Book Value:					
1 April 2018	41,818	27,729	2,230	265	72,042
31 March 2019	**38,599**	**28,564**	**2,397**	**690**	**70,250**

*Invest NI Additions are funded by financing received from DfE

Notes to the Accounts
Year ended 31 March 2020

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2018	36,518	12,915	5,147	303	54,883
Additions*	188	1	790	246	1,225
Disposals	(2,804)	(3)	(52)	(50)	(2,909)
Transfer from Intangible assets (note 9)	-	-	220	-	220
Revaluation (loss)/gain	801	392	108	1	1,302
Transfer to Assets held for sale (note 15)	(1,419)	(185)	-	-	(1,604)
Impairment (note 3)	(85)	-	-	-	(85)
At 31 March 2019	**33,199**	**13,120**	**6,213**	**500**	**53,032**
Depreciation:					
At 1 April 2018	-	5,136	2,978	266	8,380
Charge for year (note 3)	-	258	799	9	1,066
Transfer from Intangible assets (note 9)	-	-	47	-	47
Transfer to Assets held for sale (note 15)	-	(35)	-	-	(35)
Disposals	-	(3)	(50)	(50)	(103)
Revaluation	-	-	85	-	85
At 31 March 2019	**-**	**5,356**	**3,859**	**225**	**9,440**
Net Book Value:					
1 April 2018	36,518	7,779	2,169	37	46,503
31 March 2019	**33,199**	**7,764**	**2,354**	**275**	**43,592**

*Invest NI Additions are funded by financing received from DfE

Notes to the Accounts
Year ended 31 March 2020

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IAS 16 requires measurement at fair value. Land and property was re-valued by LPS on 31 March 2020, and in previous financial years, on the basis of open market value for existing use. Management considers this basis to be the best available estimation of fair value.

As detailed in note 1, the valuation of property, plant and equipment is a critical accounting estimate. In light of the unprecedented circumstances caused by COVID-19, LPS have noted that the valuations are reported on the basis of 'material valuation uncertainty'. LPS have also indicated that the full extent of the impact that COVID-19 might have on both the global and local real estate markets may not fully materialise for some years to come.

Details of the group's land and buildings and information about the fair value hierarchy (as described in note 1) as at 31 March 2020 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
Land	-	46,407	-	46,407
Buildings	-	29,907	-	29,907

There were no transfers between Level 1 and Level 2 during the year.

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

Notes to the Accounts
Year ended 31 March 2020

8. INVESTMENT PROPERTIES

	Group £'000
At 1 April 2018	**6,800**
Gain arising on fair value adjustment	800
At 1 April 2019	**7,600**
Gain arising on fair value adjustment (note 5)	-
At 31 March 2020	**7,600**

The investment property was revalued at 31 March 2020 on an open market value basis by LPS. This property is not depreciated. The depreciation which would have otherwise been charged would have been based upon the property's estimated useful economic life of 50 years.

Details of the group's investment property and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2020 £'000
Investment property	-	7,600	-	7,600

There were no transfers between Level 1 and Level 2 during the year.

9. INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
Cost/Valuation:				
At 1 April 2019	20,031	1,330	1,600	22,961
Reclassification of opening balance	-	(16)	16	-
Additions	-	438	-	438
Disposals	-	(46)	(530)	(576)
Indexation	-	2	3	5
At 31 March 2020	**20,031**	**1,708**	**1,089**	**22,828**
Amortisation/Impairment:				
At 1 April 2019	97	665	1,414	2,176
Reclassification of opening balance	-	(21)	21	-
Amortisation Charge for year (note 3)	-	259	96	355
Disposals	-	(46)	(530)	(576)
Indexation	-	2	3	5
At 31 March 2020	**97**	**859**	**1,004**	**1,960**
Net book value:				
1 April 2019	19,934	665	186	20,785
31 March 2020	**19,934**	**849**	**85**	**20,868**

Notes to the Accounts
Year ended 31 March 2020

9. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2019	1,330	1,600	2,930
Reclassification of opening balance	(16)	16	-
Additions	438	-	438
Disposals	(46)	(530)	(576)
Indexation	2	3	5
At 31 March 2020	**1,708**	**1,089**	**2,797**
Amortisation:			
At 1 April 2019	665	1,414	2,079
Reclassification of opening balance	(21)	21	-
Charge for year (note 3)	259	96	355
Disposals	(46)	(530)	(576)
Indexation	2	3	5
At 31 March 2020	**859**	**1,004**	**1,863**
Net book value:			
1 April 2019	665	186	851
31 March 2020	**849**	**85**	**934**

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2020 £'000
Goodwill	-	-	19,934	19,934
Software licences	-	849	-	849
Software development	-	85	-	85

There were no transfers between Level 1 and Level 2 during the year.

Notes to the Accounts
Year ended 31 March 2020

9. INTANGIBLE ASSETS (CONTINUED)

			Group	
	Goodwill	**Software licences**	**Software development**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost/Valuation:				
At 1 April 2018	20,031	1,225	1,749	23,005
Transfer to Computer equipment	-	(39)	(181)	(220)
Additions	-	102	-	102
Disposals	-	-	-	-
Indexation	-	42	32	74
At 31 March 2019	**20,031**	**1,330**	**1,600**	**22,961**
Amortisation/Impairment:				
At 1 April 2018	-	388	1,282	1,670
Amortisation Charge for year (note 3)	-	237	164	401
Transfer to Computer equipment	-	2	(49)	(47)
Impairment Charge for year (note 3)	97	-	-	97
Indexation	-	38	17	55
At 31 March 2019	**97**	**665**	**1,414**	**2,176**
Net book value:				
1 April 2018	20,031	837	467	21,335
31 March 2019	**19,934**	**665**	**186**	**20,785**

Notes to the Accounts
Year ended 31 March 2020

9. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2018	1,225	1,749	2,974
Transfer to Computer equipment	(39)	(181)	(220)
Additions	102	-	102
Disposals	-	-	-
Indexation	42	32	74
At 31 March 2019	**1,330**	**1,600**	**2,930**
Amortisation:			
At 1 April 2018	388	1,282	1,670
Charge for year (note 3)	237	164	401
Transfer to Computer equipment	2	(49)	(47)
Disposals	-	-	-
Indexation	38	17	55
At 31 March 2019	**665**	**1,414**	**2,079**
Net book value:			
1 April 2018	837	467	1,304
31 March 2019	**665**	**186**	**851**

Impairment tests for goodwill

Goodwill has been allocated between the cash generating units (CGU) as follows:

	2020 £'000	2019 £'000
Bedford Street Developments Limited	4,325	4,325
MRDE Limited	15,609	15,609
Total	**19,934**	**19,934**

Notes to the Accounts
Year ended 31 March 2020

9. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the CGUs has been determined using value in use. This calculation uses a pre-tax cash flow based on financial projections covering the remaining useful economic life of the properties. Management developed the projections based on past performance and based on current market factors. The key assumptions used for value in use are as follows:

	Cash generating unit	2020	2019
Gross margin	MRDE	63%	63%
Future rentals (per sq. ft.)	BSDL & MRDE	£23	£21
Discount rate	BSDL & MRDE	4.05%	4.2%

Future rentals are based on information supplied at 31 March 2020.

Management have considered and assessed reasonably possible changes to the key assumptions above. If future rentals were to decrease to £20.53 per sq. ft, the remaining headroom in BSDL would be eliminated. The reasonably possible change of £2.33 per sq.ft. in future rentals represents uncertainty over future rentals, particularly in light of the COVID-19 pandemic. Management have not identified any other instances that would cause the carrying amount of CGUs to exceed its recoverable amount.

Notes to the Accounts
Year ended 31 March 2020

10. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2020	**2019**
	£'000	**£'000**
At 1 April and 31 March	**17,593**	**17,593**

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

Interests in group undertakings

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent %	Proportion of ordinary shares held by the group %
Northern Ireland Co-Operation Overseas (NI-CO) Limited	UK	Marketing services	100	-
Bedford Street Developments Limited	UK	Property leasing	100	-
Bedford Street Management Company Limited	UK	Dormant	-	100
MRDE Limited	UK	Property leasing	-	100
MRDE FM Limited	UK	Dormant	-	100

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held do not differ from the proportion of the ordinary shares held. Copies of subsidiary financial statements can be obtained from Companies House: www.companieshouse.gov.uk.

Notes to the Accounts
Year ended 31 March 2020

11. INVESTMENTS IN ASSOCIATES

(i) Share of results in associates:

	2020 £'000	2019 £'000
Share of net assets of associates:		
At 1 April	51,741	37,157
At 31 March	55,241	51,741
Increase	3,500	14,584
Distributions from associates (note 25)	12,779	1,470
Less additional capital paid in during year (note 25)	(19,702)	(18,344)
Share of results recorded in Net Expenditure (note 3)	**(3,423)**	**(2,290)**

(ii) Summarised financial information on a combined basis:

	2020 £'000	2019 £'000
Non-Current Assets	77,146	70,662
Current Assets	17,804	12,446
Current Liabilities	(726)	(101)
Non-Current Liabilities		-
Net Assets	94,224	83,006
Revenue	4,716	3,327
Profit	1,401	2,612
Other comprehensive income	-	-
Total comprehensive income	1,401	2,612
Distributions from associates	12,779	1,470

All the information in the table above is based on figures prepared in accordance with FRS102.

Notes to the Accounts
Year ended 31 March 2020

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Net investment in associates:

	2020 £'000	2019 £'000
NITECH Growth Fund Limited Partnership (NITECH)	341	102
Crescent Capital II	6,450	6,157
NI Growth Loan Fund	12,531	20,708
NI Small Business Loan Fund	1,275	2,572
Crescent Capital III LP	2,320	3,188
Kernel Capital Growth Fund (NI)	3,610	1,246
Techstart NI SME Equity Limited Partnership (Techstart)	9,489	11,910
QUB Equity Limited Partnership	461	154
Ulster Equity Limited Partnership	336	-
NI Growth Loan Fund II	10,184	3,642
NI Small Business Loan Fund II	3,311	1,581
Growth Finance Fund	1,337	481
Techstart Ventures II LP	3,542	-
Crescent Capital IV LP	54	-
Net investment in associates	**55,241**	**51,741**

Invest NI, when applying the equity method, has determined using the distribution of income as the best estimate of the share of net assets. The share of net assets of each associate is determined using the latest available financial information at the time of approval of these financial statements. Each of the associates are investment entities with large portfolios of loan and equity investments. The COVID-19 pandemic has led to unprecedented market conditions which create a higher level of uncertainty than in previous years. The potential impact of COVID-19 on the valuation of associates and these underlying investments depends on future developments which cannot at present be predicted.

NITECH

Invest NI is the limited partner of the NITECH Growth Fund, which terminated on 21 January 2013. The remaining portfolio of three active investments continues to be monitored by Clarendon Fund Managers, who originally managed NITECH and currently manages a co-investment fund on Invest NI's behalf. There is no fee payable for this ongoing monitoring. It was decided the fund will be terminated when deemed appropriate, but will continue to be included in the financial statements until the process is complete.

Crescent Capital II

Invest NI is a limited partner of Crescent Capital II LP. The Fund, managed by Crescent Capital NI and operating in the UK, was established in April 2004 and has been extended until April 2020 to allow for divestment of the remaining portfolio. Invest NI has started to receive distributions and will continue to receive its share of all future realisations as the remaining investments are exited.

Notes to the Accounts
Year ended 31 March 2020

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

NI Growth Loan Fund

Invest NI is a limited partner of the NI Growth Loan Fund, a partnership established in May 2012 and operating in the UK. The Fund is managed by WhiteRock Capital Partners LLP. The Growth Loan Fund provides loans, primarily unsecured in nature, typically between £50,000 and £500,000 to businesses that can demonstrate sales and profitability growth or growth potential. The Fund targets businesses with export potential which are mainly in the manufacturing, engineering or tradable services sectors. The fund has now reached the end of the investment period and will continue to collect payment on outstanding loans. The partnership has a term of ten years.

NI Small Business Loan Fund

Invest NI is the limited partner of the NI Small Business Loan Fund LP, a partnership established in January 2013 and operating in the UK. This is a limited partnership registered in Northern Ireland and is managed by Ulster Community Investment plc. The Fund typically provides unsecured loans to individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development. The fund has reached the end of the investment period and will continue to collect payment on outstanding loans. The partnership has a term of ten years.

Crescent Capital III LP (ERDF *)

Invest NI is a limited partner of the Crescent Capital III LP Development Fund, a partnership established in July 2013 and operating in the UK. The Fund is managed by Crescent Capital III General Partner Limited. The Fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The fund has reached the end of the investment period and there will be no investments made in any new companies. The fund can make follow on investments in existing portfolio companies. The partnership has a term of ten years.

Kernel Capital Growth Fund (NI) (ERDF *)

Invest NI is a limited partner in the Kernel Capital Growth Fund, a partnership established in October 2013 and operating in the UK. The Fund is managed by Kernel Capital. The Fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The fund has reached the end of the investment period and there will be no investments made in any new companies. The fund can make follow on investments in existing portfolio companies. The partnership has a term of ten years.

Techstart NI SME Equity Limited Partnership (ERDF *)

Invest NI is the limited partner of Techstart which was established in July 2014. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. The purpose of the partnership is to invest in seed and early stage SMEs engaged in or investing in the technology sector. The partnership has a term of ten years.

Notes to the Accounts
Year ended 31 March 2020

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

Queen's University of Belfast Equity Limited Partnership (ERDF *)

Invest NI is a limited partner of the Queen's University Belfast Equity Limited Partnership which was established in July 2014 and operating in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. It was formed for the purpose of making equity and equity-related investments in connection with providing seed capital for the development of post-research post-proof-of-concept spin-out/spin-in companies from Queen's University Belfast including from the technology sectors related to the Queen's University Belfast research base. The partnership has a term of ten years.

Ulster Equity Limited Partnership (ERDF *)

Invest NI is a limited partner of the Ulster Equity Limited Partnership which was established in July 2014. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. It was formed for the purpose of making equity and equity-related investments in connection with providing seed capital for the development of post-research post-proof-of-concept spin-out/spin-in companies from Ulster University including from the technology sectors related to the Ulster University research base. The partnership has a term of ten years.

NI Growth Loan Fund II (ERDF*)

Invest NI is a Limited Partner of the NI Growth Loan Fund II, a partnership established on 1st October 2018 and operating in the UK. This is a £30m revolving loan fund with £22m capital contribution provided solely by Invest NI. The Fund is managed by WhiteRock Capital Partners LLP. Loans are typically between £100,000 and £500,000 and provided to export focused NI SMEs demonstrating strong growth or growth potential.

NI Small Business Loan Fund II

Invest NI is the limited partner of the NISBLF II LP, a partnership established in August 2018 and operating in the UK. The partnership has a term of ten years.

The Fund is managed by Ulster Community Finance on behalf of Invest Northern Ireland and delivered in partnership with Enterprise Northern Ireland. Ulster Community Finance is a subsidiary of the social finance organisation Ulster Community Investment Trust.

The Fund will provide typically unsecured loans to individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development.

Growth Finance Fund

The Growth Finance Fund, established 30 November 2018 with a ten-year term, is a three-way partnership between Invest NI, British Business Bank and NILGOSC. This is a £30m Fund managed by WhiteRock Capital Partners LLP. Loans are typically between £500,000 and £2,000,000 and provided to export focused NI SMEs demonstrating strong growth or growth potential.

Notes to the Accounts
Year ended 31 March 2020

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

Techstart Ventures II Limited Partnership (ERDF *)
Invest NI is a limited partner of the Techstart Ventures II Limited Partnership which was established in September 2019. The fund is managed by Techstart Ventures LLP. The purpose of the partnership is to invest in start-up and early stage technology companies in NI. The fund has an initial investment range of £50,000 - £750,000, with potential of up to £2m total investment in follow on rounds. The partnership has a term of ten years.

Crescent Capital IV LP (ERDF *)
Invest NI is a limited partner of the Crescent Capital IV LP Development Fund, a partnership established in September 2019. The fund is managed by Crescent Capital IV GP Limited. The fund is targeted with making equity investments in innovative high growth potential SMEs beyond the start-up phase and can also invest in MBOs and pre-scaling / scaling companies. Initial investments will range from £500,000 to £2.5m per company, with potential of up to £5m total investment during subsequent rounds. The partnership has a term of ten years.

* These funds are funded from the European Union Investment for Growth and Jobs Programme 2014-2020.

12. FINANCIAL ASSETS

The group holds the following financial assets:

	Group and Invest NI	
	2020	2019
	£'000	£'000
Financial assets at amortised cost		
Fixed rate loans	24,121	22,380
Variable rate loans	-	-
Financial assets at fair value through profit or loss (FVPL)		
Investments in ordinary shares	22,409	16,462
Investments in preference shares	481	648
Convertible loan notes	1,757	2,151
	48,768	**41,641**

Notes to the Accounts
Year ended 31 March 2020

12. FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss (FVPL)

	Group and Invest NI			
	Investments in ordinary shares £'000	**Investments in preference shares £'000**	**Investments in convertible loan notes £'000**	**Total £'000**
Fair value at 1 April 2019	16,462	648	2,151	19,261
Adjustment to opening balance	(45)	-	45	-
Additions	4,879	-	1,185	6,064
Conversions	1,963	-	(1,556)	407
Repayments and disposals	(675)	(133)	(45)	(853)
Dividend income (note 5)	-	7	-	7
Dividends received	-	(36)	-	(36)
Fair value adjustment (note 4)	(175)	(5)	(23)	(203)
Fair value at 31 March 2020	**22,409**	**481**	**1,757**	**24,647**

Financial assets at amortised cost

	Group and Invest NI		
	Fixed rate loans £'000	**Variable rate loans £'000**	**Total £'000**
Gross amount			
At 1 April 2019	**27,734**	**121**	**27,855**
Additions	2,566	-	2,566
Repayments	(2,002)	(5)	(2,007)
Conversions	(304)	-	(304)
Interest crystallised on conversion	(103)	-	(103)
Interest received	(159)	-	(159)
Interest income on financial assets at amortised cost (note 5)	2,474	-	2,474
Accrued interest	(92)	-	(92)
Fair value adjustment on re-measurement (note 4)	293	-	293
Amount written off	(102)	-	(102)
At 31 March 2020	**30,305**	**116**	**30,421**
Loss allowance			
At 1 April 2019	**5,354**	**121**	**5,475**
ECL allowance (note 4)	932	(5)	927
Amount written off	(102)	-	(102)
At 31 March 2020 (note 20)	**6,184**	**116**	**6,300**
Net balance			
1 April 2019	22,380	-	22,380
31 March 2020	**24,121**	**-**	**24,121**

Notes to the Accounts
Year ended 31 March 2020

12. FINANCIAL ASSETS (CONTINUED)

The group's exposure to various risks associated with financial instruments is discussed in note 21.

Financial assets at amortised cost

	Group and Invest NI	
	2020	**2019**
	£'000	**£'000**
Gross carrying amount		
Fixed rate loans	30,305	27,734
Variable rate loans	116	121
	30,421	27,855
Loss allowance (note 20)	(6,300)	(5,475)
	24,121	**22,380**

Amounts recognised in Net Expenditure

The amounts recognised in Net Expenditure in relation to financial assets held at FVPL are detailed in note 4.

The following table explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in note 1.

Details about the fair value hierarchy as at 31 March 2020 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 31 March 2020**
	£'000	**£'000**	**£'000**	**£'000**
Fixed rate loans	-	-	24,121	24,121
Variable rate loans	-	-	-	-
Investments in ordinary shares	1,665	18,660	2,084	22,409
Investments in preference shares	-	-	481	481
Convertible loan notes	-	1,757	-	1,757
	1,665	**20,417**	**26,686**	**48,768**

There were no transfers between levels during the year.

Notes to the Accounts
Year ended 31 March 2020

12. FINANCIAL ASSETS (CONTINUED)

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices
- The use of recent market prices for instruments that are not traded in an active market
- Discounted cash flow analysis
- Adjusted net asset value

As detailed in note 1, the valuation of financial assets involves estimation of future cash flows that are inherently uncertain, particularly as a result of the unprecedented market conditions caused by COVID-19.

Collateral

Invest NI takes collateral in support of its lending activities when deemed appropriate. In some instances, depending on the individual client circumstances, Invest NI may lend unsecured. The main types of collateral for loans to clients are fixed and floating charges over property and other assets.

Co-Fund NI

Included within investments in ordinary shares and investments in convertible loan notes, Invest NI participates in Co-Fund NI (ERDF*) and Co-Fund NI II (ERDF*).

Co-Fund NI (ERDF*) was a £28m fund that co-invested in SMEs based in Northern Ireland. Clarendon Fund Managers Limited managed the fund under a six year Management Services Agreement (June 2011-May 2017) and invested in deals which were led by business angels and private investors. The deals ranged from £150,000 to £1m and Invest NI provided £13m of funding on the same terms as the private investors. The overall fund ratio of private to public funding was at a minimum 55:45, with no more than a 50:50 split in any one round.

Co-Fund NI II (ERDF*) is a £50m fund, also managed by Clarendon Fund Managers Limited under a six year Management Services Agreement (June 2017-May 2023). The fund invests in the same way as Co-Fund NI but the overall fund ratio of private to public funding will be at a minimum 65:35, with no more than a 50:50 split in any one round. The deals range from £150,000 to £1.25m and to date Invest NI has provided £10.7m.

* Co-Fund NI and Co-Fund NI II are funded from the European Union Investment for Growth and Jobs Programme 2014-2020.

Notes to the Accounts
Year ended 31 March 2020

13. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	18,198	20,021	17,040	17,553
Loss allowance (note 20)	(10,434)	(10,012)	(10,434)	(10,012)
	7,764	10,009	6,606	7,541
Other receivables	4,601	5,259	4,191	5,070
EU receivables	34,110	30,320	34,110	30,320
Amounts due from subsidiaries	-	-	123	101
Prepayments	1,467	1,302	1,458	1,261
Accrued income				
Loan interest	337	245	337	245
Other	913	2,201	892	2,183
	49,192	**49,336**	**47,717**	**46,721**
Amounts falling due after more than one year:				
Other receivables	1,406	1,929	1,406	1,929
EU receivables	2,935	2,586	2,935	2,586
	4,341	**4,515**	**4,341**	**4,515**

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

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 20.

14. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April	21,080	19,622	898	2,817
Net change in cash and cash equivalent balances	(2,993)	1,458	(5,162)	(1,919)
Balance at 31 March	**18,087**	**21,080**	**(4,264)**	**898**
The following balances at 31 March were held at:				
Commercial banks and cash in hand	22,808	21,080	457	898
Bank overdraft (note 16)	(4,721)	-	(4,721)	-
Balance at 31 March	**18,087**	**21,080**	**(4,264)**	**898**

Notes to the Accounts
Year ended 31 March 2020

14. CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2019 £'000	Cash flows £'000	Non-cash movements £'000	31 March 2020 £'000
Bank loans (note 17)	16,937	(626)	20	16,331
Financial instrument (note 20)	5,836	-	434	6,270
	22,773	**(626)**	**454**	**22,601**

15. ASSETS HELD FOR SALE

	Group and Invest NI	
	2020 £'000	2019 £'000
Land	-	1,419
Buildings	-	150
	-	**1,569**

Included within assets held for sale at 31 March 2019 were a number of pieces of land and one building. The sales of these properties were expected to take place within one year. Impairment losses of £8,000 on these assets were included within the asset impairment caption in the 2018-19 Statement of Comprehensive Net Expenditure. A small number of the sales did not proceed as planned and are not expected to proceed within the next year. These assets have been transferred back into Property, plant and equipment. There were no assets meeting the assets held for sale criteria at 31 March 2020.

16. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts due within one year:				
Bank overdraft	4,721	-	4,721	-
Trade payables and accruals	14,870	17,085	6,859	8,207
Accrued grant payables	171,473	20,274	171,473	20,274
Other taxation and social security	6	561	6	561
Amount owed to subsidiaries	-	-	1,045	710
Other payables	2,029	1,898	2,029	1,898
Deferred income	1,711	643	1,706	629
Amounts due to DfE: other income surrendered	21	3	21	3
	194,831	**40,464**	**187,860**	**32,282**

Notes to the Accounts
Year ended 31 March 2020

16. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)

At each reporting date the carrying values of the above instruments approximate their fair value due to their short-term nature.

The Accrued grant payables balance of £171m includes £153m relating to amounts accrued but not yet paid at 31 March 2020 in relation to the Small Business Grant Scheme as outlined in note 3.

17. BORROWINGS

	Group		Invest NI	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Current				
Bank Loans	893	608	-	-
	893	**608**	**-**	**-**
Non-current				
Bank loans	15,438	16,329	-	-
	15,438	**16,329**	**-**	**-**

The fair value of borrowings is not materially different from their carrying value as the impact of discounting is not significant. For the purposes of IFRS 7, the financial liabilities noted above are classified as other financial liabilities. The carrying amount of the group's borrowings is denominated in Sterling. The effective interest rate at the reporting date of bank term loans is 1 month LIBOR plus 1%.

Maturity of financial liabilities
The maturity profile of the carrying amount of borrowings is as follows:

	Group	
	2020	**2019**
Bank loans	**£'000**	**£'000**
Amounts due in less than one year	893	608
In more than one year but not more than two years	635	893
In more than two years but not more than five years	1,121	1,337
After more than five years	13,682	14,099
	16,331	**16,937**

Notes to the Accounts
Year ended 31 March 2020

17. BORROWINGS (CONTINUED)

The amounts included in the table below are the contractual undiscounted cash flows of current and non-current borrowings:

	Group	
	2020	**2019**
Bank loans	**£'000**	**£'000**
Less than one year	1,875	1,642
In more than one year but not more than two years	1,565	1,875
In more than two years but not more than five years	3,761	4,050
After more than five years	17,448	18,724
	24,649	**26,291**

BSDL has given a floating charge over its assets to secure the borrowings of MRDE.

18. PROVISIONS FOR LIABILITIES AND CHARGES

(i) Amounts falling due within one year:

	Group and Invest NI		
	Grants £'000	**Others £'000**	**Total £'000**
At 1 April 2018	**30,107**	**97**	**30,204**
Provided in the year	31,416	-	31,416
Under provision from prior year/ (Provisions not required written back)	3,005	(37)	2,968
	34,421	(37)	34,384
Provisions utilised in the year	(28,939)	(60)	(28,999)
At 31 March 2019	**35,589**	**-**	**35,589**
Provided in the year	38,034	-	38,034
Under provision from prior year/ (Provisions not required written back)	(1,019)	-	(1,019)
	37,015		37,015
Provisions utilised in the year	(30,634)	-	(30,634)
At 31 March 2020	**41,970**	**-**	**41,970**

Notes to the Accounts
Year ended 31 March 2020

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

(ii) Analysis of expected timing of discounted flows

	Group and Invest NI	
	2020	**2019**
Provisions	**£'000**	**£'000**
Not later than one year	41,970	35,589
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**41,970**	**35,589**

Grants

The majority of grant provisions are due to be paid within one year, hence the effect of discounting is considered to be immaterial. For those beyond one year, it is not possible to estimate with certainty when the liability will crystallise. As detailed in note 1, a grant provision is made where companies can demonstrate meeting the defined terms of their financial assistance agreement. It is however acknowledged that the COVID-19 pandemic has given rise to a challenging set of conditions for clients which may lead to a risk of postponement or abandonment of current and future initiatives. Invest NI Client Executives maintain regular contact with clients to closely monitor current and proposed grants.

19. STATEMENT OF CASH FLOWS

Adjustments for non-cash transactions

	2020	**2019**
	£'000	**£'000**
Notional expenditure on Small Business Grant Scheme *	67,700	-
Notional costs (note 3)	269	-
Movement in Provisions for the year (note 18)	37,015	34,384
Depreciation (note 3)	1,709	1,145
Amortisation (note 3)	355	401
(Profit)/loss on disposal of Property, plant and equipment	(1,170)	337
(Profit) on Financial asset disposal	(1,021)	(443)
Impairment (note 3)	1,781	182
Financial instruments gains or losses (note 4)	2,392	1,222
Share dividend income (note 5)	(7)	(77)
Interest income on financial assets at amortised cost (note 5)	(2,474)	(2,503)
Share of results of associates (note 5)	3,423	2,290
Fair value gain on investment property (note 5)	-	(800)
Foreign exchange loss/gain	(950)	291
Total non-cash transactions	**109,022**	**36,429**

* This represents the amount paid under the scheme until 31 March 2020, which was delivered in conjunction with DfE. An equivalent amount of notional grant-in-aid was received from DfE to cover the expenditure in year.

Notes to the Accounts
Year ended 31 March 2020

20. FINANCIAL INSTRUMENTS

Financial Risk Management
Financial instruments are primarily held as part of the overall financial assistance to client companies. Invest NI is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way NDPBs are financed. Moreover, Invest NI has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to mitigate the risks facing Invest NI in undertaking its activities. Invest NI is primarily exposed to credit risk, currency risk and market risk (including price risk and interest rate risk).

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

Credit risk
Invest NI's principal financial assets are cash and cash equivalents, receivables, investments in ordinary shares and preference shares, investments in convertible loan notes and fixed and variable rate loans. Invest NI's credit risk is primarily attributable to its receivables and investments in shares, loan notes, and fixed and variable rate loans. The amounts presented in the Statement of Financial Position are net of allowance for expected credit loss. Invest NI has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The group's maximum exposure to credit risk is the value of the financial assets referred to in note 12 and receivables in note 13. The group has the following assets that are subject to the expected credit loss model:

- Trade and other receivables
- Fixed and variable rate loans

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings.

Trade and other receivables – loss allowance
The group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The group considers that default has occurred when a financial asset is more than 180 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Accounts
Year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of loss allowance on trade receivables

	Group and Invest NI £'000
Loss allowance on trade receivables at 31 March 2019	**10,012**
Release of loss allowance on write off	(1,131)
ECL allowance on trade receivables (note 4)	1,553
Loss allowance on trade receivables at 31 March 2020	**10,434**

Group

	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2020					
Expected loss rate	7.5%	76.4%	99.4%	60.6%	57.3%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	1,735	1,235	344	14,884	18,198
Loss allowance	**130**	**943**	**342**	**9,019**	**10,434**

Invest NI

	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2020					
Expected loss rate	21.6%	77.9%	99.4%	60.6%	61.2%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	602	1,210	344	14,884	17,040
Loss allowance	**130**	**943**	**342**	**9,019**	**10,434**

Group

	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2019					
Expected loss rate	1.9%	89.5%	58.4%	80.3%	50.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	7,701	515	363	11,442	20,021
Loss allowance	**148**	**461**	**212**	**9,191**	**10,012**

Invest NI

	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2019					
Expected loss rate	2.8%	97.7%	58.4%	80.3%	57.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	5,276	472	363	11,442	17,553
Loss allowance	**148**	**461**	**212**	**9,191**	**10,012**

Notes to the Accounts
Year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Fixed and variable rate loans – loss allowance

	Group and Invest NI			
	12-month ECL £'000	Lifetime ECL £'000	Impaired £'000	Total loss allowance £'000
Fixed rate loans (note 12)	4,109	289	1,786	6,184
Variable rate loans (note 12)	-	-	116	116
Loss allowance at 31 March 2020	**4,109**	**289**	**1,902**	**6,300**

The group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For assets classified as impaired above, there is objective evidence of impairment, including the following indicators:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation, and
- Default or late payments

Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Currency risk

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

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

Market risk

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

Notes to the Accounts
Year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk
The majority of Invest NI's financial assets and all of its financial liabilities carry nil or fixed rates of interest. Movement in interest rates does not represent a significant risk to the organisation's operation.

The group's interest rate risk arises from borrowings, which are comprised of bank term loans. The group manages this risk by a mixture of variable interest rates on term loans and by the use of interest rate swap contracts. The interest rate is monitored on a regular basis with reference to movements in global interest rates and the potential impact upon the group's cost of borrowing.

Derivative financial instruments
The group has entered into an interest-rate swap whereby the group pays a fixed rate and receives a variable rate.

The fair value of this interest rate swap is recognised as a financial liability under non-current liabilities on the Consolidated Statement of Financial Position with fair value movements being reported in the Statement of Comprehensive Net Expenditure under finance costs.

The group's derivative financial instrument is valued under level 2 in the fair value hierarchy.
The fair value of the group's derivative financial instrument, a liability (designated for hedging) of £6,270,000 (2019: £5,836,000) is obtained from counterparty valuation, and is based on observable market data.

The movement on the group's derivative financial instrument is as follows:

	2020 £'000	2019 £'000
At 1 April	5,836	5,976
Fair value adjustment	434	(140)
Liability at 31 March	**6,270**	**5,836**

It is not possible to determine the portion of the group's derivative financial instrument that will fall due within 12 months as it will depend on the movement of interest rates.

Notes to the Accounts
Year ended 31 March 2020

21. LEASES

Invest NI as lessee
£1,213,000 (2019 restated: £1,234,000) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	Group and Invest NI	
	2020	**2019**
	£'000	**£'000**
Buildings:		
Not later than one year	1,021	743
Later than one year and not later than five years	2,650	1,812
Later than five years	1,526	353
	5,197	**2,908**

Operating lease payments represent rentals payable by Invest NI for certain of its regional and international office properties. Leases are negotiated for periods of up to 15 years. There are no purchase options in the leases, but a number of the leases contain an option to extend for a further period at the then prevailing market rate.

Invest NI as lessor
Net property rental income earned during the year was £1,300,000 (2019: £1,432,000). The group earned rental income of £1,805,000 (2019: £1,953,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. At 31 March, Invest NI had contracted with tenants for the following future minimum lease payments:

	Group	
	2020	**2019**
	£'000	**£'000**
Buildings:		
Not later than one year	1,949	1,741
Later than one year and not later than five years	4,204	2,051
Later than five years	5,535	3,977
	11,688	**7,769**

	Invest NI	
	2020	**2019**
	£'000	**£'000**
Buildings:		
Not later than one year	1,247	1,040
Later than one year and not later than five years	3,819	965
Later than five years	5,535	3,977
	10,601	**5,982**

Notes to the Accounts
Year ended 31 March 2020

22. OTHER FINANCIAL COMMITMENTS

	Group and Invest NI	
	2020	**2019**
	£'000	**£'000**
Commitments in relation to unclaimed grants under financial assistance offers and agreements at the year-end comprised:	**217,120**	**210,837**

It is not possible to determine the date of future claims by client companies in relation to the above obligations.

23. COMMITMENTS UNDER PFI CONTRACT

The contract for the Bedford Square headquarters Private Finance Initiative (PFI) project was signed in November 2004. Invest NI is committed to the terms and conditions in the final contract. The contract is on a 25 year basis from October 2005. The service charge payable by Invest NI includes unitary charges for facility (property and car parking), reprographic and catering. The Bedford Square headquarters is not an asset of Invest NI and it is an off Statement of Financial Position property. In 2013-14 Invest NI acquired the BSDL Group that manages the PFI contract, as such the asset now forms part of the Consolidated Statement of Financial Position.

The total amount charged in the Invest NI Statement of Comprehensive Net Expenditure in respect of off-balance Sheet (SoFP) PFI transactions was £5,244,000 (2018-19 £5,154,000).

The asset has been revalued by LPS on 31 March 2020 at £25,500,000 (2019: £24,700,000). Total future minimum payments due under this PFI contract are given in the table below for each of the following periods:

	Invest NI	
	2020	**2019**
	£'000	**£'000**
Not later than one year	5,096	4,837
Later than one year and not later than five years	20,384	19,348
Later than five years	28,244	31,646
	53,724	**55,831**

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

Notes to the Accounts
Year ended 31 March 2020

24. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Invest NI receives EU grants and administers programmes that are funded by EU financial assistance. Therefore Invest NI is bound by the appropriate EC regulations and requirements. Invest NI has a potential liability to repay EU grants if the relevant EC regulations and requirements are not met or complied with. Any potential future liability would be dependent upon any irregularity not yet identified. Therefore at the end of the financial year, the maximum amount of potential liability is not quantifiable but the inherent risks remain as Invest NI has continued to carry out the administrative role.

Invest NI does not have any other contingent liabilities which are required to be disclosed under IAS 37 or for parliamentary reporting and accounting purposes.

25. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments
Invest NI is a NDPB of DfE. DfE is regarded as a related party. During the year, Invest NI has had various material transactions with DfE. At the reporting date Invest NI had the following outstanding balances with DfE:

	2020 £'000	2019 £'000
Payables (amounts due within one year (note 16):		
Balances with other central government bodies	21	3

In addition, Invest NI had various transactions with other government departments and their agencies, and other central government bodies. Most of these transactions have been with DoF and HMRC. There were no material outstanding balances with these bodies, local authorities, HSS Trusts, public corporations or trading funds.

Transactions with associates
The relationships with associates are detailed in note 11. The following payments were made to associates during the year:

	2020 £'000	2019 £'000
NI Growth Loan Fund	-	1,889
Crescent Capital III LP	1,200	2,250
Kernel Capital	638	1,499
Techstart NI SME Equity	1,800	5,333
QUB Equity Limited Partnership	356	325
Ulster Equity Limited Partnership	281	525
Small Business Loan Fund II	2,006	2,000
Growth Finance Fund	1,555	555
NI Growth Loan Fund II	7,317	3,968
Techstart Ventures II LP	4,284	-
Crescent Capital IV LP	265	-
	19,702	**18,344**

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

The following distributions were received from associates during the year:

	2020 £'000	2019 £'000
Crescent Capital II LP	-	247
NITECH Growth Fund	42	298
Small Business Loan Fund	1,210	925
Techstart NI SME Equity	1,256	-
NI Growth Loan Fund	10,271	-
	12,779	**1,470**

Transactions involving ELT

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

Financial assistance transactions: (Refer to the key at end of note)

ELT member	Company	Nature of relationship	New financial assistance offered 2020 £'000	Amount paid 2020 £'000	New financial assistance offered 2019 £'000	Amount paid 2019 £'000
Jeremy Fitch	Banah (UK) Limited	(a)	-	-	3	7

The balance owed to the company at 31 March 2020 was £Nil (2019: £Nil).

Transactions involving Board members

Due to the nature of Invest NI's operations and the composition of its Board members (being from local private and public sector organisations), it is inevitable that transactions will take place with companies and organisations in which Board members may have a beneficial or non-beneficial interest. A beneficial interest is when the Board member is either, directly or through a family connection, a material shareholder or receives a payment from the entity for their services. Further details regarding the Register of Interests are on page 36.

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

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the transactions in the tables below (inclusive of VAT where applicable and aggregate value in excess of £1,000) were made with entities in which Board members have had a beneficial interest during the year. On this basis, where disclosure was made in 2018-19 for bodies from which Board members resigned or retired during 2018-19, these are not replicated in the 2019-20 financial statements. Similarly, where a Board member retired from Invest NI in 2018-19 no disclosure has been made in respect of this individual for 2019-20. The 2018-19 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2019-20, no comparative information for 2018-19 has been provided in respect of this individual.

Where a Board member has resigned/retired from either Invest NI or another organisation during the year, transactions with the relevant organisation during the year are disclosed but balances owing to/from the body at the year-end are not on the grounds that no beneficial relationship existed at that date.

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2020 £'000	Amount paid 2020 £'000	New financial assistance offered 2019 £'000	Amount paid 2019 £'000
Mark Ennis	Creative Composites Limited	(a)	4	344	5	1,030
	First Derivatives plc	(a)	10	186	1,288	120
	Airtricity Holdings Limited and subsidiaries	Director	-	-	-	124
	W & G Baird (b)	Chair	68	-	19	24
Rose Mary Stalker	Catagen Limited (c)	Shareholder	194	143	16	24
	Mid & East Antrim Council	Chair of Manufacturing Taskforce	-	110	-	69
Brian Baird	Modern Democracy Limited	Investor/ Advisor	(d)	(d)	516	24
	Repstor Limited (e)	Non-Executive Chair and Shareholder	22	66	55	31
	Flowlens Limited (f)	Non-Executive Director	125	-	225	-
	Replify Limited (g)	Non-Executive Director	3	4	14	30
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	15	9	5	22

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2020 £'000	Amount paid 2020 £'000	New financial assistance offered 2019 £'000	Amount paid 2019 £'000
Padraig Canavan	Lithe IT Limited	Chair and Shareholder	-	27	26	15
Mark Nodder	Wright Composites Limited	Chair and CEO-Director	(d)	(d)	-	11
	Wright En-Drive Limited	Chair and CEO-Director	(d)	(d)	-	-
	Wrightbus Limited	Chair and CEO-Director	(d)	(d)	10	77
	Metallix Limited	Chair and CEO-Director	(d)	(d)	-	-
Scott Rutherford	Queen's University Belfast	Director	8,075	6,125	572	6,192
Judith Totten	Queen's University Belfast	(a)	8,075	6,125	572	6,192

Payments made by Invest NI for services (inclusive of VAT where applicable):

Board member	Company	Nature of relationship	Amount paid 2020 £'000	Amount paid 2019 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	2	15
Scott Rutherford	Queen's University Belfast	Director	441	239
Judith Totten	Queen's University Belfast	(a)	441	239
Ken Nelson	InterTradeIreland	Chair	-	6
	Northern Regional College	Member of Board of Governors	(d)	25
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	-	8
Brian Baird	Repstor Limited (e)	Non-Executive Chair and Shareholder	91	18

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts invoiced by Invest NI (inclusive of VAT where applicable):

Board member	Company	Nature of relationship	Amount invoiced 2020 £'000	Amount invoiced 2019 £'000
Mark Ennis	Creative Composites Limited	(a)	-	10
	W&G Baird (b)	Chair	-	9
Scott Rutherford	Queen's University Belfast	Director	11	5
Judith Totten	Queen's University Belfast	(a)	11	5
Brian Baird	Modern Democracy Limited	Investor/Advisor	(d)	9
Mark Nodder	Wrightbus Limited	Chair and CEO-Director	(d)	4
Ken Nelson	InterTradeIreland	Chair	9	16
Padraig Canavan	Hunter Apparel Solutions Limited	Chair & Shareholder	-	7
Mark Sweeney	Northern Ireland Transport Holding Company	Interim Chair	672	-

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2020 £'000	Balance 2019 £'000
Mark Ennis	First Derivatives plc	(a)	(h)	213
	Creative Composites Limited	(a)	(h)	250
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	(i)	20
Scott Rutherford	Queen's University Belfast	Director	857	453
Ken Nelson	Northern Regional College	Member of Board of Governors	(d)	30
Judith Totten	Queen's University Belfast	(a)	857	453
Brian Baird	Repstor Limited (e)	Non-Executive Chair & Shareholder	-	44
Mark Nodder	Wright Composites Limited	Chair and CEO-Director	(d)	5
	Wright En-Drive Limited	Chair and CEO-Director	(d)	3
Padraig Canavan	Hunter Apparel Solutions Limited	Chair & Shareholder	14	-

There were no loan balances outstanding at 31 March 2020 (2019: £Nil) from any company in which a Board member had a beneficial interest.

Notes to the Accounts
Year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed from the entity at 31 March:

Board member	Company	Nature of relationship	Balance 2020 £'000	Balance 2019 £'000
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	(i)	1
Mark Sweeney	Northern Ireland Transport Holding Company	Interim Chair	20	-

There were no provisions held against the above balances.

Investments held at 31 March:

Invest NI holds share investments in the following companies in which Board members have a beneficial interest:

Board Member	Company	Nature of relationship	Investment cost £'000
Brian Baird	Replify Limited (g)	Non-Executive Director	351

No dividends were received in respect of the above shareholding.

Key

(a) Connected via family relations.

(b) NI Growth Loan Fund has advanced a loan to W&G Baird Limited. The balance outstanding at 31 March 2020 is £97,000. NI Growth Loan Fund is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.

(c) NI Growth Loan Fund has advanced a loan to Catagen Limited. This loan was repaid in full by 31 March 2020.

(d) The Board member's beneficial relationship with this organisation ceased in 2018-19 therefore no transactions/ balances are disclosed for 2019-20.

(e) NI Growth Loan Fund has advanced a loan to Repstor Limited. This loan was repaid in full by 31 March 2020.

(f) Crescent Capital III holds an investment of £2,201,000 in Flowlens Limited. Crescent Capital III is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.

(g) Crescent Capital II holds and investment of £2,040,000 in Replify Limited. Crescent Capital II is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.

(h) The Board member retired from Invest NI during 2019-20 therefore transactions with companies in which he had a beneficial relationship during the year are disclosed but not balances at 31 March 2020 on the grounds that no relationship with Invest NI existed at that date.

(i) The Board member's relationship with this organisation ceased during 2019-20 therefore transactions with the company are disclosed but not balances at 31 March 2020 on the grounds that no beneficial relationship existed at that date.

Notes to the Accounts
Year ended 31 March 2020

26. EVENTS AFTER THE REPORTING PERIOD

In July 2020, a decision was made by a co-investor of an Invest NI loan to sell or refinance their investment. This means that there may be a material decline in the valuation of the related loan investment in the Invest NI Accounts, however this remains unquantifiable at this point. This is a non-adjusting event and consequently, the 2019-20 accounts have not been adjusted for any potential change in valuation.

As a result of the COVID-19 pandemic the group has assessed the financial and operational risks to the business. There are no other events after the reporting period date that require disclosure.

Date of authorisation for issue
The Accounting Officer authorised the issue of these financial statements on 14 September 2020.

N I A O

Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

Invest Northern Ireland

Annual Report and Accounts

2019-20

Introduction

1 Invest Northern Ireland (Invest NI) is a Non-Departmental Public Body which was established in 2002 and received £175.8 million grant-in-aid from the Department for the Economy (DfE) in 2019-20. Invest NI's purpose is to grow the local economy by helping new and existing businesses to compete internationally and by attracting new investment to Northern Ireland.

2 I am required under the Industrial Development Act (Northern Ireland) 2002 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

3 Whilst I am content that Invest NI's 2019-20 financial statements give a true and fair view, my report below sets out why I have decided to qualify my regularity audit opinion in relation to potential ineligible expenditure amounting to £13.5 million in 2019-20 for the Small Business Grant Scheme.

4 In addition, earlier this year a number of concerns were raised publically in relation to issues highlighted in a BBC Spotlight programme regarding Invest NI's awarding of;

- a loan of £2.5 million to the Wrightbus Group in 2019; and
- funds to the Wrightbus Group between 2014 and 2019.

5 My report below also provides a response to the concerns raised.

Background to the Small Business Grant Scheme

6 In response to the unprecedented and significant impact of the Covid-19 crisis on the Northern Ireland economy and on businesses and their employees, the Small Business Grant Scheme was launched by DfE on 26 March 2020. This was an NI Executive initiative to provide one-off emergency grants of £10,000 to small businesses to help mitigate the potential threat of business closures. The scheme is one of three schemes that are focused on supporting various types of businesses during the impact of Covid-19 – the other two schemes being: the Business Support Grant for the Retail, Hospitality, Tourism and Leisure Sectors and the Micro-Business Hardship Fund. Payments on the Small Business Grant Scheme occur in both the 2019-20 and 2020-21 financial years. Payments on the other two schemes occur in the 2020-21 year only and are not considered here.

7 The scheme was required to be designed and delivered by DfE and LPS at a rapid pace and it was in recognition of these particular circumstances that it was subject to a Direction from the Economy Minister. As part of the submission to the Economy Minister, DfE highlighted a number of risks due to the nature of the scheme and the pace with which it was being delivered.

8 In order to deliver this emergency grant, DfE agreed a Memorandum of Understanding (MoU) with Invest NI and the Department of Finance (DoF) / Land & Property Services (LPS). Under the terms of the MoU:

- Invest NI's limited responsibility was to record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts. Essentially, as Invest NI has the authority to provide grant funding to businesses, DfE acted as an agent for Invest NI to make the payments. Invest NI was not directly involved in determining the amounts payable or making the payments to the organisations;

- DfE assumed responsibility on behalf of the Executive for the scheme, including any potential error, fraud or losses arising from the administration of the scheme; and
- DoF (via LPS) was responsible for the identification and checking of eligible businesses and making the payments to those businesses. LPS's data on ratepayers was used to determine who was eligible to receive the grant, however, I note that this was not the normal intended purpose of the LPS information. This brought some risk, but was a pragmatic approach in the absence of any better information.

Qualified regularity opinion due to ineligible payments made

9 As part of their review of the scheme, LPS identified ineligible payments totalling £3.74 million. As part of my audit, on a sample basis, my staff reviewed the payments made by LPS in respect of the total scheme and identified ineligible payments, some of which were already included in LPS's list of ineligible payments (identified through internal control procedures) and one which was initially not included. The ineligible payments identified by my staff, if extrapolated across the scheme, indicates the potential of up to £13.5 million ineligible payments, which I consider to be material in the context of the scheme payments. One of the conditions of entitlement to the scheme was that businesses had to be trading at 15 March 2020. My staff identified errors where businesses were not trading from that particular property on which the grant was eligible and were therefore not entitled to receive the grant, despite in most cases completing an on line declaration. The Department told me that one assumption was that a 'live occupancy' for rating purposes indicated that a business was trading from the address, the assumption being that a business would not willingly pay full occupied rates for premises it was not occupying. The businesses had not therefore identified this fact to LPS at the point at which the grant payments were issued. I also note that LPS has identified other types of error that they are currently reviewing, such as landlords receiving payment instead of the tenant and duplicate payments made.

10 As these payments have been paid to participants who were not eligible under the Scheme, they are irregular and as Invest NI is responsible for accounting for the expenditure on the Small Business Grant Scheme, I have qualified my regularity opinion as the expenditure does not conform to the authorities which govern it. This qualification also applies to DfE who were responsible for the scheme and I shall consider what implications this has on my audit of LPS financial statements in due course.

11 I also note that DfE is currently working on a recovery process, with assistance from LPS, to clawback any grant that was paid to those not eligible. At the time of this report, 374 payments were being reviewed for possible recovery. I asked the Department for an update on the recovery of these payments and it told me that to date 62 payments have been recovered, 60 repaid in full, and 2 partial repayments.

12 Given the risks involved in setting up this scheme so quickly in exceptional times, I asked the Department what controls and procedures it had in place to ensure expenditure on the scheme was eligible and whether any lessons had been learned in administering this scheme. The Department told me a memorandum of understanding was signed between DfE and DoF/LPS on 22 April 2020. LPS informed the Department that a master dataset of all eligible ratepayers was created, which embedded a comprehensive set of validations and controls for managing ratepayer and property data and IDs, portal data, applicant bank account, and e-mail validations and controls. In addition, eligibility criteria was developed by DfE, and corresponding grant processing and review procedures were put in place by LPS. The Department is currently in the process of developing a lessons learned report covering the three business grant schemes.

13 The Department is commissioning research on the impact of its Covid-19 interventions in order to provide useful information on judging the impact and value for money of this scheme along with the Business Support Grant for the Retail, Hospitality, Tourism and Leisure Sectors and the Micro-Business Hardship Fund. I look forward to the outcome of this work and I will review the other two schemes as part of my 2020-21 audit at which point I may report further.

Wrightbus

14 Invest NI awarded a £2.5 million loan to Wrights Group in July 2019 when it was clear that the company was having some financial difficulties. The aim of the loan was to allow the company to continue to operate until a buyer could be secured, which happened in October 2019. Of the £2.5 million advanced, £1.5 million has now been repaid and Invest NI is confident that it will receive the remaining £1 million within the next 6 to 12 months.

15 I have also noted that the loan was awarded before formal approval had been received from the European Commission. On 25 June 2019, the European Commission was notified of the intention of the UK authorities to grant rescue aid in favour of the Wrights Group. Additional information was requested by the Commission on 2 July 2019, which was then provided on 12 August 2019, after £2.5 million had already been disbursed to the Wrights Group.

16 The European Commission outlined that the £2.5 million disbursed to the Wrights Group before the notification to the Commission was complete, "...constitutes unlawful state aid" and "…regretted that the rescue aid loan to the Wrights Group was in breach of Article 108(3) of the Treaty on the Functioning of the European Union." Despite these concerns, no further action was taken by the European Commission.

17 When I discussed this process with Invest NI, they told me that "given the nature and urgency of rescue aid, it is not uncommon that it is awarded prior to final approval by the EU Commission. In the case of Wrightbus, the cash flow pressures were such that to wait for final written approval from the Commission would have resulted in an administrator being appointed and the subsequent rescue and sale not proceeding. Invest NI therefore notified the aid to the Commission at the earliest opportunity and engaged with them throughout the process. During this engagement, the Commission advised that they understood there are times aid has had to be paid out before a decision i.e. "for urgent, understandable reasons to avoid a greater harm", but that ultimately this was a decision for the NI authorities. The Commission also asked that Invest NI inform them if it became necessary to pay the aid prior to approval. This was done and the Commission was sighted on the entire process throughout."

18 Whilst I note the breach of Article 108(3), I accept that the purpose of the loan was to secure the continuance of the Wrightbus operation until a buyer could be found and without providing the funding the successful outcome may not have been achieved.

19 In relation to the £3 million grants awarded by Invest NI to the Wrightbus Group since 2014-15, I was able to confirm, on the basis of a sample of the funding, that Invest NI carried out the relevant checks and applied the appropriate controls to ensure the funding met the requisite criteria of the funding schemes used.

20 I also note that a senior member of Wrightbus Executive Management (who resigned from Wrightbus on 31 March 2019) has been a member of the Invest NI Board from 1 April 2014. Based on my review, I sought and was provided with assurances that all appropriate steps were taken to manage the potential for any conflict of interest to impact decision making, including exclusion of the Board Member from any relevant conversations and full disclosure of the relationship in the related parties transactions note in the Annual Accounts of years affected. I am content that the approach taken to manage the situation was reasonable.

21 As further assurance in relation to the governance concerns raised, I asked Invest NI to confirm what procedures and processes it followed to ensure there was appropriate governance arrangements in place at Wrightbus when awarding these grants. Invest NI told me that "the payments made to Wrightbus in the period between 2014 and 2019 were in respect of grant offers issued over the 9 year period from 2010 to 2019. Each of the offers made was subject to scrutiny by Invest NI's Casework Committee process which is designed to discharge an independent challenge and assurance role on behalf of the Accounting Officer. Support cannot be offered to a company without this approval and all offers are approved in line with delegation limits agreed by DfE. In addition, for offers over £250k, which covered the majority of the grants awarded to Wrightbus, a detailed business appraisal was undertaken to provide an objective, balanced analysis of the company and the project, to inform the Casework Committee decision making process. The appraisals carried out on the Wrightbus projects considered marketing, technical, financial and commercial risks and opportunities relating to the proposed projects and the wider business. Preconditions relevant to the specific projects and to the future viability of the company were included in the offers and a written guarantee was obtained from the company in respect of the percentage of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) that could be paid out in dividends or external loans (for Wrightbus this was set at 50 per cent of EBITDA). Prior to the payment of any claims made against the offers, compliance with preconditions and guarantees was checked and appropriate vouching was undertaken. In addition, project and customer monitoring was carried out on a regular basis which is designed to assess progress against agreed project milestones as well as the ongoing viability of the business."

KJ Donnelly

KJ Donnelly
Comptroller and Auditor General
14 September 2020

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