INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS

2022-23

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ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2023

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on

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

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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.

CEO Review

Economic backdrop

The war in Ukraine continues to have an impact on global economies. Business headlines throughout the year highlighted many economic challenges for the UK. Rising inflation, peaking at 11.1 percent (CPI), and increased energy costs have resulted in higher costs of doing business and high mortgage rates, food and energy bills have meant a fall in real disposable income leaving many struggling with day-to-day living.

On a more positive note, the labour market is showing resilience. The latest NISRA statistics indicate the employment rate has been rising and is, at the time of writing, 71.4 percent. The unemployment rate in NI is 2.8 percent - the lowest of the 12 UK regions.

Against the backdrop of high inflation, and increased pressure on public sector budgets, we continue to operate without a functioning NI Executive and sitting Assembly. This brings added complexity to navigating these significant social and economic challenges.

In this context, we continue to do what we can to support growth in our local economy – whether that is through helping an indigenous company to grow or by attracting a new investor to set up here for the first time.

Every £1 of our assistance contributed towards £7 of investment in the local economy.

Operational change

To respond to the changing environment in which we operate, as well as a new policy focus by the Department for the Economy, set by its 10X Vision, we implemented several new initiatives during the year as part of our internal change programme.

Our most significant change was to implement a new process of prioritisation – how we assess and compare which projects should receive financial support. With ever increasing pressure on public sector budgets it is imperative that we ensure the funding we do have delivers the greatest impact. Our new prioritisation process robustly challenges projects based on the anticipated economic value over the project lifetime.

We also strengthened our casework template, introduced tighter restrictions on multiple offers of support and developed and launched a pilot programme to explore a competition-based approach to accessing our support. Ambition to Grow was designed to attract more companies to work with us for the first time and increase our regional impact. After assessing applications, we have offered

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£1.3m of funding to 37 export driven SMEs which will help them to grow exports by up to £12m and create 154 new jobs.

These operational enhancements have set a higher bar for financial assistance, ensuring a more robust justification of support and driving a stronger rate of return on public investment.

We have assigned new resources to two areas of specific focus – the Green Economy and City & Growth Deals. Northern Ireland is well positioned to take advantage of the emerging green opportunities. Businesses here have the potential to be important players in the development of low carbon enabling technologies to assist key industry sectors such as heat, energy, and transport. Our dedicated Green Development team has identified new market opportunities in the green economy and is supporting NI companies to compete for global opportunities.

Northern Ireland's four City and Growth deals will see £1.3bn of investment in transformative infrastructure projects covering every council area in Northern Ireland. Whilst the deals are owned by councils, Invest NI has Investment Decision Maker (IDM) responsibility for all projects under the Innovation and Digital Pillars and Complementary Fund which currently equates to government assistance of £640m.

Supporting the success of these City & Growth deals will be a core activity for us in the coming years. To ensure we are best able to do this we have redeployed staff to our dedicated City & Growth Deals Team, drawing on staff with knowledge and expertise across the key sectors and clusters.

There has also been progress towards digitising many of our processes and systems – improvements to our Customer Relationship Management system, upgrading the Customer Portal, and better data collection, analysis and reporting. These pieces of work are complex, interconnected and will offer vast improvements for both customers and staff.

Shaping our culture

As well as reviewing our operational delivery we have also been bringing forward new initiatives to shape our culture and align to our vision for the future.

Similar to many organisations, we have also formally adopted a hybrid approach to working. Combining time in the office to interact with colleagues with time working from home is giving staff greater flexibility to work where they can be most productive.

We launched a new set of values mid-way through the year recognising individuality and diversity of staff and placing each person at the heart of what we do. We are committed to creating a place to work that is inclusive, innovative, diverse and dynamic.

Alongside new values, we also launched a new Diversity & Inclusion Policy, receiving our Bronze accreditation, and established a network of employee led connection groups around topics including STEM, green/environmental, professional women, working parents, disability and LGBTQ+.

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Board Changes

Following completion of their full terms, Judith Totten, Deborah Lange, Padraig Canavan, Mark Nodder and Mark Sweeney stepped down from their position as Members of our Board in May 2022. Kevin Kingston also stepped down from the Board following completion of his first term. On behalf of the organisation I would like to thank them all for their support, guidance and service to economic development.

We welcomed Dominic Darby, Melanie Dawson, Dawn McLaughlin, Ciaran Mulgrew, Patrick O'Gorman, Julie-Ann O'Hare, and Scott Ritchie to our Board. Each of them has already brought new ideas and insight, and I and my colleagues are grateful for their support and guidance through a time of transition and change.

In January, after nearly 11 years as both a Board member and latterly as Chair, Rose Mary Stalker's term came to an end. Rose Mary led the Board with a passion and conviction for delivering economic growth for Northern Ireland. We thank her for dedication and commitment and wish her well in her future endeavours.

Colm McKenna has stepped into the role as Interim Chair. Colm brings with him a wealth of experience following a successful career in financial services, and numerous Board positions in the Northern Ireland Public Sector. My colleagues and I look forward to working with Colm over the coming months.

Independent Review

The Independent Review, commissioned by the Minister for the Economy, featured significantly throughout the year – facilitating access to information and data, participating in feedback and consultation sessions, and then finally considering and responding to the recommendations.

We have developed an Action Plan in partnership with the Department to respond to the Review and act as our roadmap for change.

We are committed to getting this right because the decisions we make will have long term implications, not only for Invest NI, but for the wider economy.

Teams, made up of staff from both the Department and Invest NI, have worked together to define, develop and deliver solutions for each of the recommendations in the Review. This work was overseen by a Steering Group made up of senior Department Officials, Invest NI Board members and me, as Interim CEO. We are now moving into the implementation phase and delivering the change needed. to deliver the change

Looking to the future

Once again, our Business Plan and operational targets have been developed in the context of no functioning Executive and a tightening budget position. Delivering more with less will mean some difficult decisions as to how best we add value to the economic landscape.

Our 2023-24 Business Plan will need to be agile – responding to changes we make as part of the Independent Review Action Plan, to our budget position, and to wider government policy. However, we are clear what the main Drivers for economic growth are, and our focus and activity will be focused on these areas:

- Growing External Sales
- Productive Investment & Jobs

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- Innovation and Research & Development
- Leadership and Skills
- Entrepreneurship, Enterprise and Ambition, and
- Net Zero and the Green Economy.

As the Independent Review itself highlighted, no one agency or body can deliver the economic and societal transformation needed. This is why increased collaboration and partnership will be at the heart of how we work – strengthening the relationships we have across councils, NI Executive departments, business bodies and academia so we can collectively build a stronger, more resilient economy.

Conclusion

Earlier this year Northern Ireland marked 25 years of the Good Friday Agreement. Regardless of your views on the Agreement it cannot be disputed that Northern Ireland has come a long way since 1998.

GDP has grown from £22.5bn in 1998 to £57.1bn in 2021; exports have grown from £5.3bn to £12.2bn; the population has grown from 1.68m to 1.9m; there has been a 61 percent reduction in the unemployment rate (April – June 1998 to April – June 2023) and employee jobs have increased by more than 34 percent (Q1 1998 to Q1 2023): and median annual earnings have almost doubled.

These figures speak for themselves. They demonstrate what we can achieve and what the future can hold with a continued focus and drive to make Northern Ireland an even better place to live, work and do business.

Northern Ireland's dual-market status presents a new opportunity. It places us in a truly unique position and has the potential to deliver economic growth. We will look to play our part in supporting businesses to both understand the opportunities and navigate potential challenges; and attract new investors seeking to reach both the UK and European markets.

I know Invest NI can play an important role in helping support and contribute to Northern Ireland's future economic growth. The team and I are committed to this role, and the process of change that we are going though now will ensure that we are best placed to do so.

Mel Chittock
Interim Chief Executive
Date: 27 October 2023

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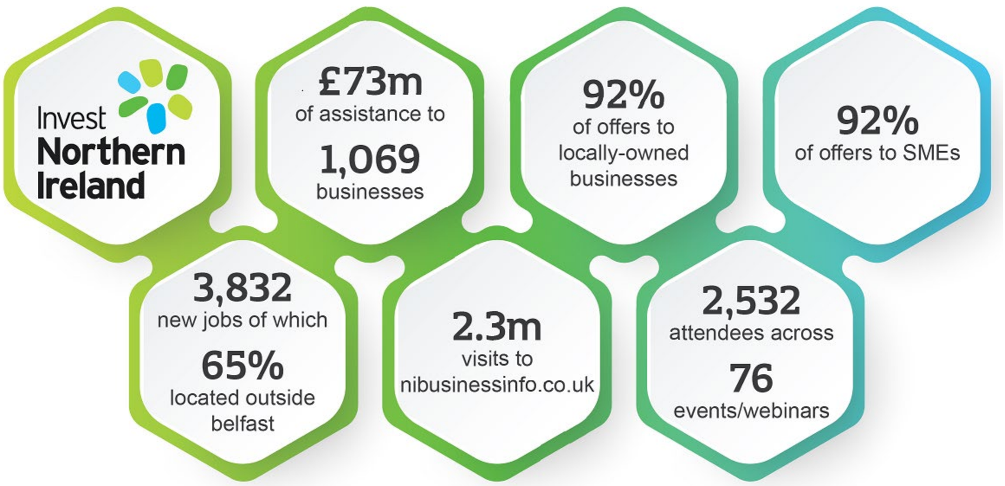
Our Impact

Our impact and support for business growth comes in many forms – professional, expert advice by staff skilled in a particular area or with deep knowledge of a sector; access to information, guidance and training either through workshops or webinars, or via our free business resource www.nibusinessinfo.co.uk which houses over 1,100 information guides and 5,500 factsheets; and financial assistance to support company investments in R&D, skills and job creation.

In 2022/23 we delivered the following:



Trading outside of Northern Ireland remains the surest way of growing our economy. Our international staff play a vital role in helping NI businesses identify potential trading partners, navigate red tape and country trading protocols and help set up those all-important business meetings in-market. For example, Our Regional Director in China worked with Department for Business & Trade Mongolia to help Moy Park gain a Health Certificate to export to Mongolia. As a result, Moy Park has secured sales to the region of £6m over the next 5 years.

To help support more businesses to reach new and different markets we increased our international presence with offices in six new locations including Mexico, Seoul, Paris, Copenhagen, Cairo and Mumbai and added additional resources to others. This expansion was made possible thanks to £8m of funding received over 4 years with the support of the Northern Ireland Office under the New Deal for Northern Ireland, and we were pleased to host Minister of State for Northern Ireland, Steve Baker MP, on visits to South Korea and Canada to meet our new teams there.

The South Korea team has already helped Belfast Distillery Company secure a historic distribution agreement with Goldenblue which will see almost 10,000 bottles of its McConnell's Irish Whisky shipped to South Korea. This success follows previous support towards a multi-million investment to transform Crumlin Road Gaol into a distillery and world-class visitor experience creating 49 new jobs.

Our teams around the globe also help identify potential new investors. Attracting a company to locate in Northern Ireland is highly competitive, with often long and protracted negotiations, which in some

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cases can last years. Last year we successfully secured 27 new investors – including Harness and Insider Inc., two US companies that chose Northern Ireland for their software development hubs, drawing on the wealth of talent we have in this sector.

Innovation is another cornerstone of growth, and a central pillar of the Department for the Economy's 10X Vision.

Our Research & Development (R&D) assistance ranges from support to develop new technology to help towards medical research. These projects can often take years. We recently announced support offered to space technology company, Skytech, to develop a platform that will provide risk information and alerts to the oil and gas sectors.

Despite great examples such as these, Northern Ireland is one of the lowest performing regions in the UK for business investment in R&D. Some businesses often don't realise when they are innovating, and we have partnered with the Department for the Economy to run a campaign – Innovate NI – to help increase awareness and understanding of innovation. Last year, through this scheme, we awarded 75 companies innovation accreditation.

Alongside supporting companies to create new jobs and offer new opportunities for employment, we also helped 148 companies invest £28m in the training and development of staff. For example, we offered support to help FinTrU invest over £25m over the next four years leading to 300 new jobs in Derry/ Londonderry and a significant investment in the skills of its Northern Ireland wide staff.

Examples of projects supported during the year include: Thompson Aero Seating to establish a Dynamic Test Centre at its Banbridge Design & Engineering Centre; P Mulrine & Sons to create 54 new jobs at its new processing plant in Sion Mills; and Agri-Tech company, Foods Connected Ltd in Derry/ Londonderry, to increase external sales and create an additional 45 new jobs over the next 2 years.

Through our support to local companies to invest in their businesses, and by attracting external companies to set up here, we have contributed towards investment commitments of £489m in the local economy.

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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 an arm’s-length body 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, Americas, 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 11 to the accounts.

In April 2023 NI-CO commenced a strategic review of its operations and markets. The context to this review was NI-CO’s ineligibility to bid for contracts under the 2021-27 EU Multi-Finance Framework Programme due to the changes in the trading relationship between the EU and the UK (EU projects having made up a significant percentage of NI-CO’s annual revenue). As a result of the review, the NI-CO Board met on 26th June 2023 and concluded that NI-CO could no longer be considered a going concern. The NI-CO Chair wrote to the Invest NI Accounting Officer on 28th June 2023 to inform him of the decision and to present NI-CO’s proposed closure plan.

Key issues and risks

Invest NI takes a systematic and proactive approach to identifying and articulating the risks that could have a significant impact on its business, results and financial position. Throughout 2022-23 the organisation continued to develop its approach to risk management and refine its Corporate Risk Register in order to ensure that it continues to observe best practice in this area.

In terms of the environment in which Invest NI operated during 2022-23, the organisation’s ability to plan and deliver has been impacted by the absence of a multi-year budget and uncertainty over future funding arrangements following the withdrawal of EU funds. In addition, the Independent Review report published in January 2023 has signalled the need for fundamental change to ensure that Invest NI is strategically aligned with DfE’s 10x policy objectives.

The Corporate Risk Register is reviewed at each regular meeting of the Audit & Risk Committee and is a standing item on the Oversight and Liaison meetings between Invest NI and DfE. The most significant business risks are those where the residual risk is rated in the “very high” category. Two such risks are detailed in the table below, along with a further five risks (four rated as “high” and one as ‘medium’) that have the potential to impact on the group’s business going forward:

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Risk	Residual Risk Rating
Effective planning and delivery is hindered by budget and funding uncertainty.	Very High
Changes in accessible market negativity impact trading performance of an Invest NI subsidiary	Very High
Failure to develop and implement an effective, timely Action Plan reflecting the findings of the Independent Review.	High
Implications from Invest NI ownership of land in Belfast following a road abandonment order.	High
Unauthorised release, loss or disclosure of corporate or confidential information stored electronically.	High
Invest NI fails to deliver against the 10X Economic Vision.	High
Digital Transformation and Digital Customer Engagement and Technology Roadmap does not keep pace with the needs/ambition of the organisation and does not realise the benefits anticipated.	Medium

Further details about these risks, including 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 45.

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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.

2022-23 Targets and Achievements

Invest NI's 2022-23 Business Plan outlined our goal to continue to establish the operational mechanisms needed to accelerate the transformational change across our economy envisaged with a 10X Economy, an ambitious vision to drive economic growth through innovation, whilst achieving a fairer distribution of opportunity throughout Northern Ireland.

Key Performance Indicators (KPIs) 2022

Using the Outcome Based Accountability framework, 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.

The business performance of customers in the 2022 cohort enabled Invest NI to report the following outcomes:

KPI	2019 Outcome	2020 Outcome	2021 Outcome	2022 Outcome	Cumulative Outcome*
Additional New Jobs Created	8,886	7,585	9,613	10,910	36,973
Total sales growth	1.3bn	-0.3bn	1.4bn	3.6bn	£6.0bn
External sales growth	1.0bn	-0.3bn	1.0bn	2.9bn	£4.6bn
Exports sales growth	0.4bn	-0.9bn	0.2bn	1.3bn	£1.1bn
Business Expenditure on R&D growth	104.9m	8.3m	105.5m	-**	218.7m

Note: Due to rounding some Cumulative Outcomes may not total exactly.

*Growth figures based on an annual cohort of businesses which have data recorded for consecutive years. Some figures have been rounded and thus may not add to totals.

**Growth figures taken from the R&D Statistical Bulletin. 2022 figures will be available in late-2023.

KPI data is regularly revised, for this reason the data above may differ to previously published information.

Business Plan 2022-23 Targets

While KPI data is gathered and reported annually, the activity measures of our Business Plan track and drive progress towards KPI delivery. Overall performance within the Business Plan 2022-23 was very good, with 20 of the 28 activity measures met or exceeded.

Performance against the most significant activity measures of the Business Plan 2022-23 that drive progress towards the KPIs is summarised below and the factors which influenced 2022-23 performance are explored in the Chief Executive's Review.

The performance of Invest NI in 2022-23 was impacted by the 2021-22 pause issuing offers to companies as part of the budget consultation across all NI Government Departments. In response to this, Invest NI implemented a series of operational improvements to prioritise our support and increase the economic value derived from it. This included refining our approval process, and prioritising financial support to those projects that contributed the highest rates of return on public investment.

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Activity	Target 2022-23	Outcome 2022-23
Grow External Sales		
a) Support Companies to ‘Sell outside NI for the First Time’	100 - 150	102
b) Support Companies to identify and sell into a 'New Market'	250 - 350	250
Investment & Jobs		
a) Assist Locally-Owned and Externally-Owned Companies to Grow their Employment	2,400 – 3,000	3,832
b) Support New Quality Jobs (above the NI PSM)	1,800	2,779
c) Support Externally-Owned Companies to invest in NI for the 'First Time'	15 – 20	27
Innovation		
a) R&D Investment secured through Invest NI Interventions.	£50m - £80m	£39.5m
b) Innovation Investment secured through Invest NI Interventions	£12m - £14m	£14.5m
c) Encourage Companies to complete the 'Innovate NI' Diagnostic to drive increased Innovation	300 - 350	140
Skills		
a) Secure 'Total Investment in Training and Skills Development' through Invest NI’s Skills Programmes	£25m - £30m	£28m
Sustainability & Green Economy		
a) Support Companies to Decarbonise through Greater use of Energy and Resource Efficiency Technologies	80 – 120	190
b) Secure Total Investment in Energy and Resource Efficiency Measures	£2m - £3m	£4.3m
c) Drive and grow 'Green Investment' utilising Invest NI interventions	£15m - £20m	£35m

The 2022-23 target for R&D Investment secured through Invest NI Interventions was not met due to slippage in timescales for a small number of large R&D projects. These projects have not been lost; rather they will be delivered in 2023-24.

Internal Audit Service (IAS) is completing a verification exercise of Invest NI’s performance data NI to ensure that the activity outturn for 2022-23 reported has been accurately stated. Whilst verification is ongoing, no significant issues relating to the activity outturn for 2022-23 reported by Invest NI have been noted so far.

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Performance Analysis

2023-24 Targets and Goals

DfE's 10X Vision is an ambitious, all-encompassing concept document that aims to drive economic growth through a focus on innovation, whilst achieving a fairer distribution of opportunity for all our people. This means a Northern Ireland that has better jobs with higher wages, a more flexible working environment and a better overall quality of life.

2023-24 marks a significant transition point for Invest NI, as we move to deliver against the ambition of 10X, coupled with a realignment of our support placing productivity at the centre, reflecting the Independent Review of Invest NI.

Invest NI has included a focused set of Drivers for its 2023-24 Business Plan, that are key to supporting businesses and affecting the NI economy not just in 2023-24, but over the longer term. They reflect the prioritisation of Productivity, and key policies, priorities and objectives outlined within 10X and by DfE.

Budgetary Pressures

Delivering this generational change will take place within a tight fiscal environment. Like all other public bodies, Invest NI has received a significantly reduced budget allocation for 2023-24. With much of this allocation already committed to long term strategic projects, only a relatively small percentage remains available for new business. Support will, therefore, be prioritised to those projects and activities offering greatest 10X impacts and benefits. By extension, some activities and projects that would previously have been supported, will no longer qualify for support.

A key priority for Invest NI will be to seek out and secure alternative funding sources to allow Invest NI to continue to drive economic development to deliver against 10X objectives.

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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

As Northern Ireland's business development agency, Invest NI's role is to grow the local economy by helping new and existing businesses to compete internationally and by attracting new investment. In order to deliver on these objectives, we must embrace risk to a greater extent than the majority of public sector organisations. Invest NI takes a systematic approach to identifying and articulating the risks that could have a significant impact on our business, results and financial position.

Throughout 2022-23, Invest NI continued with the development of its approach to risk management that began in September 2021. This has led to a refinement of the Corporate Risk Register as the new processes are embedded and adopted.

In terms of the environment in which Invest NI operated during 2022-23, the organisation's ability to plan and deliver has been impacted by the absence of a multi-year budget and uncertainty over future funding arrangements following the withdrawal of EU funds.

In January 2022, former Minister for the Economy, Gordon Lyons, MLA, commissioned an Independent Review of Invest NI. The Independent Panel's report, published in January 2023, concluded that fundamental change is required to ensure that Invest NI is aligned with DfE's 10x policy objectives.

It is acknowledged that risk can rarely be eliminated but it is necessary to pursue a proactive approach to the identification, evaluation and cost effective control of risks in order to ensure that they are reduced to an acceptable level. Invest NI encourages all staff to understand the nature of risk and accept responsibility for risks in their area of authority.

The following table details a number of key risks that have either impacted the organisation during 2022-23 (and may have the potential to continue to do so) or that have been identified during the year but whose impacts will not be felt until 2023-24 or beyond. The table also details how those risks have been mitigated and their potential impact on Invest NI's future plans and performance.

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Performance Analysis

Risk	Potential Impacts	Mitigating Actions
Effective planning and delivery is hindered by budget and funding uncertainty.	Potential overspend or easements resulting from uncertainty. Inability to enter into new commitments Invest NI failing to meet targets resulting in delay in economic recovery and growth. Adverse reputational impact. Inability to utilise or bid for additional budget should it become available.	Engagement with DfE to submit bids and supporting information aligned to 10x and other government priorities. Identify and explore options for securing funds from other sources. Well established budget management framework and maintenance of accurate financial information and reporting. Ensure organisation is aligned to deliver new initiatives at short notice, in line with strategic objectives, if budget landscape changes. Ensure full and appropriate use of current year allocations and that existing commitments are prioritised. Clear communications with customers and stakeholders on any temporary changes to Invest NI offering.
Changes in accessible market negatively impact trading performance of an Invest NI subsidiary	Potential closure of subsidiary if other solution not identified, Loss of economic benefits provided by subsidiary. Reputational damage.	Effective oversight arrangements in place. Effective management of subsidiary is in place including a capable and experienced Board. Engagement with DfE and other stakeholders to explore options for wider market access. Independent economic evaluation to assess options. Appropriate financial management controls in place.
Failure to develop and implement an effective, timely Action Plan reflecting the findings of the Independent Review.	Invest NI not aligned to 10X objectives. Invest NI does not meet customer needs nor deliver economic growth. Loss of confidence in Invest NI and reputational damage. Potential loss of functions and/or funding.	Steering Group established with representation from DfE senior management and Invest NI Board. Acceptance of findings and clear commitment to develop a comprehensive Action Plan. Regular engagement with stakeholders and Invest NI staff. Prioritisation of resources with appropriate planning and communication.
Implications from Invest NI ownership of land in Belfast following a road abandonment order.	Reputational damage to Invest NI if a bonfire is built on the land. Costs to repair damage to property. Potential for threats to Invest NI staff or contractors. Invest NI could be joined into legal action.	Engagement with statutory authorities including DoJ, DfC and PSNI. Exploration of alternative options for land use. Staff / contractors will not attend site where their safety is considered to be at risk. Where appropriate, Invest NI will arrange insurance cover.
Unauthorised release, loss or disclosure of corporate or confidential information stored electronically.	Loss of data and / or loss of availability of systems. Breach of regulation leading to litigation, fines and reputational damage. Loss of confidence from customers and stakeholder.	Ensure that relevant policies and procedures are up to date and robust. Maintain regular schedule of staff training on data protection and information security. Maintain ISO 27001 accreditation. Deployment of layered cyber security defences and penetration testing. Engagement with regulator to understand requirements and best practise.
Invest NI fails to deliver against the 10X Economic Vision.	Failure to meet DfE and NI Executive priorities. Deployment of resources and activities in areas that do not demonstrate economic impact. Additional resources or structural changes required to deliver against 10X vision. Reputational damage.	Engage with DfE on development of Invest NI strategy and with other stakeholders to understand likely PfG priorities. Development of action plan to address Independent Review findings. Development, monitoring and effective oversight of operational plans.
Digital Transformation and Digital Customer Engagement and	Poor external and internal customer experience. Reduced customer satisfaction.	Digital Technology roadmap has been developed. CTO and Business Improvement Manager in post.

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Risk	Potential Impacts	Mitigating Actions
Technology Roadmap does not keep pace with the needs/ambition of the organisation and does not realise the benefits anticipated.	Delay or failure to deliver efficiencies.	Overall structures defined and resourcing gaps progressed. Targeting of continuous development towards efficiency.

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 controls and mitigating actions.

The Invest NI Board carried out a horizon-scanning exercise in October 2022 in order to ensure that all relevant emerging risks were captured and appropriately assessed. Prompts and suggestions from these sessions were also reviewed as part of the discussion about the Corporate Risk Register to make sure that any causes or consequences were escalated as appropriate.

Business Review

Invest NI Budget outturn

- The net DEL budget outturn for the year was £100.7m against an allocated budget of £101.5m, a 99.2 per cent achievement against target.
- Receipts generated in the year, excluding EU programme funding, totalled £13.1m against a target of £15.7m, the variance mainly due to anticipated land & property sales not completing by year end. The receipts generated 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

<u>Consolidated Statement of Comprehensive Net Expenditure</u>

Total consolidated net operating expenditure for the year, excluding interest payable and corporation tax, has decreased from £137.7m to £90.9m.

The decrease of £46.8m in consolidated net operating expenditure relates to a £6.8m increase in operating income and a £40.0m decrease in operating expenditure.

The £6.8m increase in total income for the year, from £38.5m to £45.3m, is mainly as a result of the following movements:

There was an increase of £9.0m in receipts from the European Commission as compared to last year. This was as a result of additional grant for research and development grants and capital investments that were made during the year that have been part funded by the European Commission.

NI-CO turnover has increased by £1.5m from £8.7m to £10.2m relating to increased revenues on contracts. Interest income on financial assets has decreased by £0.5m due to the full year impact of an exit of a SUPL loan in the prior year. A decrease is also noted in rental income of £0.8m as the full year impact of a prior year site disposal is noted.

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Finally, there was a decrease in grant clawback income of £2.6m, as compared with last year. As clawback relates to grant amount recovered when there is default on the conditions in the grant offers, this can fluctuate year on year.

Total operating expenditure has decreased by £40.0m from £176.2m to £136.2m.

The decrease in total operating expenditure relates to a reduction from £28.0m last year in respect of the emergency COVID-19 Business Support Schemes, as compared to £0.1m this year. The explanations for the other net decreases in expenditure of £12.1m are included in the analysis below:

Salary costs within both Invest NI and the group have remained consistent year on year at £37.5m and £38.6m respectively. Whilst average permanently employed UK based staff numbers have decreased during the year from 561 to 532, driving a decrease of £1.7m, this decrease has been offset by a number of factors, including the accrued cost of a pay award announced by DOF with an estimated in year cost of £0.4m, as well as an increase in overseas salary costs of £1.1m. The overseas salary costs increase was in part due to the continuation of the NIO funded International expansion, which increased overseas average FTE from 53 to 59 during the year. In addition we accounted for a pay award for overseas staff and more significantly the weakening of GBP throughout the year accounted for a further £0.7m of cost increase. Finally, the cost of temporary resource employed by the group has increased by £0.1m year on year.

Purchases of goods and services has increased by £1.6m from £30.6m to £32.2m. Within this, an increase in NI-CO costs of servicing contracts is noted of £1.6m. An increase in operating costs is also noted as the Invest NI HQ site increased activity with staff returning to the office following the COVID-19 pandemic. A decrease in administrative costs is also noted of £0.9m largely in relation to a foreign exchange gain in the current year of £0.2m as compared to a £0.7m loss in the prior year.

Depreciation and impairment charges have increased by £6.1m from £3.1m to £9.2m, largely in relation to a £4.9m impairment on Goodwill, due to an increase in discount rate used driven by external market factors. An increase in deprecation is also noted as IFRS 16 Leases is implemented for the first year.

There was a small credit of £1.2m to provisions in respect of grants earned but not yet claimed at year end. This relates mainly to movements in live letters of offers and activities undertaken by companies under those offers, but not yet claimed at year end.

Other operating expenditure, excluding salaries, decreased by £29.0m from £86.3m to £57.3m. Included within this is £9.1m relating to an in-year gain of £4.9m in respect of fair value movements on Financial Instruments, as compared to a £4.2m loss last year. Grant expenditure decreased by £35m with £15.8m of this reduction due to a number of COVID-19 specific interventions coming to an end. There were also decreases in revenue grants of £13.0m and Innovation expenditure of £11.5m as some larger projects completed in the prior year and a there was a reduction in Skills expenditure of £0.8m. These reductions, which were impacted by the 2021-22 pause in business due to budgetary uncertainty, have been offset by an increase in Capital grants of £6.1m. The share of results of associates account for an increase in expenditure of £14.8m, as this year we have recorded a charge of £4.4m compared to a credit of £10.4m 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.

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Consolidated Statement of Financial Position

Non-Current Assets including investments at year end were £211.6m, an increase of £5.2m on 2021-22. This is principally due to the net impact of the following factors:

Property, plant and equipment decreased by £5.4m from £69.8m to £64.4m, as a result of net land and building disposals of £2.4m, depreciation charged of £1.1m, offset by additions of £2.4m, net revaluation gains and impairments of £1.3m and a transfer to assets held for sale of £5.7m.

Intangible assets decreased by £5.6m predominantly due to an impairment in goodwill of £4.9m as the discount rate increased due to movements in external markets. Further additions were made of £1.1m, net revaluation gains were made of £0.3m and this was offset by amortisation charges of £2.1m.

With IFRS16 Leases being adopted during the financial year, the capitalisation of right-of-use assets of £3.2m is noted relating to property leases that were previously treated as operating leases.

Investments in associates increased by £4.5m from £65.3m to £69.8m reflecting further investment of £12.4m in loan and equity funds offset by a decrease in valuation of £4.4m, and £3.5m of distributions back to Invest NI.

Investments in financial assets increased by £10.0m from £35.6m to £45.6m, as a result of further investment made of £5.2m and fair value increases of £7.5m on underlying investments. These movements are partially offset by repayments and disposals of £2.7m.

Non-current trade and other receivables have decreased by £1.5m as these amounts are now due within one year and driving part of the increase in current assets.

Total current assets have increased by £16.2m from £56.8m to £73m. Included within this movement, trade and other receivables have increased by £10.1m of which £8.2m is an increase in EU receivables relating to the timing of receipts from the European Commission. Other receivables have increased by £1.9m, mostly due to a related reduction in non-current trade and other receivables noted above. Increases are also noted in net trade receivables and prepayments of £0.8m, although these are offset by a decrease in accrued income of £0.8m, all in relation to year end timing of invoicing and receipts. We have also classified £5.7m of assets held for sale as at 31 March 2023 as noted in PPE above.

Total current liabilities have decreased by £15.8m from £77.1m to £61.3m. Of this movement, year-end grant accruals have decreased by £15.1m as prior year accruals in relation to interventions that Invest NI introduced for economic COVID-19 recovery are paid. Trade and other payables, deferred income, and tax and other social security have decreased by £0.5m due to the timing of invoices received and payments made at year end. In the prior year a book overdraft was noted of £0.2m, although a positive bank balance is noted in the current year. Provisions have decreased by £1.2m with a balance of £19.3m at the year end, is in relation to movements in live letters of offers and activities undertaken by companies under those offers, but not yet claimed at year end. Finally, the current portion of the lease liability is brought onto the balance sheet in line with IFRS16 Leases at £0.7m.

Total non-current liabilities at the year-end were £20.2m, a decrease of £0.8m on the previous year, as a result of repayment of £0.3m of group borrowings and a decrease of £2.0m in the valuation on the SWAP liability, although this was offset by a £0.5m increase in deferred tax liability and the capitalisation of lease liability in line with IFRS16 Leases of £2.6m.

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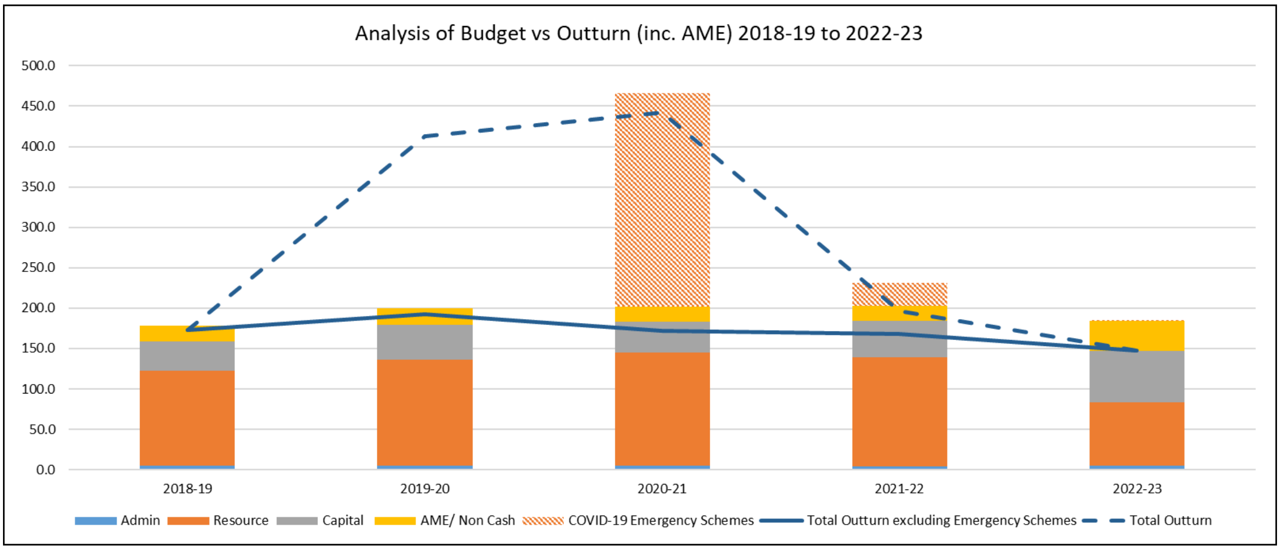
Total taxpayers' equity has increased by £36.4m from £166.7m to £203.1m. This movement is largely explained by the fact that the current year allocation of Grant in Aid from DfE in cash terms, is used to fund both current year transactions as well as the movements in opening and closing working capital balances. In this year therefore the increase can largely be explained by the cash demand for the settlement of opening grant accruals and provisions in relation to the prior year COVID-19 interventions. This is reconciled within the Statement of Cash Flows. Within total equity, the revaluation reserve has increased by £1.0m as a result of valuation movements in property plant and equipment.

Long Term Expenditure Trends



Note: Admin comprises mainly running costs, Resource comprises mainly revenue grant payments, other revenue support to companies and salaries. 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.

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	2022-23 Budget Outturn £'000	2021-22 Budget Outturn £'000	2020-21 Budget Outturn £'000	2019-20 Budget Outturn £'000	2018-19 Budget Outturn £'000
Total Resource DEL *	**86,120**	**165,600**	**420,380**	**357,017**	**126,544**
Of Which:					
Administration	4,315	4,263	3,632	4,621	4,688
Programme – COVID-19 Business Support Schemes	54	28,207	269,571	220,000	-
Programme - Other	77,981	130,371	144,663	130,291	119,902
Non-Cash	3,770	2,759	2,514	2,105	1,954
Total Capital DEL *	**58,349**	**44,800**	**32,447**	**42,048**	**38,132**
Of Which:					
Capital Grant	39,511	11,088	19,542	26,446	25,305
Direct Capital	13,962	29,190	5,339	6,257	3,801
Financial Transactions	4,876	4,522	7,566	9,345	9,026
Total AME **	**2,556**	**(20,642)**	**(11,004)**	**13,372**	**7,765**
Total Spending	**147,025**	**189,758**	**441,823**	**412,437**	**172,441**
Total Receipts	**43,776**	**67,106**	**33,298**	**72,181**	**70,594**
Of Which:					
Resource Receipts	3,148	6,175	5,849	9,945	11,927
Capital Receipts	9,963	31,575	6,339	14,143	19,303
EU Receipts including Recyclables	30,665	29,356	21,110	48,093	39,364

* DEL (Departmental Expenditure Limits)
** AME (Annually Managed Expenditure)

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 which are classed as expenditure items for budget purposes and Statement of Financial Position items in the accounts. In addition, for budget outturn purposes grant clawback is reported on a net basis.

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Aims, Objectives and Future Plans

Economic Context

The IMF[1] has forecasted that the Global Economy will face another year of high uncertainty as the Ukraine War continues, inflationary pressures persist, and the UK continues to suffer from low level economic growth. Their report argues that with increased financial market volatility, alongside the lingering effects of the past few years, economic growth will fall from 3.2% in 2022 to 2.8% in 2023 before rising to 3% next year. Advanced economies are predicted to experience a larger growth slowdown. Global headline inflation is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly.

UK Inflation is forecast to decrease from the current rate of 8.7%[2] to 2.9% (CPI) by Q4 of 2023 (per the OBR)[3]. The IMF Global Inflation forecast, the Bank of England (3.9% projection) and the independent average projecting 3.7% inflation for the same period, would put into doubt whether the UK inflation level will fall below the Bank of England inflation target of 2% for some time.

The Ulster Bank Purchasing Managers' Index (PMI)[4] Activity Index fell to 53.1 in April 2023 from 54.9 in March 2023. Despite activity falling, growth was still sustained in the Northern Ireland private sector in April 2023, with activity up for the third consecutive month. Employment continued to rise markedly as a result. Meanwhile, rates of both input cost and output price inflation softened again and suppliers' delivery times shortened.

The PMI has linked greater output growth to higher new orders, which also increased for the third month running. Rising new orders also encouraged firms to expand employment again, with some companies increasing staffing levels to try and work through outstanding business. Staffing levels continued to rise sharply.

The Labour Market statistics provided by NISRA[5] (May 2023 Labour Market Report) indicate that the number of employees receiving pay through HMRC PAYE in NI in April 2023 was 785,500, a decrease of 0.6% over the month and an increase of 1.5% over the year. The proportion of people aged 16 to 64 in work (the employment rate) increased by 0.1pps over the quarter and increased by 1.4pps over the year to 72.0%.

The NI seasonally adjusted unemployment rate (the proportion of economically active people aged 16 and over who were unemployed) for the period January - March 2023 was estimated at 2.5%. The economic inactivity rate (the proportion of people aged 16 to 64 who were not working and not seeking or available to work) was 26.1%.

Invest NI's 2023-24 Business Plan will be structured around the six Drivers for Change, which have been informed by the three key pillars (Innovation, Inclusion and Sustainability) and the priorities outlined in the 10X Economy Vision. We fully recognise and embrace the key role that Invest NI and our economic development partners will play in clearly defining and delivering this ambition this year and going forward. Invest NI continues to work closely with DfE colleagues to build a work-plan that lays the foundations for an ambitious 10X Economy and that ensures our work makes a direct and positive contribution to longer-term sustainable, innovation-led and inclusive growth in external markets.

[1] https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023

[2] https://www.bankofengland.co.uk/monetary-policy/inflation

[3] https://obr.uk/forecasts-in-depth/the-economy-forecast/inflation/

[4] https://ulstereconomix.com/2023/05/15/employment-rises-markedly-as-workloads-continue-to-expand/

[5] https://www.nisra.gov.uk/publications/labour-market-report-may-2023

Performance Report

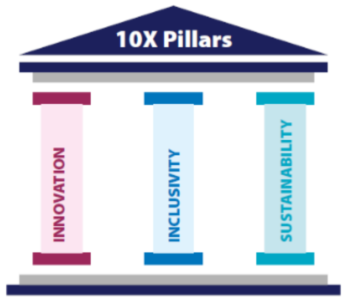
Performance Analysis

Invest NI Strategic Framework and Links to Programme for Government

Invest NI operates within a complex and constantly evolving strategic Government Framework that determines our focus, objectives and priorities. Above are some of the key Government policies that inform our delivery, primary of which, is the Department for the Economy's 10X Economic Vision.

10X Delivery

Since publication, Invest NI has been working closely with DfE to embed 10X principles across everything we do. Whilst good progress has been made, particularly around Innovation, further work remains to be done. During 2022-23, DfE published its key metrics across the three 10X pillars of Innovation; Inclusion; and, Sustainability. Invest NI, working with DfE, evaluated its programmes to ascertain their alignment with these metrics, identifying strengths, weaknesses, and areas for improvement.



Innovation

Whilst Invest NI interventions are strongly aligned with 10X Innovation priorities, areas for improvement remain. DfE is progressing a new Innovation Framework which will highlight areas for enhanced focus.

Inclusivity

The development and launch of the DfE Inclusivity Delivery Plan will be key to helping Invest NI progress to full delivery. Whilst we are aware of areas that will be Inclusivity priorities, such as addressing issues of economic inactivity, disability and gender inequality, we continue to work with DfE on developing effective delivery options to better spread economic benefits across NI and our community.

Sustainability

10X focuses on the decarbonisation of the grid, energy and resource efficiency and the growth of the Green Economy, aligning with priorities in the Green Growth Strategy, the Climate Change Act and the Energy Strategy. Realising the growth needed to raise living standards across NI, whilst delivering Net Zero by 2050, presents significant challenges to business. Invest NI will continue to work with DfE to support industry to transition to a low carbon future and identify and exploit Green Economy opportunities in areas where NI has competitive advantage.

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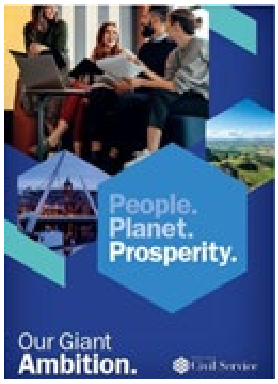
Draft Programme for Government (PfG) and Government Priorities

The absence of a new Programme for Government presents challenges in identifying and setting out long term priorities and objectives. At present, only the initial high-level draft PfG Outcomes and some initial thinking on potential strategic priorities (People Planet Prosperity), including Employability, Sustainability and Productivity challenges, are available. The Programme for Government and strategic priorities fully align with 10X and the Lyons Review findings and recommendations.

Invest NI has relied upon this draft PfG outcomes to inform our strategic thinking. In our 2023-24 Business Plan, Invest NI will directly contribute towards the following Draft Outcomes:

- Our economy is globally competitive, regionally balanced and Carbon Neutral;
- Everyone can reach their potential;
- People want to live, work and visit here;
- We live and work sustainably – protecting the environment; and,
- We have an equal and inclusive society where everyone is valued and treated with respect.



Responding to Market Need and Outlook

Moving forward, Invest NI's focus will be on accelerating delivery against 10X goals and objectives. Key to this, will be maximising the opportunities that are presented through the recommendations outlined in the Independent Review of Invest NI. The Review was published in January 2023 by Sir Michael Lyons. Whilst it recognised the strength of Invest NI's staff and confirmed that the agency is best placed to deliver for the NI economy going forward, it outlined in those areas where improvement is needed. It presented findings and recommendations across 17 broad areas, challenging interventions and delivery. In conjunction with DfE, Invest NI has responded positively, accepting all of the recommendations.

A collaborative Steering Group, chaired by DfE, has been established to implement and monitor change, to ensure that the promise and opportunities of the Lyons Review are fully realised. Task and Finish Groups have been established, with representatives from across DfE and Invest NI on each. These have been tasked with developing a detailed, structured and comprehensive Action Plan to drive through the recommendations to deliver the profound change needed.

Businesses, Partners and Stakeholders will be consulted and kept informed throughout. Working collaboratively with DfE, Invest NI will ensure that a clarity of direction and purpose is achieved across partners, stakeholders, and the business community to offer the best opportunity to realise 10X success through successful delivery of the Review's recommendations.

Economic and Operational Priorities for 2023-24

During 2022-23 Invest NI transitioned away from many of the emergency COVID-19 response interventions, as wider society began to move on from the impact of the pandemic. Where relevant, Invest NI applied the lessons learned from COVID-19 interventions across our mainstream programmes - this includes bespoke support to enhance and improve our businesses' Supply-Chain processes and Operational Productivity.

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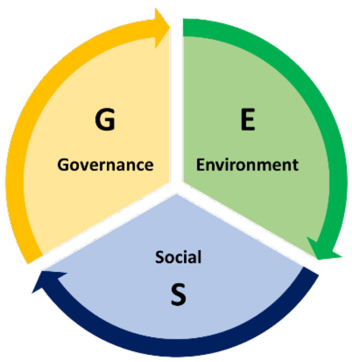
As a small, advanced economy, the active identification and exploitation of export opportunities remains key to Northern Ireland's future success. There is a strong, positive relationship between Exports, Innovation, and Productivity (Dr. Skilling, Landfall Strategy Group Report). Firms that export are more productive, innovative and faster growing and make the strongest economic contributions, through employment, salaries, investment, innovation (including Research and Development) and productivity growth. Northern Ireland can only achieve the innovation-driven economic transformation envisaged in 10X through seeking out and exploiting export success.

Responding to the evolving nature of EU Exit, Invest NI will continue to support initiatives to enhance and improve our businesses' ability to trade freely with EU and Great Britain markets, exploring the opportunities the Windsor Framework presents. Having developed from an emergency response, helping customers deal with EU Exit challenges represents a core focus of our day-to-day Trade and Investment support offering. We promote the commercial advantages to local businesses, to grow their Exports in EU and wider markets, whilst refining our investment proposition to market these advantages to international investors to encourage greater levels of Foreign Direct Investment (FDI).

The challenge of delivering whilst putting in place the building blocks to affect long-term transformational change as envisaged within 10X, will take place within a restrictive public fiscal environment. Invest NI, in line with all other public bodies, has received a significantly reduced Budget allocation for 2023-24. With much of this allocation already committed to longer-term strategic projects, only a relatively small percentage remains available for new business. Support will, therefore, be prioritised to those projects and activities offering the greatest impacts and benefits in line with the goals and objectives outlined in 10X.



As outlined above, through the implementation of the Independent Review, Invest NI will complete a corporate restructuring and recalibrate its approach and support to enhance delivery against 10X. This will require flexibility and agility as we adopt and implement further 10X Policy as it is developed.

Invest NI will develop, consult on and launch an Environmental, Social & Governance (ESG) Strategy. This will provide the primary vehicle to deliver against our Inclusivity, Societal, Place and Net Zero goals and objectives. Our future success will no longer solely be measured in terms of its economic value to NI. Conditionality will be developed and agreed with DfE to allow wider benefits, across NI, our community, society and environment, to be assessed within our investments.

Through our commitment to a Place based approach, Invest NI will enhance its Collaborative Partnerships with stakeholders and partners throughout Northern Ireland. We will utilise these partnerships to optimise funding to maximise impact against common goals and objectives with the aim of better sharing benefits across NI. This collaborative approach will also be used to identify Alternative Funding streams to help ensure all Northern Ireland's businesses can access the growth support they need to thrive.

Achieving our Objectives – Drivers for Change
Invest NI has reintroduced a focused set of Drivers for its 2023-24 Business Plan. These Drivers have been designed to align with the UK Drivers of Productivity, reflecting the importance of Productivity, and wider Government policies, priorities and objectives.

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Whilst these Drivers will determine our objectives for engaging with Businesses, Invest NI recognises that we will need to retain flexibility and agility moving forward. Whilst our 2023-24 Business Plan will begin to set the direction towards a new 10X aligned strategy, it will be supplemented across the year with emerging policy development and the implementation of the Lyons Review recommendations. Our Drivers are designed to not just contribute to the Exports, Innovation, Investment and Jobs needed to generate economic growth, but to do this in a way that meets the wider Environmental, Place and Societal goals outlined in 10X and the Draft Programme for Government. Ultimately, they will underpin the building of a prosperous, sustainable, and more equal future for our community.

Enabling Success

For the 2023-24 financial year we have also separated out and identified several Enablers against which to focus our efforts. These are not Drivers, but instead are cross-cutting frameworks, initiatives or solutions that help create the structure and conditions for future success. The most significant enabler is the City and Growth Deals, however, 6 in total have been identified, with key priorities and initiatives over the next year developed as appropriate.

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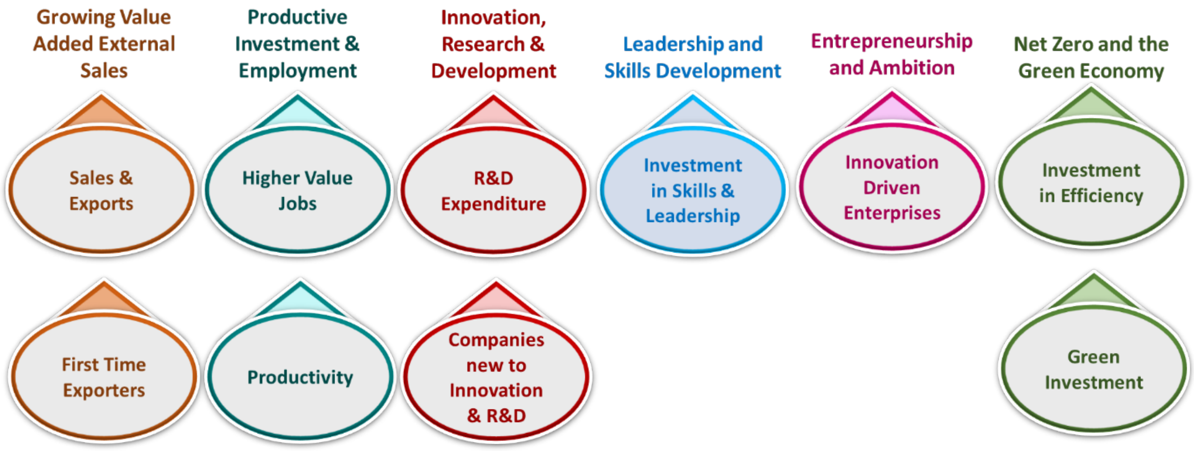
Operational and Strategic Objectives and Priorities



Planning for the Long-Term – Invest NI's Business Strategy
In recent years, given the absence of a longer term Programme for Government, Invest NI has been operating under a year-to-year Business Plan, without the strategic direction afforded through a longer-term Business Strategy. To address this, Invest NI will commence preparatory work during 2023-24 to put in place a longer-term strategy. This will build on the work of the Independent Review, 10X policy development and implementation, and the development of Invest NI's ESG Strategy to put in place the key foundational stones for Northern Ireland's economic success for the next decade.

Equality
Invest NI is committed to achieving a successful economy in Northern Ireland which will provide equal opportunities for all. It is fully mindful of its responsibilities across the spectrum of Equality, Anti-Poverty and Social Inclusion, and Human Rights.

Under the provision of Section 75 and Schedule 9 of the Northern Ireland Act 1998, Invest NI has drafted and implemented our Equality Scheme. This scheme reinforces Invest NI's commitment to equality and outlines the organisation's plan to making equality issues central to policy decision-making processes.

In addition, Invest NI is committed to promoting good relations between persons of different religious belief, political opinion or racial group.

The Equality Unit works within the Performance Compliance and Co-ordination division to deliver our Equality commitments and ensure that the organisation carries out its obligations under Section 75 and the Good Relations duty. It co-ordinates the equality screening and public consultation of all new policies and procedures, publishes an Annual Progress Report to the Equality Commission and carries out Equality Monitoring to assess the impact of our policies across the Section 75 categories.

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 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, public consultation and quarterly monitoring.

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The following outlines the actions taken between April 2022 and March 2023:

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**
Ambition to Grow	Rural Businesses	Invest Northern Ireland has launched a new grant scheme to support businesses to increase employment levels and generate new sales from customers outside Northern Ireland. The scheme will provide grant support to 40 eligible companies to help them create 3+ new full time permanent positions within the business as well as assisting them with the costs of targeting customers outside Northern Ireland, technical development activities, as well as upskilling existing and new employees. It is designed to attract a spread of applications from throughout all areas of Northern Ireland. We do not believe that there are barriers to delivery in rural areas and there is no evidence of any specific rural needs or disadvantage at this stage.
The Insights Hub	Rural Businesses	This is an online portal providing access to market and consumer intelligence for the Food and Drink industry in Northern Ireland. Food and Drink companies are located across Northern Ireland and are not disproportionately located in Rural areas. However, where businesses in this sector are in these areas, we would anticipate a positive impact. The delivery of the service to Clients is via a digital portal which can be accessed from their own premises, so it does not require attendance at the Client premises or attendance at events. We do not envisage any barriers to rural businesses.
City and Growth Deals	Rural Businesses.	City and Growth Deals are an agreed NI Executive priority and represent an investment opportunity of £1.3 billion capital support secured jointly through the UK Government and the NI Executive. Invest NI, working on behalf of the Department for the Economy, is now the recognised Investment Decision Maker (IDM) across the Innovation Projects under the City & Growth Deals Programme. The projects which Invest NI are considering are innovation-based projects which cover investments to support economic development and research based opportunities and are focused on businesses and developing infrastructure that business will access. Invest NI's partnership role in City & Growth Deals is to provide the link and access to industry. It is critical that industry's voice is heard on these projects, to help shape their development and delivery and to ensure they remain industry relevant, future proofed and complementary to one another, helping to drive productivity and competitiveness across Northern Ireland. Additionally, it is the Deal Owner (local councils) who have selected the projects. They have been developed after their own reviews and assessment of the type of projects that can offer the best benefit to the specific region. This assessment will have included a rural needs analysis and the final list of projects that have been carried forward is a result of the council's deliberations and decision. The makeup of the specific projects has once again been decided upon by the Deal owners, which includes the type of support being offered, the infrastructure being developed and the party who can access the services being offered.

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		Invest NI's role is to help ascertain, in partnership with the Government Department responsible for funding (for innovation projects, this is DfE), that the project offers VFM.
Complementary Fund	Rural Businesses	The Complementary Fund was established to complement the City & Growth Deal Programme, by providing further investment into projects, within the Belfast Region City Deal, the Mid-South West Growth Deal and the Causeway Coast & Glens Growth Deal areas that could provide demonstrable local benefit, preferably aligned to local economic strategies. The projects which Invest NI are considering are innovation-based projects which cover investments to support economic development and research-based opportunities and are focused on businesses and developing infrastructure that business will access. Invest NI's role in the Complementary Fund is to provide the link and access to industry. It is critical that industry's voice is heard on these projects, to help shape their development and delivery and to ensure they remain industry relevant, future-proofed and complementary to one another, helping to drive productivity and competitiveness across Northern Ireland. Additionally, it is the Project Owner (local councils) who has selected the projects. This has been developed after the Councils own reviews and assessments of the type of projects that can offer the best benefit to the specific region. This assessment will have included a rural needs analysis and the final list of projects that have been carried forward is a result of the council's deliberations and decision. DoF has then taken these applications and taken the decision as to which projects are to receive support.

Corporate Responsibility

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

Employee Health and Wellbeing

Mental Health

Health and Wellbeing continues to be a key area under our Corporate Responsibility agenda and we continue to work hard supporting our staff with their mental health. As part of our ongoing Mental Health Strategy, “Changing Minds”, and in partnership with Action Mental Health, a group of colleagues are designated Mental Health First Aiders (MHFAs). These colleagues are trained to help in crisis situations, able to signpost where to access support and able to listen and give reassurance to colleagues in need.

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Menopause Policy
We have a Menopause Policy in place for the organisation to ensure that the mechanisms and systems are in place to give full support to anyone experiencing menopausal symptoms at work. Invest NI understands the importance of the menopause in the lives of its female colleagues. To this end we continue to be committed to creating an environment where staff feel free to openly talk about this very important transition without embarrassment.

Employee Recognition Scheme
This scheme continues to offer formal recognition for those staff deemed to have gone above and beyond their daily role and shown to be exemplars of Invest NI's vision and values.

Social & Community
In the last year we have worked alongside our current charity partner Leukaemia and Lymphoma NI and are well on our way to our fundraising target. We also offer a Payroll Giving Scheme that allows staff to make tax-efficient donations to charities of their choice.

Premises
Following the issue of our hybrid working guidance, we fully adopted our new way of working with effect from June 2022. The hybrid working model has provided the opportunity for us to review how we best use our available office space, facilitating the creation of more formal meeting rooms and informal meeting space. In sourcing of equipment and furniture, we have considered sustainability, including environmental sourcing, carbon footprint and recycling.

In line with our ongoing focus on Environment, Sustainability and Governance (ESG) impacts, new faster electric vehicle (EV) car chargers have been fitted into the basement and can charge up to 8 cars in one day, as we encourage staff to consider more environmentally friendly ways to travel to work.

We continue to look at ways to reduce our single use plastic and are encouraging staff to bring their own re-usable water cups and cutlery. Plastic cutlery has now been replaced with more eco-friendly wooden cutlery and we plan to introduce water jugs and glasses for meetings rather than plastic bottles.

Learning & Development
The delivery model for learning and development, was adapted for remote working during the pandemic. In 2022-23 we were able to deliver in person training as well as continuing with our delivery of on-line modules developed in conjunction with The Centre for Applied Learning (CAL).

Throughout 2022-23, we delivered a range of in-house programmes and courses covering a number of areas including financial skills, project management, business cases, IT and technology, leadership and coaching, first aid including mental health first aid and environmental social and governance.

In 2022 we also procured and designed an extensive multi-year Commercial and Financial Skills Programme for delivery to all client facing staff and to other staff on a voluntary basis. The first module was delivered in December 2022 with a further 8 modules due throughout the next 3 years. Development of the ESG Strategy began in 2022 with input from external sources. The Strategy will be launched in 2023 with training for staff to follow.

In 2022, through our Employee Voice Forums, we determined the level of employment engagement and also identified strengths and areas for improvement. Several areas identified for improvement

Performance Report

Performance Analysis

are consistent with the recommendations of the Lyons review and as a result will be addressed via the Task and Finish Groups set up to work through the Lyons report recommendations.

Moving into 2022-23, we will build on areas of strength, and action areas of improvement, as identified in the Employee Voice Programme. We will also continue to promote and support continual professional development, roll out a further three modules of the Commercial and Financial Skills Programme, improve the on-boarding process for new-starts and work with the Employee Engagement Groups to improve diversity and inclusion.

Environmental Matters

As Northern Ireland's Economic Development Agency, Invest NI is pivotal in the delivery of the government's economic development strategy. While our key role is to grow the local economy, there is a growing recognition - that economic growth must be sustainable. Growth and sustainability do not make easy bedfellows, but it is increasingly clear that Invest NI must encourage and support sustainable growth, whilst also addressing our own impacts on the environment and wider society. Invest NI is fully committed to leading the changes in policy and practice that this subtle shift in perspective requires.

Throughout the year a project group has been working to develop our Environmental, Social and Governance (ESG) Strategy. ESG will provide a framework to assess business practices and performance on sustainability and social issues. It will provide us with a way to measure business risks and opportunities in those areas and how we can make a positive contribution to society and the environment. The ESG strategy will look at how we operate, the services we offer and the policies we follow through a social & environmental lens. It is expected that we will launch the ESG strategy early in the financial year.

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, newly launched sustainability reports and technical services are aimed at increasing the capability of businesses to adopt energy & material efficiency measures, waste/water reduction, carbon foot printing, and adoption of international standards for energy and environmental management.

In addition to this, Invest NI is supporting the delivery of the energy strategy and is responsible for developing and launching a new energy efficiency support scheme for Northern Ireland businesses to support the target of 25% energy savings by 2030.

Invest NI will continue to review its internal/external approaches to environmental matters, and the green economy is a key area of focus for Invest NI which is vital for delivering against the 10X vision, the Executive's Green Growth Strategy, and the NI Energy Strategy. With this in mind, Invest NI's work in the green economy focuses on two key areas; identifying new market opportunities in the green economy ensuring that companies, across key clusters, are supported in competing for these global opportunities, and supporting NI businesses to go greener, focusing on green efficiencies and the circular economy.

Mel Chittock
Accounting Officer
Date: 27 October 2023

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 2023.

Results

The net expenditure for the year is £90,876,000 (2022: £136,950,000).

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 (resigned 31 January 2023)
Deborah Lange	Deputy Chair (resigned 31 May 2022)
Mark Nodder	(resigned 31 May 2022)
Mark Sweeney	(resigned 31 May 2022)
Padraig Canavan	(resigned 31 May 2022)
Judith Totten	(resigned 31 May 2022)
Colin Coffey	
Kieran Kennedy	
Kevin Kingston	(resigned 31 March 2023)
Marie-Therese McGivern	
Michael McQuillan	
Dominic Darby	(appointed 30 June 2022)
Melanie Dawson	(appointed 30 June 2022)
Dawn McLaughlin	(appointed 30 June 2022)
Ciaran Mulgrew	(appointed 30 June 2022)
Patrick O'Gorman	(appointed 30 June 2022)
Julie-Ann O'Hare	(appointed 30 June 2022)
Scott Richie	(appointed 30 June 2022)
Colm McKenna	(Interim Chair – appointed 24 February 2023)

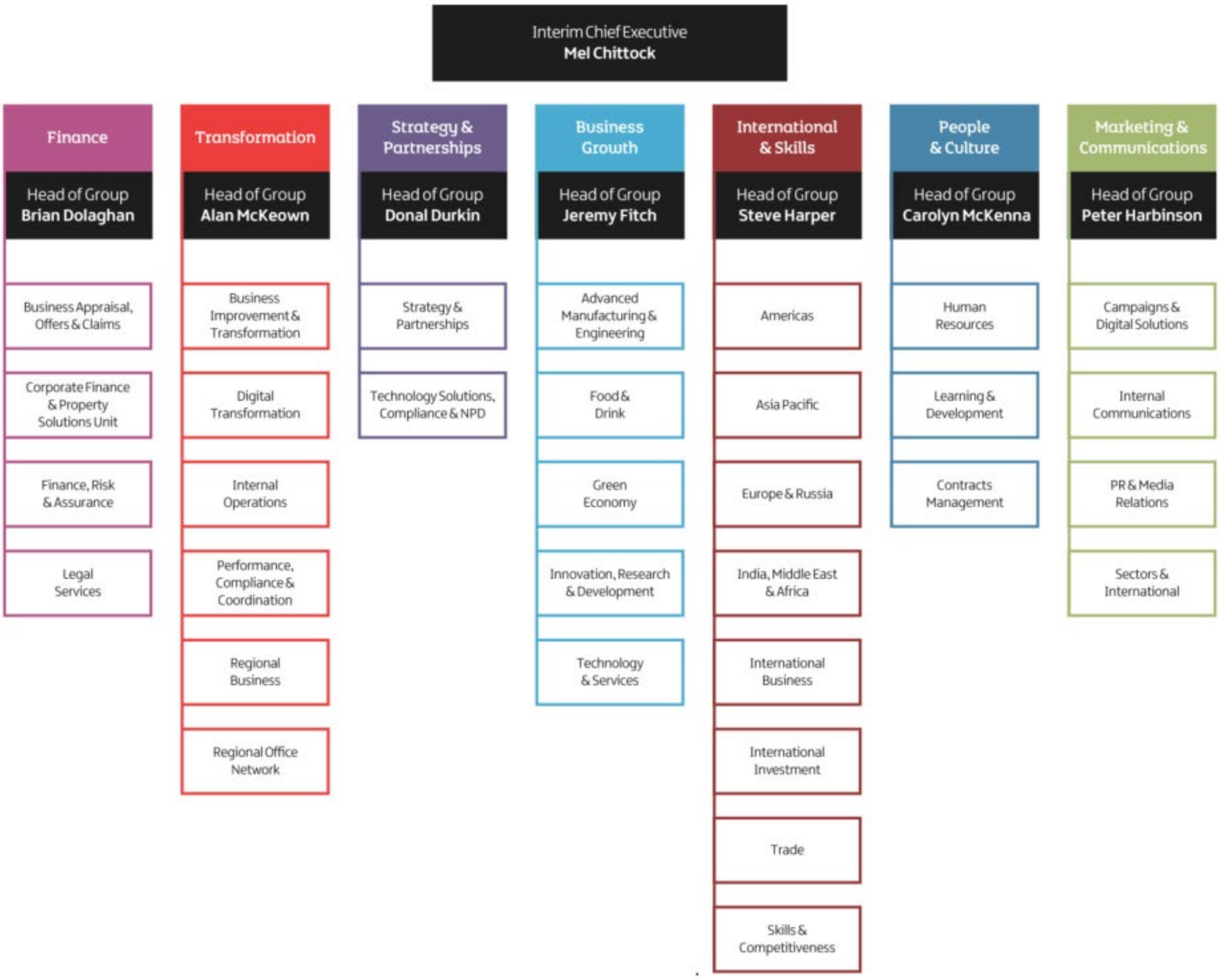
Executive Leadership Team

Mel Chittock	Interim Chief Executive
Jeremy Fitch	Executive Director, Business Growth
Brian Dolaghan	Executive Director, Finance
Denise Black	Executive Director, People & Culture (resigned 01 December 2022)
Carolyn McKenna	Executive Director, People & Culture (appointed 01 December 2022)
Alan McKeown	Executive Director, Transformation
Donal Durkan	Executive Director, Strategy & Partnerships
Steve Harper	Executive Director, International & Skills
Peter Harbinson	Executive Director, Marketing & Communications

Accountability Report

Corporate Governance Report

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 2022-23 Invest NI paid approximately 98 per cent of invoices (2021-22: 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 2022-23 Invest NI paid approximately 94 per cent of invoices (2021-22: 97 per cent) within the ten working day target.

Register of Interests

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

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Personal Data Related Incidents
During the year two Personal Data Related Incidents were deemed necessary to report to the Information Commissioner's Office (ICO) due the nature of the data involved. The ICO advised no further action was necessary in both cases. 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 the customer will be clearly advised of the revised response date.

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 prompt consideration.

During the reporting period we received three complaints. One of these related to a perceived lack of support to the customer, one related to an allegation of disability discrimination and one related to a historic complaint. (For comparison purposes, in 2021-22, 14 complaints were received)
Of these, one was upheld, one was not upheld, and one is currently ongoing.

Of the complaints received during this reporting period 100% were responded to within our target of 10 working days.

Four cases of negative feedback were also recorded (three in year prior). These related to comments regarding litter around industrial parks owned by Invest NI, a lack of clarification around refusal of support and dissatisfaction regarding the detail required in our grant application process versus the level of support offered.

Internal Review
Following our initial response, the complainant has the option of requesting a further Internal Review of their complaint, (effectively an appeal process). No such requests were received in the reporting period (2021 – 22 four were received).

NIPSO Investigations
Following the Internal Review the complainant has the final option of requesting the Northern Ireland Public Sector Ombudsman to investigate Invest NI's handling of their complaint. No complaints were

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Corporate Governance Report

referred to the Ombudsman during this reporting period. We still await the response to a NIPSO complaint dating from 2021.

Analysis
Details of all complaints are recorded centrally, and this information is then analysed to identify trends or themes to drive improvement in our processes and services.

Invest NI's progress against the ten day response target is also 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 Procedures, both of which are available on the Invest NI website.

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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.

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Corporate Governance Report

Governance Statement

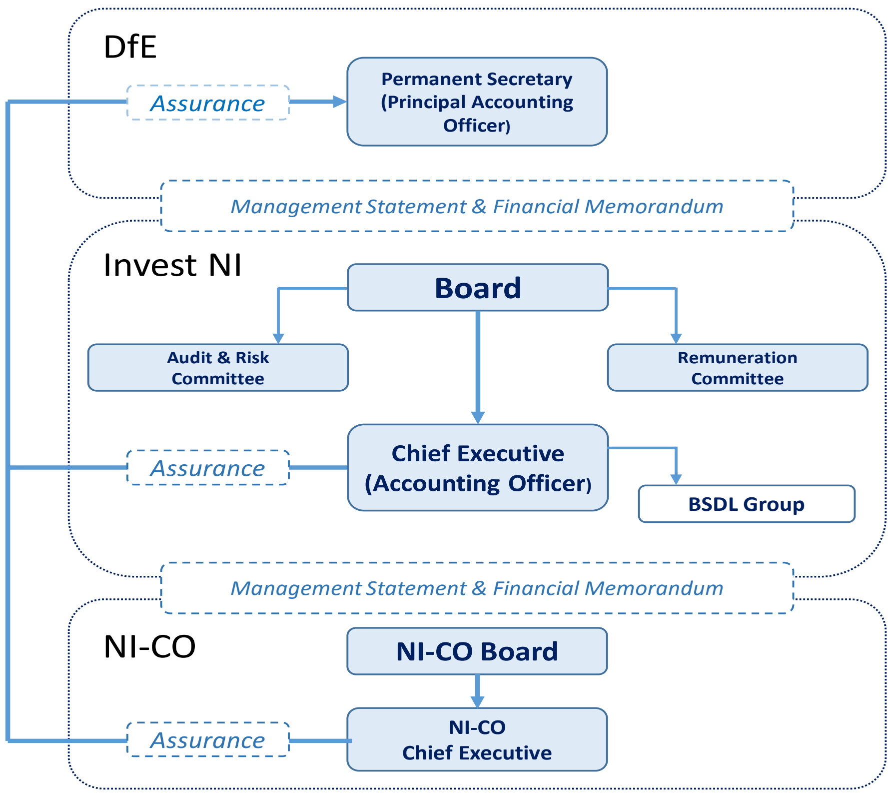
Introduction and scope of responsibility

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within Invest NI during the financial year 2022-23 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 assets for which I am personally responsible, in accordance with the responsibilities assigned to me in MPMNI.

The report of the Independent Review of Invest NI contains a suite of recommendations across 17 broad areas, some of which relate to the organisation's risk management and control systems. Invest NI worked with the Department for the Economy to develop a comprehensive and solution-orientated Action Plan which clearly defines the problems identified by the Independent Review, outlines the solutions which will be implemented to effect change, and confirms the metrics through which success will be measured. The Action Plan was published on 4th October 2023. While recognising the opportunities for improvement outlined in the report, my view is that findings of the Independent Review do not impact on the fundamental provision of assurance set out in this Governance Statement. More details about the Independent Review are provided at page 41.

Invest NI's Governance Framework



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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.

Upon the conclusion of Rose Mary Stalker's initial three year term as Chair at the end of July 2022, she accepted an extension to her tenure until 31st January 2023. Colm McKenna was then appointed interim Chair from February 2023 for a period of nine months to allow time for the substantive Chair competition to complete. This term was subsequently extended to the end of March 2024.

The terms of five Board members (Deborah Lange, Judith Totten, Mark Nodder, Mark Sweeney and Padraig Canavan) expired in May 2022, with seven new members (Dominic Darby, Ciaran Mulgrew, Dawn McLaughlin, Julie-Ann O'Hare, Patrick Gorman, Melanie Dawson and Scott Richie) taking up position from June 2022 following the completion of a recruitment exercise managed by DfE. The terms of a further five members expired in March 2023, with four (Colin Coffey, Kieran Kennedy, Marie-Thérèse McGivern and Michael McQuillan) having their terms extended for a further three years. Kevin Kingston did not seek reappointment and left the Board on 31st March 2023. Going into 2023-24 the Board therefore consists of 12 members including the interim Chair.

The Board usually meets 10 times each year and the meetings are attended by the Chief Executive and members of the Executive Leadership Team (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 had previously been further detailed in the Board Operating Framework. Following the conclusion of the Board Effectiveness Review (further details of which are provided at page 36), the Board Operating Framework was replaced by the introduction of the following documents, which were finalised and agreed in December 2022:

- Invest NI Board Code of Conduct
- Invest NI Board Conflicts of Interest Guidance
- Invest NI Board Standing Orders
- Roles & Responsibilities Relating to the Invest NI Board
- Aide Memoire – Board Roles & Responsibilities
- Roles & Responsibilities of the Board Secretariat

Conflicts of interests

The 'Invest NI Board Conflicts of Interest Guidance' is consistent with the requirements of DAO (DoF) 07/21: 'Guidance on Conflicts of Interest'. 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

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panels, an alternative Board member would be selected. Further details regarding Related Party Transactions are in Note 26.

Board performance and effectiveness

The 'Invest NI Board Code of Conduct' and 'Roles and Responsibilities Relating to the Invest NI Board' incorporate 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. A full induction programme was rolled out for new Board members joining throughout 2022-23. This training also provided a refresher to existing members and included roles and responsibilities, governance framework and ethics, and casework training.

A Board Effectiveness Review was commissioned by DfE in May 2022 and completed by Business Consultancy Services (BCS) on its behalf. The review would ultimately assess how effective the Invest NI Board is in discharging its responsibilities and, where appropriate, make recommendations for improvement. Initial findings and recommendations, which were shared with the Invest NI Board in October 2022, included the following areas:

- Enhanced clarity on the roles and responsibilities of Chair, Board and ELT;
- Improved culture, values and working relationship and review governance documentation (i.e. Conflicts of Interest);
- Review of committee structure;
- Development of a Partnership Agreement;
- Reduce duration of meetings;
- Annual Board Effectiveness Reviews and externally facilitated reviews every three years;
- Consider appointing Senior Independent Director (SID); and
- Develop stakeholder engagement plan to enhance engagement with stakeholders.

BCS issued a final report to the Board in January 2023, with the Board broadly accepting the recommendations therein. An Action Plan has been developed to address all recommendations.

In 2022-23, the Board met 10 times, with an extended Board strategy session taking place on 28th February and 1st March 2023. The strategy session included business planning, alignment with 10X and the next steps to be taken following the publication of the report on the Independent Review of Invest NI.

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Board attendance 2022-23

Name of Board member	Board meetings attended per Board member[1]	Audit & Risk Committee (ARC) meetings attended per Committee member[1]	Remuneration Committee meetings attended per Committee member[1]
Rose Mary Stalker	8 (8)	N/A	3 (3)
Deborah Lange	2 (2)	1 (1)	2 (2)
Mark Nodder	1 (2)	1 (1)	N/A
Mark Sweeney	2 (2)	N/A	N/A
Padraig Canavan	2 (2)	N/A	N/A
Judith Totten	2 (2)	1 (1)	N/A
Colin Coffey	10 (10)	5 (5)	N/A
Kieran Kennedy	10 (10)	N/A	N/A
Kevin Kingston	10 (10)	5 (5)	N/A
Marie-Therese McGivern	9 (10)	N/A	3 (3)
Michael McQuillan	9 (10)	N/A	3 (3)
Dawn McLaughlin	7 (8)	3 (4)	N/A
Ciaran Mulgrew	8 (8)	3 (3)	N/A
Julie-Ann O'Hare	7 (8)	3 (4)	N/A
Melanie Dawson	7 (8)	N/A	0 (1)
Dominic Darby	8 (8)	N/A	N/A
Patrick Gorman	6 (8)	N/A	N/A
Scott Ritchie	7 (8)	N/A	N/A
Colm McKenna	2 (2)	N/A	N/A

Note:
1. Number in brackets represents the maximum number of meetings the member could have attended.

Board Succession Management

In late 2021 DfE commenced an exercise to recruit Non-Executive Directors to replace the five Board Members whose terms were due to expire at the end of March 2022: Judith Totten, Deborah Lange, Padraig Canavan, Mark Nodder and Mark Sweeney. These five Board Members agreed to a two-month extension to their terms in order to allow the recruitment competition to complete. Following this competition, seven new Board Members were appointed, with effect from June 2022.

Following the departure of Rose Mary Stalker as Chair at the end of January 2023, Colm McKenna was appointed interim Chair from February 2023 for a period of nine months to allow time for the substantive Chair competition to complete. This term was subsequently extended to the end of March 2024.

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Board Committees
In 2022-23 the discharge of some of the Board's responsibilities was delegated to the following Committees:
- Audit & Risk Committee
- Remuneration Committee

The Audit & Risk Committee was renamed in May 2023 as the Audit & Risk Assurance Committee. Since April 2023 the duties of the Remuneration Committee and the Board Working Groups (see page 39 for more information) have been subsumed by three new Board Committees: the Business Funding Committee (BFC); the Regional and Partnerships Committee (RPC); and the Strategic Resources Committee (SRC). The information provided here describes the arrangements in place in 2022-23.

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.

At the beginning of 2022-23, the Committee comprised the Chair (Deborah Lange) plus four other Board members. The terms for three of the ARC members (Deborah Lange, Judith Totten and Mark Nodder) came to an end in May 2022, with the position of Chair passing to Kevin Kingston, and Colin Coffey remaining on the Committee. Three new ARC members (Dawn McLaughlin, Julie-Ann O'Hare and Ciaran Mulgrew) were appointed from the June 2022 intake of Non-Executive Directors. Following Kevin Kingston's departure from the Board at the end of March 2023, the role of ARC Chair has passed to Dawn McLaughlin, and an existing Board member, Michael McQuillan, has been appointed to the Committee.

ARC meetings are also attended by the Chief Executive; Executive Director of Finance; the Director of Finance, Risk and Assurance Division; Senior 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 usually holds five meetings per annum, comprising four 'regular meetings' and one meeting to review and endorse the Annual Report and Accounts.

In January 2023, the Committee commenced a self-assessment exercise in line with the commitment in its Terms of Reference to complete an annual review of its own performance. An initial draft report was compiled in February 2023 based on Committee members' responses to a questionnaire based on the National Audit Office's Audit Committee self-assessment checklist. The draft report demonstrates that members felt that the Committee was operating effectively and adhering to good or best practice in all areas. The ARC secretariat will facilitate a discussion of the findings before producing a final report, which will include an action list to address some minor areas for improvement.

The Committee continues to operate a 'Rolling Agenda' system that ensures that all major issues are reviewed at least on an annual basis. The latest revision to the rolling agenda was reviewed and approved by the ARC at its February 2023 meeting. 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, a review of the work of the Governance Council and updates on current fraud

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Corporate Governance Report

and whistleblowing investigations. Other topics covered by the Committee in 2022-23 included oversight of the risk register development exercise; Procurement practices; review of updated Gifts and Hospitality guidance; the Business Continuity process; Management of External Delivery Organisations (EDOs); risk of Cyber Security attacks; Internal Test Drilling; Complaints & Feedback; Casework Approvals; NI-CO; review of Outstanding Internal Audit Recommendations; and review of draft Fraud and Raising Concerns (Whistleblowing) guidance.

As per the rolling agenda, Members have also met with Internal Audit Services and NIAO outside the scheduled ARC meetings throughout the year and provided input into the Internal Audit plan for 2023-24.

The Audit & Risk Committee has worked closely with the interim CEO, in his role as Accounting Officer, to identify governance related priorities to enhance the overall governance framework. In the ARC's Annual Report for 2022-23 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 four other Board members, with meetings attended by the Executive Director, People & Culture. The Committee met three times during 2022-23.

Board Working Groups

Board Working Groups, in contrast to the Committees referenced above, were 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 in 2022-23 included: Sub-regional; Access to Finance; and Competence Centres. The work of these groups has since been subsumed into the new Board Committees listed at page 38.

Executive Committees

In addition to the Board Committees, a number of Executive Committees were also in operation throughout 2022-23:

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 twice during 2022-23, with a third meeting originally scheduled for March 2023 deferred to April 2023 to allow for a discussion on the draft Head of Internal Audit Annual Report and Opinion. 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. Meetings are chaired by the Executive Director, Finance and the

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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 November 2021.

Executive Leadership Team

The Executive Leadership Team (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.

The ELT met regularly during 2022-23 to review 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.

Governance Council

The Governance Council was established in July 2021 to review the implementation of compliance policies and procedures and to oversee the development of a programme of continuous improvement to ensure that the governance framework is both appropriate and effective. The Council is made up of senior managers and other key staff from both governance-related functions and commercial teams. An action plan is in place and is reviewed by the Audit & Risk Committee at each regular meeting.

Other guidance and policies

Code of Ethics and Conduct

Central to the proper conduct of public business is the need for Invest NI staff to follow the seven principles of public life as set out by the Committee on Standards of Public Life. Invest NI operates a robust Code of Ethics applicable to all staff members. The code, as summarised in the staff handbook, sets out the obligations of staff to discharge public functions reasonably and in accordance with the law and to conduct themselves with integrity, impartiality and honesty while ensuring the proper, effective and efficient use of public money.

The Invest NI Conflicts of Interest policy requires all staff, regardless of grade or position, to disclose any area of actual, potential or perceived conflict with the interests of Invest NI. The policy is designed to ensure that staff do not misuse their official position or use information acquired in the course of their official duties to further their private interests or those of others. Where a potential conflict of interest, actual or perceived, is identified, the staff member involved will normally be removed from any contact, evaluation or assessment process relating to the particular case or organisation.

Invest NI maintains a register of all outside appointments or interests held by its staff. All employees are required to complete an annual return ('Register of Interests: Declaration by Member of Staff') or submit a nil return where appropriate. Employees have an absolute duty to declare any changes to their circumstances, including new interests, which could bring about a conflict of interest or the perception of a conflict. Agreements must be documented between individuals and their line manager before appointments are taken up, with the register then updated accordingly. This process is designed to provide the assurance that any outside employment held by Invest NI staff, including its senior management team, does not present a conflict of interest.

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The Invest NI gifts and hospitality procedures are based on the fundamental principle that, in general, all gifts should be refused, and no member of staff should receive anything that might reasonably be seen to compromise personal judgement or integrity. All offers of gifts and hospitality, whether accepted or refused, must be recorded on a central register for review and monitoring. Invest NI's Guidance on Gifts and Hospitality was updated in November 2022, with the revised procedures reviewed by the Audit & Risk Committee.

Staff members are also required, as outlined in the staff handbook, to be aware of and observe the terms of the Bribery Act 2010.

Bribery, Fraud Prevention and Raising Concerns (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 must be investigated and reported to DfE's Fraud and Raising Concerns Branch, 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 2022-23 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	Raising Concerns Policy and Raising Concerns Procedures for Staff and Managers	Four cases were reported to DfE during the course of the year. One case originally reported in 2020-21 was closed.
Fraud Prevention	Anti-Fraud Policy and Fraud Response Plan	Seven cases of suspected fraud were notified to DfE in line with the Invest NI Fraud Response Plan. Two cases from prior years, both of which relate to COVID-19 emergency schemes and which have been passed to the PSNI, remain outstanding.

In relation to public interest disclosures, Invest NI updated its Raising Concerns (formerly Whistleblowing) policy and procedures in June 2022. Following publication of the Independent Review report in January 2023, in which the review panel noted the significant delay in the notification of a raising concerns allegation, the policy was further updated to address this. In order to raise awareness of the Raising Concerns policy and procedures, attendees at key monthly management and Board meetings are reminded of the policy and the need to consider any issues they are aware of that should be raised under these mechanisms.

The Independent Review report also comments on a Raising Concerns case that the panel referred directly to DfE. The case has been fully investigated by DFE's Fraud and Raising Concerns Branch and the case is closed. Invest NI enquiries into the other case are ongoing and nearing conclusion.

Invest NI's Anti-Fraud Policy and Fraud Response Plan were updated in February 2023. The previous Fraud Response Plan included an initial review of any suspected or alleged fraud prior to notification to DfE in order to establish the likelihood of any suspicion or allegation being

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substantiated. This requirement has been removed, with all cases now notified to DfE before any initial review.

Invest NI's Risk and Assurance Team carried out a fraud awareness raising exercise in summer 2022 and rolled out online training to all staff in November 2022.

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

Fraud and error in COVID-19 support schemes

Throughout the COVID-19 pandemic Invest NI supported DfE on nine emergency Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. The role of Invest NI in each scheme was agreed with DfE and the Department of Finance via either a Memorandum of Understanding (MOU) or Delivery Document, each of which recognised the limitations as to what could be achieved to reduce the risk of fraud and error within the constraints of the scheme design, especially with the need to include self-representation for some criteria identified as increasing the risk of fraud and error as a consequence of the need to get support to eligible applicants in a timely manner.

While the inherent risk of fraud and error was recognised, Invest NI put in place detailed processes and procedures in order to minimise the risk as far as it was possible. Invest NI's own checks and the continuing audit work being carried out by both IAS and the NIAO on the sample checks of the operation of these checks and processes, provides further assurance on this. The Governance Statement in Invest NI's 2021-22 Annual Report and Accounts included detailed commentary on the estimated rate of fraud and error within those schemes.

For the five schemes administered and accounted for by Invest NI, expenditure for 2022-23 was £0.02m (2021-22: £14.7m; 2020-21: £129.8m). Invest NI had identified £1.3m of erroneous payments on the expenditure in the two-year period from 2020-21 to 2021-22, the majority of which related not to a breakdown in controls or checks but was as a result of overlaps between schemes administered by other bodies. These overpayments were identified quickly through Invest NI's own checks and the majority of the £1.3m was recovered through offset processes and some via direct clawback recovery. The balance still in recovery is £0.1m (2021-22: £0.01m) and equates to less than 0.1% of the scheme payments. Invest NI also identified 4 suspected cases of fraud within these schemes. No further erroneous payments or fraud have subsequently been identified relating to the expenditure in 2022-23.

Invest NI also accounted for an additional four COVID-19 schemes over the three-year period from 2019-20 to 2021-22. Total expenditure during that period was £374.2m (2021-22: £13.4m; 2020-21: £140.8m, 2019-20: £220m). Expenditure in 2022-23 was £0.03m.

DfE provided Invest NI with an estimated rate for fraud and error of 2.08% to be considered across all of the COVID-19 schemes. DfE also outlined the methodology used to arrive at this position, based on a combination of sample checking and an assessment of the risk within each scheme of fraud and error. Invest NI acknowledges the difficulties in arriving at an estimate and also recognises the potential for diminishing returns when directing more time and resources towards refining the estimate. In addition, Invest NI notes that the methodology may not have fully accounted for specific features of each scheme that could have increased the risk of fraud and error, such as the reliance in some schemes of applicant self-declarations.

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If the rate of 2.08% were accepted as a prudent estimate, this would be applied to the current year expenditure of £0.05m and across the total expenditure on COVID-19 emergency support schemes of £516.22m respectively.

Fraud and error in other major schemes

Invest NI's approach to the prevention and detection of fraud is documented in its Anti-Fraud Policy, while the Fraud Response Plan provides a guide to how cases of suspected or alleged fraud are handled. Each grant-giving programme features controls that are designed to minimise the risk of fraud and error. These controls are regularly reviewed by Internal Audit Service as part of its rolling cycle of reviews.

Where fraud is detected, Invest NI adopts a zero-tolerance approach and will seek to refer the matter to the PSNI where appropriate and recover any funds that have been paid out. As noted on page 41, seven cases of alleged or suspected fraud were notified to DfE during 2022-23. In three cases, further review of the circumstances served to confirm that there had been no attempt to defraud Invest NI. In the remaining four cases, which are still under investigation, Invest NI had paid approximately £68.5k to the companies in question. This compares to overall activity during the year, which saw 1,560 Letters of Offer made to 1,070 companies, with potential support totalling £73m.

Invest NI does not assume that the cases identified above represent the sum total of attempted or actual fraud perpetrated by the companies it supports through its major schemes. While it is difficult to estimate the actual level of fraud and error, we remain content that the controls in place to prevent and detect fraud, as assessed by Internal Audit Service, are operating effectively and are robust.

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 Board and Audit & Risk Committee as required / appropriate.

Ken Nelson was reappointed as Interim Chair to 31st December 2023. This appointment was made on merit and within the spirit of the Office of the Commissioner for Public Appointments for Northern Ireland Code of Practice.

As outlined on page 7, in June 2023 the NI-CO board concluded that NI-CO could no longer continue as a going concern and a closure plan was subsequently presented and approved. Information relating to the impact of this decision on the group’s accounts, is provided on page 52.

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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 People & Culture and Finance, 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 2022-23.

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 tendered and carried out by external consultants. Following the expiry of the most recent contract for this work in May 2019, the tender exercise for a new contract concluded in April 2022 and a new service provider was appointed.

The 2022-23 Internal Audit Plan included a full schedule of EDO inspections (carried out by the service provider) and sponsor controls reviews (carried out by Internal Audit Service) to look at the Invest NI management of EDO relationships.

The Independent Review of Invest Northern Ireland

In January 2022 Gordon Lyons, then Minister for the Economy, commissioned a review of Invest NI in order to provide an independent assessment of the organisation's efficiency and effectiveness. The Independent Review Panel, which was chaired by Sir Michael Lyons and comprised Dame Rotha Johnston DBE and Maureen O'Reilly, was tasked with assessing Invest NI's capacity to align with and operationally deliver DfE's 10X Economic Vision.

The Panel's report, which was published in January 2023, found that profound change is required within Invest NI to ensure that it is strategically aligned with the 10X policy objectives and equipped to deliver interventions that will help to transform the Northern Ireland economy. The Panel made a suite of recommendations across 17 broad areas, including leadership, structure, performance metrics, partnering, the client company model and DfE oversight. Opportunities for improvement were also identified in the approach to specific sectors, workplace skills and Invest NI's risk and control environment. The report is available on DfE's website.

Invest NI accepted all recommendations made in the Independent Review and worked with the Department for the Economy to develop a comprehensive and solution-orientated Action Plan which clearly defines the problems identified by the Panel, outlines the solutions that will be implemented to effect change, and confirms the metrics through which success will be measured. A Steering Group (comprising Invest NI Board members and senior management from both Invest NI and DfE) was established to coordinate the Review response; set the direction for the actions which DfE and

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Invest NI developed as an initial step in implementing the Review recommendations; and oversee their ultimate delivery. The Action Plan was published on 4th October 2023.

The Steering Group endorsed the creation of Task and Finish (T&F) Groups to facilitate the development of a collaborative and deliverable action plan. Each T&F Group included representation from both DfE and Invest NI, ensuring shared understanding of the problems that each recommendation is seeking to address and enabling the right solutions and actions.

Within this framework a Governance, Compliance, Risk & Control T&F Group was established to review the four recommendations in the "Risk & Control" section of the Independent Review, which relate to the requirement for a central compliance function, the potential to commission an Enterprise Risk Management Framework review, a review of the implementation of the Raising Concerns policy and procedures, and the approach to lower value projects The T&F Group will produced an overall problem statement covering the recommendations in this section, agreed the desired outcomes and formulated actions that will address the agreed problems.

While the Governance, Compliance, Risk & Control T&F Group sought to address the specific recommendations relating to risk and control, there are a number of other groups whose work may impact on the governance and control framework. These are likely to include, but are not limited to, those in the areas of Invest NI Board, Leadership & Partnership Approach; Operational Delivery; and Alternative and Sustainable Funding.

I welcome the findings of the Independent Review and acknowledge the opportunities it has identified to strengthen Invest NI's risk management and control systems.

Ministerial Directions

Throughout the pandemic Invest NI supported DfE on nine emergency COVID-19 Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. Invest NI also administered the NI Domestic Aviation Kickstart Scheme (NIDAKS) in 2021-22 on behalf of DfE, which was also subject to a ministerial direction.

While the Ministerial Directions were issued in previous years, the 2022-23 accounts include expenditure relating to three of the emergency schemes (the Small Business Grant Scheme and the COVID-19 Restrictions Business Support Scheme Parts A and B). The role of Invest NI in each scheme was agreed with DfE and the Department of Finance via either a Memorandum of Understanding (MOU) or Delivery Document.

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. Invest NI's risk and control framework is based on the three lines of defence:

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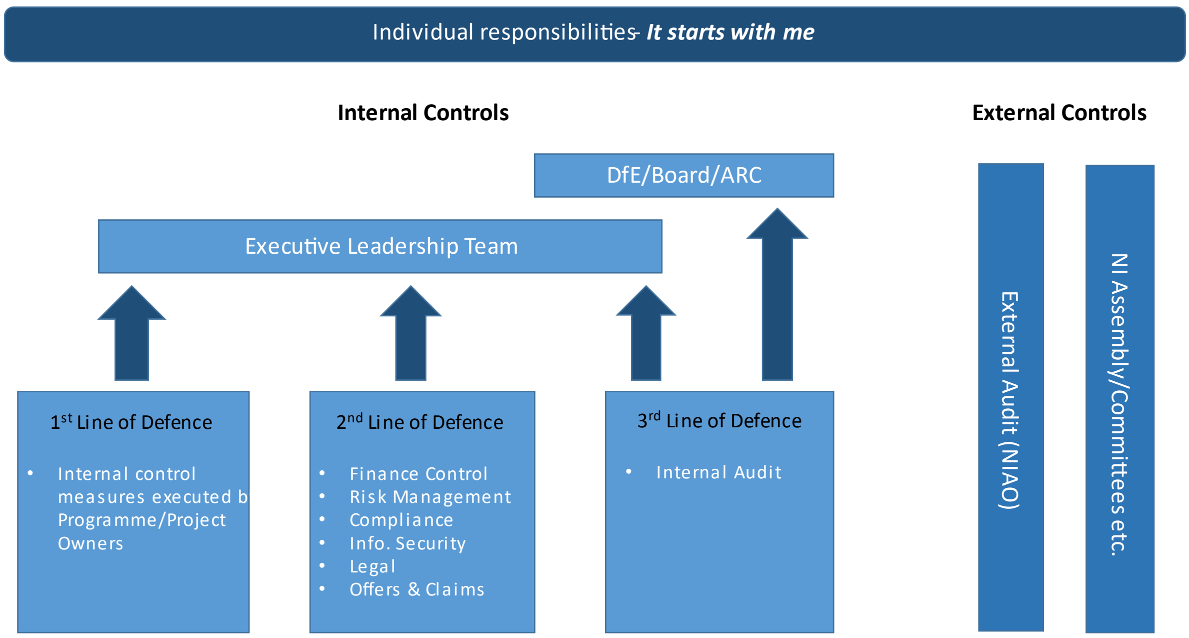
The Three Lines of Defence



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. The Corporate Risk Register is a standing item on the Oversight and Liaison meetings between Invest NI and DfE. 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 was subject to a quarterly review by the Risk and Assurance Team, which 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. During 2022-23, Invest NI continued to further develop its risk management arrangements, an exercise that commenced in September 2021 to overhaul the risk register format and move to a dedicated risk management software package.

Further details of the principal risks facing Invest NI are found on page 8.

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The Invest NI Board meeting in October 2022 featured a review of the Emerging Risk Register, which monitors long term threats and opportunities that are relatively remote but that have the potential to impact on the organisation's business.

The Audit & Risk Committee met five times, and the Internal Audit Committee twice (with one scheduled meeting rescheduled to April 2023), 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 were previously developed for the organisation with responsibilities clearly defined and communicated. The Business Continuity Plans have been reviewed and updated following some staff changes within the incident management team.

Work is underway to develop a schedule of scenario testing for 2023-24. This will include a follow-on scenario exercise on the business reaction to a cyber-attack incident to ensure the Organisation's ability to respond to operational implications, such as staff and stakeholder communications and the impact on business critical activities.

Data Security

Following the annual Information Security Audit in November 2022, Invest NI continues to be accredited to the international security standard ISO 27001. The accreditation provides assurance that Invest NI maintains an Information Security Management Systems (ISMS) that protects the confidentiality, integrity and availability of corporate information. Security matters are overseen by an Information Governance Group (IGG) which met four times during the year. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements. The IGG provides updates to the Audit & Risk Committee on the progress of risks and mitigations (including cyber security). A review of Invest NI's ISMS was also carried out by Internal Audit Service during 2022-23, with no significant issues identified.

During the year there was one case involving loss of a portable data storage device, three involving a breach of a policy that did not lead to any unauthorised disclosure and 15 incidents relating to unauthorised disclosure of information, the majority of which had a mitigated risk rating of "low". One incident had a mitigated rating of 'high' and two had a mitigated rating of 'medium'. Of these, two incidents were deemed necessary to report to the ICO due the nature of the data involved. The ICO advised no further action was necessary in both cases. 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 issued during quarter 2 of 2022-23.

Invest NI's staff continued to work remotely as part of a hybrid working model and compliance with Information Security and Data Protection in the remote working environment is monitored as a risk to be tracked within the information security risk register. Invest NI continues to implement security controls to support this approach, such as secure connection via VPN, encrypted equipment and awareness training.

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 UK General Data Protection Regulation (UK GDPR), and to promote the principles of 'Data Protection by Design and by Default'. All staff have completed annual mandatory data protection awareness training issued during quarter 4 of 2022-23.

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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. I have also considered the Independent Review panel's observations regarding risk and control. 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 place. I note the Committee's Annual Report concludes that controls are operating effectively, and I welcome the Committee's ongoing input to identifying potential areas for improvement. I have noted the Audit & Risk Committee's opinion in my review of the effectiveness of the system of internal control and a plan is in place to address weaknesses, including those identified in the Independent Review report.

Group Assurance Statements on Internal Control

During 2022-23 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. Instead of developing a traditional multi-year Audit Strategy and Plan, IAS formulated a one-year plan for 2022-23 in order to provide more flexible approach and allow IAS to focus on areas of specific risk The plan, including the analysis of risks, was reviewed by the Internal Audit Committee and Invest NI management prior to approval by the Audit & Risk Committee at its meeting in February 2022.

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 2022-23 audit plan.

	Satisfactory	Limited	TBC	N/A[1]
Final Reports	6	0	0	3
Draft Reports	2	0	0	0
Fieldwork	0	0	2	0

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

No IAS Audit Reports received a limited opinion in 2022-23. Fieldwork for two reviews from the 2022-23 plan was temporarily paused to allow for the commencement of a review of lower value projects that was prioritised in order to provide assurance in relation to a finding contained in the Independent Review. The two deferred reviews have subsequently been included in the plan for 2023-24. This amendment to the plan was approved by the Audit & Risk Committee at its February 2023 meeting. There are no outstanding reviews from previous years.

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In addition to the formal reporting IAS responded to a number of requests for advice from Invest NI management and its Audit & Risk Committee.

IAS manages the rolling programme of EDO inspections through the engagement of an external service provider. The tender exercise for a new contract for EDO inspections concluded in April 2022 and a new service provider was appointed. The 2022-23 Internal Audit Plan included a full schedule of EDO inspections (carried out by the service provider) and sponsor controls reviews (carried out by Internal Audit Service) to look at the Invest NI management of EDO relationships. Two of the sponsor control reviews have been delayed to allow for the completion of the review of lower value projects.

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 2022-23 year. The Head of Internal Audit's (HIA) Annual Report and Opinion notes the issues raised in the Independent Review of Invest NI and the recommendations contained in the review's report, some of which relate to Risk and Control. The HIA has concluded that, while the review highlights a number of issues and challenges for Invest NI, which will further strengthen the Risk, Control and Governance Environment, the overall opinion of "satisfactory" is justified.

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 summary of the Accountability Grids was provided to the Audit & Risk Committee at its meeting in November 2022. No new risks had been added since the last report to the Committee (May 2021), meaning there are a total of 373 recommendations on the Accountability Grids, of which six require ongoing action.

NIAO Reports

In June 2022 the NIAO published a Good Practice Guide on Board Effectiveness. This report is relevant to Invest NI's operations.

Public Accounts Committee Issues

There were no Public Accounts Committee issues raised in 2022-23.

Significant internal control problems

Invest NI has acknowledged the findings of the Independent Review and is committed to working with DfE to develop and implement an action plan to address those findings. While a number of recommendations are designed to strengthen Invest NI's risk management and control framework, I do not consider that these areas for improvement represent a significant internal control problem. In making this assessment, I have considered the opinion expressed by the Head of Internal Audit, who has concluded that although the review highlights a number of issues and challenges for Invest NI that will further strengthen the Risk, Control and Governance Environment, the overall opinion of "satisfactory" is justified.

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As disclosed in more detail below, three regularity issues relating to DoF approvals, were identified during 2022/23 and 2023/24. DoF has now granted retrospective approval for two of these cases and approvals are being sought for the third. Whilst NIAO has acknowledged the number of approvals in place for various projects and programmes that must be managed, they have raised a priority 1 point in the draft Report To Those Charged With Governance, recommending that Invest NI should carefully consider potential root causes, including staff turnover, and how it documents and monitors the conditions attached to approvals. Invest NI has confirmed that a review of projects and programmes will be undertaken to ensure they are operating within the conditions of approval.

Retrospective approval for grant support provided to Ebrington Leisure Holdings Ltd

In April 2020 the Department of Finance (DoF) provided approval for an Invest NI offer of support totalling £1.75M to Ebrington Leisure Holdings Ltd. The project was to develop and open a hotel on the Ebrington site in Derry/Londonderry. The hotel opened in July 2023.

One of the conditions of DoF approval was that the project should be fully implemented (i.e. the hotel opened) within 12 months of the timescales outlined in the business case. In June 2021 Invest NI provided DoF with an update on the implementation of the project, in which it signalled that due to delays brought about largely as a result of the COVID-19 pandemic, it was likely that this condition would be breached. The response, from DoF, acknowledged the update and was interpreted by Invest NI as approval to proceed on the basis that the breach of this condition had been flagged to, and acknowledged by, DoF.

Following further correspondence in June 2023, DoF has stated that as its response to the Invest NI note of June 2021 indicated that further updates were required, an addendum to the business case should have been brought forward to formally notify DoF so that assurances could be provided to address any concerns on how the delay may have impacted on VFM. As a result, DoF has deemed the expenditure to be in breach of the conditions of approval.

While DoF has expressed concern about the circumstances under which Invest NI considered approval for the extension to have been granted, it has acknowledged that Invest NI indicated that this came about due to a misunderstanding about the correspondence in June 2021. It has also acknowledged that the expenditure has remained within the parameters outlined in the original business case and has therefore provided retrospective approval for the expenditure on the project (2022-23: £0.8M).

Retrospective approval for a change in funding mix for grant support provided

In June 2014 the Department of Finance (DoF) provided approval for an Invest NI offer of support totalling £6M in respect of an infrastructure development project. On 25th February 2016, DoF approved an amendment that reduced the total assistance from £6M to £3.8M. As the support offered was eligible within European Sustainable Competitiveness Programme (EUSCP), DoF capped the Invest NI baseline and ERDF expenditure at £1.55m and £2.3M respectively.

In the last quarter of 2016/17, when the final EUSCP claim was being prepared, the decision was taken by the Invest NI and DfE teams, due to differing progress on various projects, to remove this project from the final claim and replace with projects of the same value and budget type. As this had no net impact on national or EU budgets expended, the conclusion was erroneously drawn that additional DoF approval was not required.

However, during recent engagement DoF raised the issue of the breach in approval conditions, and upon review, it was accepted by Invest NI, that as the adjustment to the final claim resulted in an increase (from £1.55M to £3.8M) in INI/Executive funds expended on this particular project, it breached the specific conditions of DoF approval, as outlined above.

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On 13th September 2023, Invest NI applied to DoF for retrospective approval in respect of the expenditure incurred in 2015/16 and 2016/17, totalling £3.8M. DoF granted the retrospective approval on 3rd October 2023, noting that there was no change to the project, its outputs or total expenditure, and acknowledging that Invest NI has undertaken to carry out an assessment of all DoF approved projects to ensure they are complying with DoF conditions of approval.

Retrospective approvals for held over leases

In July 2021 and June 2022 property leases for two of Invest NI's regional offices expired. Prior to expiry of the leases, discussions were held between Land and Property Services, Invest NI and the landlords. It was agreed that Invest NI would enter into "holdover" periods with the landlords while new lease negotiations took place. DoF approval is required for all new leases and DoF has confirmed that approval should also have been sought for these lease holdovers. Invest NI is now in the process of requesting DoF retrospective approval for £0.2 million on these two leases during the holdover period, of which £0.1 million relates to 2022-23.

Assessment of compliance with conditions of approval

The responsibility for monitoring and follow-up on approval conditions rests with the project owner in each area. As a second line of defence, Invest NI has agreed to undertake an immediate assessment of projects to ensure that they are operating within the conditions of approval. This work will be overseen by the Invest NI Governance Council and will focus on a review of the DoF approvals in the first instance. Going forward, an action from the Invest NI Independent Review is to establish a central compliance team and responsibility for maintaining a central database of conditions which will be used to carry out checks on compliance will be included in the remit of this team. This will also be overseen by the Invest NI Governance Council.

Accounting Treatment of COVID-19 Emergency Schemes

Invest NI was responsible for accounting for a number of emergency COVID schemes launched by the NI Executive during the course of the pandemic. This approach was set out in a Memorandum of Understanding (MOU) agreed by DfE with Invest NI and DoF / Land and Property Services (LPS). The expenditure on the schemes that utilised this approach was as follows:

Scheme	**2022-23 £ million**	**2021-22 £ million**	**2020-21 £ million**	**2019-20 £ million**
Small Business Grant Scheme	0.03	(0.1)	23.2	220
Tourism and Retail Sectors Grant	-	0.03	73.6	-
Large Tourism and Hospitality Business Support Scheme	-	13.5	37.4	-
Wet Pubs Scheme	-	(0.06)	4.1	-
TOTAL	**0.03**	**13.37**	**138.3**	**220**

The 2019-20 accounts included a qualified opinion on regularity in respect of the Small Business Grant Scheme. During the course of its audit of the 2020-21 accounts, NIAO concluded that, based on substance over form, DfE, rather than Invest NI should have accounted for the Grant expenditure and cost of administration in its accounts. The Comptroller and Auditor General (C&AG) therefore provided an Adverse True and Fair audit opinion for Invest NI's accounts. The presence of related expenditure in the 2021-22 accounts, albeit at a much-reduced quantum, led to the C&AG qualifying the true and fair opinion. The C&AG also stated that reliance could not be placed on Invest NI's legal powers to prove the regularity of the related transactions and qualified his regularity opinion accordingly.

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In reaching its conclusion about whether or not to adjust its accounts, Invest NI carefully considered the position of DfE (supported by legal advice from Senior Counsel), advice from DoF, the open and fulsome disclosure in the accounts of both DfE and Invest NI, and the transparency required by the Northern Ireland Assembly. As a result, Invest NI did not adjust its 2020-21 and 2021-22 accounts for this matter.

Invest NI's accounts for 2022-23 contain expenditure of £0.03M relating to the schemes in question, as a result of a small number of payments made to close out the schemes. While this expenditure is relatively small and below the NIAO materiality threshold, the accounts also contain details of the expenditure in prior years for comparison. As a result, the Comptroller and Auditor General has qualified the true and fair opinion on the Invest NI accounts for 2022-23.

Impact of NI-CO on the preparation of the group accounts

As outlined on page 7, the NI-CO Board concluded in June 2023 that NI-CO could no longer be considered a going concern. As a result of this, a number of assumptions used by NI-CO in the preparation of its accounts to 31 March 2023 may no longer be appropriate.

Invest NI has engaged with NI-CO in order to understand the basis of the preparation of the accounts and has sought to highlight where there may be underlying uncertainty in some balances by the use of additional disclosures in the group accounts

NIAO has worked closely with Invest NI to understand the impact on the group accounts of the NI-CO decision to close, and also with NI-CO's auditors to obtain their view. However, ultimately NIAO has determined that, in the absence of additional audit evidence to support a £2.1m provision in respect of future potential clawback from the EU, there is a limitation in the scope of its work. As a result, the Comptroller and Auditor General has qualified the audit opinion on the group accounts in relation to this. Further information is provided in the certificate of the C&AG on page 145.

Conclusion

I have considered the evidence provided with regards to the production of the Annual Governance Statement, including the findings of the Independent Review and the 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.

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Remuneration and Staff Report

Remuneration Report

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.

Chair and Board members

The Chair 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 Chair 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 Chair 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 Chair nor any Board members receive pension contributions from Invest NI or DfE. Invest NI reimburses the Chair and Board members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

The full year equivalent remuneration of the Chair 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)**	
	2022-23	**2021-22**	**2022-23**	**2021-22**
Rose Mary Stalker (Chair) (resigned 31 January 2023)	46	46	900	-
Deborah Lange (resigned 31 May 2022)	13	13	-	-
Mark Nodder (resigned 31 May 2022)	13	13	-	-
Mark Sweeney (resigned 31 May 2022)	13	13	-	-
Padraig Canavan (resigned 31 May 2022)	13	13	-	-
Judith Totten (resigned 31 May 2022)	13	13	-	-
Colin Coffey	13	13	1,000	-
Kieran Kennedy	13	13	-	-
Kevin Kingston (resigned 31 March 2023)	13	13	-	-
Marie-Therese McGivern	13	13	-	-
Michael McQuillan	13	13	-	-
Dominic Darby (appointed 30 June 2022)	13	-	-	-
Melanie Dawson (appointed 30 June 2022)	13	-	800	-
Dawn McLaughlin (appointed 30 June 2022)	13	-	-	-
Ciaran Mulgrew (appointed 30 June 2022)	13	-	-	-
Patrick O'Gorman (appointed 30 June 2022)	13	-	-	-
Julie-Ann O'Hare (appointed 30 June 2022)	13	-	-	-
Scott Ritchie (appointed 30 June 2022)	13	-	-	-
Colm McKenna (Interim Chair) (appointed 27 February 2023)	46	-	-	-

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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 Minister has set the 2022-23 NI public sector pay policy in line with the overarching HMT parameters. 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 2022-23 was announced by DoF in April 2023 and is planned to be implemented in July 2023 following approval by DfE.

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

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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):

Single total figure of remuneration								
	Salary (£'000)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (£'000)	
	2022-23	Restated 2021-22	2022-23	Restated 2021-22	2022-23	Restated 2021-22	2022-23	Restated 2021-22
Chief Executive:								
Kevin Holland (until 3 March 2022)	-	175-180 (175 – 180 FYE)	-	-	-	61	-	235-240
Mel Chittock **	160-165	120-125 (160-165 FYE)	-	-	242	175	400-405	295-300
Executive Directors:			-					
Jeremy Fitch	105-110	105-110	-	-	(27)	32	80-85	140-145
Denise Black*******	40-45 (80-85 FYE)	75-80	-	-	18	29	60-65	105-110
Peter Harbinson	80-85	85-90	-	-	(23)	55	55-60	140-145
Steve Harper	105-110	110-115	-	-	44	42	150-155	150-155
Brian Dolaghan***	95-100	100-105	-	-	(8)	59	90-95	160-165
Donal Durkan*****	95-100	95-100	-	-	(24)	95	70-75	190-195
Alan McKeown ****	95-100	80-85 (75-85 FYE)	-	-	39	32	135-140	115-120
Carolyn McKenna******	40-45 (70-75 FYE)	-		-	(8)	-	30-35	-

The salary figures included in the table above reflect what was paid to the individuals during 2022-23, 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.

*** Mel Chittock was appointed to the role of Interim Chief Executive on 15 December 2021. Prior to that date, he was the Executive Director of Finance and Operations. 2021-22 FYE figure noted is for role of Interim Chief Executive.*

**** Brian Dolaghan was appointed to the role of Executive Director, Finance on 1 February 2022. Prior to that date he was the Executive Director of Business Development and Solutions Group.*

***** Alan McKeown was appointed to the role of Chief Transformation Officer on a fixed term basis from 25 November 2021.*

****** Donal Durkan was appointed to the role of Executive Director, Strategy & Partnerships on a fixed term basis from 1 October 2020.*

******* Carolyn McKenna was appointed to the role of Executive Director, People and Culture on a fixed term basis from 1 December 2022. No prior figures have been disclosed.*

******** Denise Black left the role of Executive Director, People and Culture on 30 November 2022.*

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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 2022-23 or the previous year.

Pay Multiples
The following section is subject to audit

	2022-23	2021-22**	Percentage change
	£'000	£'000	
Band of Highest Paid Director's Total Remuneration *	160-165	175-180	(8.5)%
	£	£	
Mean salary and allowances	**38,784**	37,655	3%
Median Total Remuneration *	39,748	36,548	
Ratio	4.1	4.9	
Employee on the 25th percentile	26,575	26,575	
25th percentile pay ratio	6.2	6.7	
Employee on the 75th percentile	42,639	42,639	
75th percentile pay ratio	3.9	4.2	

**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.*

***Prior year figures have been updated.*

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 2022-23 was £160,000-165,000 (2021-22, £175,000-180,000). This was 4.1 times (2021-22, 4.9) the median remuneration of the workforce, which was £39,748 (2021-22, £36,548). The median represents the mid-point of all the salaries in the organisation.

There was no performance pay or bonuses paid to any of the individuals in the table above, therefore the salary shown equates to the total pay and benefits for each individual.

In 2022-23, one employee (2021-22, one employee) received total remuneration in excess of the highest-paid director. This employee was temporarily posted overseas on a fixed term contract and the total remuneration reported includes in-country related costs of the assignment which are

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grossed up for tax purposes. These costs were temporary during the period of relocation, which finished during the year.

Remuneration ranged from £21,000 to £170,000-175,000 (2021-22, £19,000 to £230,000-235,000).

Pension Entitlements

Pension details of ELT as at 31 March 2023 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Kevin Holland*	-	-	-	133	-	-
Mel Chittock	60-65 plus 145-150 lump sum	10–12.5 plus 22.5-25 lump sum	1,385	1,027	226	-
Jeremy Fitch	50-55 plus 90-95 lump sum	0-2.5 plus nil lump sum	980	913	(41)	-
Peter Harbinson	35-40 plus nil lump sum	0-2.5 plus nil lump sum	735	682	(36)	-
Steve Harper	15-20 plus nil lump sum	2.5-5 plus nil lump sum	187	149	22	-
Brian Dolaghan	40-45 plus nil lump sum	0-2.5 plus nil lump sum	759	698	(22)	-
Donal Durkan	45-50 plus 100-105 lump sum	0 plus 0 lump sum	964	889	(38)	-
Denise Black**	0-5 plus nil lump sum	0-2.5 plus nil lump sum	58	44	10	-
Carolyn McKenna	20-25 plus nil lump sum	0-2.5 plus nil lump sum	466	427	(17)	-
Alan McKeown	5-10 plus nil lump sum	0-2.5 plus nil lump sum	92	60	21	-

* This individual left Invest NI in March 2022 therefore no figures available for 2022-23
** This individual left Invest NI in November 2022

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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).

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The **alpha** pension scheme was initially 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 members of the **classic**, **premium**, **classic plus** and **nuvos** pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to **alpha** from that date. At that time, members who on 1 April 2012 were within 10 years of their normal pension age did not move to **alpha** (full protection) 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 (tapered protection).

In 2018, the Court of Appeal found that the protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, steps are being taken by the Department of Finance to remedy those 2015 reforms, making the pension scheme provisions fair to all members. Some active members will have seen changes from April 2022.

The remedy is made up of two parts. The first part was completed last year with all active members now being members of alpha from 1 April 2022, this provides equal treatment for all active pension scheme members. The second part is to put right, 'remedy,' the discrimination that has happened between 2015 and 2022. We are currently working on new scheme regulations and processes in readiness for this. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relate to the alternative schemes e.g., legacy PCSPS (NI) ‘Classic’, ‘Premium’ or ‘Nuvos’ (legacy scheme) or alpha.

Scheme regulations made in March 2022, closed the PCSPS(NI) to future accrual from 31 March 2022, and all remaining active PCSPS(NI) members (including partially retired members in active service) moved to ‘**alpha**’ from 1 April 2022. This completes Phase One to remedy the discrimination identified by the Courts. Any pension benefits built up in the legacy scheme prior to this date are unaffected and PSCPS (NI) benefits remain payable in accordance with the relevant scheme rules. Phase Two will see the implementation of the Deferred Choice Underpin. That is, giving eligible members a choice between legacy scheme and alpha scheme benefits for service between 1 April 2015 and 31 March 2022. At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts which are available at https://www.finance-ni.gov.uk/publications/dof-resourceaccounts.

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%.

From 1 April 2015, all 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 who joined on or after 30 July 2007 were eligible for membership of the legacy PCSPS (NI) **Nuvos** arrangement or they could have opted for a Partnership Pension Account. **Nuvos** was also a CARE arrangement in which members accrued pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate of accrual was 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ legacy defined benefit arrangements (**classic**, **premium** and **classic plus**). From April 2011, pensions payable under these arrangements have been reviewed annually in line with changes in the cost of living. New entrants who joined on or after 1 October 2002 and before 30 July 2007 will have chosen between membership of premium or joining the Partnership Pension Account.

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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).

Active members of the pension scheme will receive an Annual Benefit Statement. 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. The normal scheme pension age in **alpha** is linked to the member's State Pension Age but cannot be before age 65. The Scheme Pension age is 60 for any pension accrued in the legacy **classic**, **premium**, and **classic plus** arrangements and 65 for any benefits accrued in **nuvos**. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/civilservicepensions-ni.

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 2021 was 10.1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2023.

Employee contribution rates for all members for the period covering 1 April 2023 – 31 March 2024 are as follows:

Scheme Year 1 April 2023 to 31 March 2024

Annualised Rate of Pensionable Earnings (Salary Bands)		**Contribution rates - All members**
From	**To**	**From 1 April 2023 to 31 March 2024**
£0	£25,049.99	4.6%
£25,050	£56,999.99	5.45%
£57,000.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

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

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the other pension details, include the value of any pension benefit in another scheme or arrangement which 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.

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 2022-23 no members of ELT retired early (2021-22: no members).

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.

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Staff Costs

The following section is subject to audit

	Group				
	Permanently employed staff £'000	**Overseas staff £'000**	**Others* £'000**	**2022-23 Total £'000**	**2021-22 Total £'000**
Wages and salaries	22,812	5,055	1,422	29,289	29,000
Social security costs	2,631	-	16	2,647	2,705
Other pension costs	6,958	-	45	7,003	7,240
Sub total	**32,401**	**5,055**	**1,483**	**38,939**	**38,945**
Less recoveries in respect of outward secondments and others	(305)	-	-	(305)	(215)
Total net costs	**32,096**	**5,055**	**1,483**	**38,634**	**38,730**

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	Invest NI				
	Permanently employed staff £'000	**Overseas staff £'000**	**Others* £'000**	**2022-23 Total £'000**	**2021-22 Total £'000**
Wages and salaries	22,068	5,055	1,422	28,545	28,203
Social security costs	2,548	-	16	2,564	2,623
Other pension costs	6,726	-	45	6,771	7,009
Sub total	**31,342**	**5,055**	**1,483**	**37,880**	**37,835**
Less recoveries in respect of outward secondments and others	(425)	-	-	(425)	(339)
Total net costs	**30,917**	**5,055**	**1,483**	**37,455**	**37,496**

*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 £1,267,753 (2021-22: £1,035,000) in respect of external secondees and temporary staff.

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 Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

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 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. Following completion of the consultation process the 2016 Valuation has been completed and the final cost cap determined. Further information can be found on the Department of Finance website https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations.

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A case for approval of a Legislative Consent Motion (LCM) was laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill (PSP&JO) to Northern Ireland. Under the LCM agreed by the NI Assembly on 1 November 2021 provisions are included in the Act for devolved schemes in NI. A second LCM was laid in the Assembly to implement the CCM changes in the Westminster Bill for devolved schemes. The second LCM, as agreed by the Assembly on 31 January 2022, ensured the reformed only scheme design and the economic check will now be applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. The Act also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2022-23, employers' contributions of £6,782,000 were payable to the NICS pension arrangements (2021-22 £6,994,000) 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £21,402 (2021-22: £14,000) 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 (2021-22: 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 £442, 0.5 per cent (2021-22: £1,000, 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 £nil (2021-22: £nil). Contributions prepaid at that date were £nil (2021-22: £nil).

One person (2021-22: no persons) retired early on ill-health grounds. The total additional accrued pension liabilities amounted to £nil (2021-22: £nil).

NI-CO contributed £231,000 (2021-22: £231,000) to a defined contribution scheme during the year.

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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	2022-23 Total	2021-22 Total
Directly employed	520	5	525	558
Temporary staff/external secondees	-	22	22	21
Board members	-	12	12	11
Overseas staff	-	59	59	53
NI-CO staff	23	-	23	26
Total	543	98	641	669

Invest NI	Permanently employed staff	Others	2022-23 Total	2021-22 Total
Directly employed	520	5	525	558
Temporary staff/external secondees	-	22	22	21
Board members	-	12	12	11
Overseas staff	-	59	59	53
Total	**520**	**98**	**618**	**643**

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.

	2022-23			2021-22		
Information on people	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board members	9	4	13	7	4	11
Senior civil servants (SCS)*	13	6	19	14	6	20
Number of employees (excluding SCS)	247	303	550	279	347	626
Total	**269**	**313**	**582**	**300**	**357**	**657**

*Senior civil servants are defined as a member of staff at Grade 5 or above. The 19 employees referred to above comprise one individual at Grade 1, five individuals at Grade 3 and 13 individuals at Grade 5.

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Staff turnover

Group	2022-23	2021-22
Staff turnover percentage	10.5	9.7

Invest NI	2022-23	2021-22
Staff turnover percentage	10.4	9.9

Employee engagement

During 2022-23, as part of our New Ways of Working initiative and our new Values, we took a different approach to engagement. We launched a series of face-to-face/online forums (Employee Voice Forums) to get and give feedback on a more regular basis, which allowed ELT to directly connect with staff from all parts of the organisation. The feedback collated at these sessions was presented to ELT and the Board, and will feed into the work of the People & Culture Task & Finish Group that has been set up following the Independent Review.

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 2022 and 31 March 2023:

	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 (2021-22: £Nil) were incurred and there was expenditure of £332,000 (2021-22: £332,000) on temporary staff during the year.

Employee-related policies

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

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equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance.

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.

This is supported by an annual programme of mandatory training and refresher training in Disability, Equality and Dignity Awareness for all staff.

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, and by offering flexible and personalised working hours and hybrid working arrangements for all staff.

As part of its commitment to promoting an ethos of valuing everyone as an individual, Invest NI maintained Diversity Mark NI "Bronze" status, and has a Diversity and Inclusion committee which undertakes a number of diversity and inclusion activities and is actively working towards creating a Diversity and Inclusion strategy.

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 2022-23 year was 2.94%, down from 3.58% in 2021-22. The main reasons for the decrease is a significant reduction in sickness absence due to mental ill-health, pre-planned surgery, musculoskeletal problems and COVID-19. The NI Civil Service's absence rate for 2022-23 was 5.7%, up slightly on their outturn of 5.6% for 2021/22."

The Organisational Development function (previously Learning and Development) 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 support with further education and study leave. It 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	**2023 Losses £'000**	**2023 No. of cases >£250k***	**2023 No. of cases <£250k**	**2022 Losses £'000**	**2022 No. of cases >£250k***	**2022 No. of cases <£250k**
Grants recoverable	849	-	32	999	1	14
Others including investments and accrued income	620	1	7	17,228	4	9

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.

* Invest NI supports companies via grants, loan and share investments. If an event occurs that results in the investment being irrecoverable or the grant requiring clawback, a loss can occur. These events include, for example, abandonment of project supported or company failure. The 1 case noted over £250,000, related to a loan.

At the year-end there are 8 cases of potential losses totalling £1,364,000 (2022: 24 cases totalling £1,449,000) that are under management review. Of these cases £310,000 were reported in previous years; £1,054,000 were new cases in 2022-23.

All cases that have been written off during the year have been reported to DfE. The potential loss cases, that will require further approval, have been notified to DfE 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.

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).

Fees and charges

This section is subject to audit

There are no fees and charges that require disclosure.

Accountability Report

Assembly Accountability and Audit Report

Remote Contingent Liabilities

This section is subject to audit

There are no remote contingent liabilities that require disclosure.

Mel Chittock
Accounting Officer
Date: 27 October 2023

INVEST NORTHERN IRELAND

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

Qualified opinion on financial statements

I certify that I have audited the financial statements of Invest Northern Ireland and its group for the year ended 31 March 2023 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. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of my report, 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 2023 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied for the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion

Disagreement over accounting treatment of Covid-19 business support grants administered by the Department for the Economy

I do not agree with the accounting treatment of COVID-19 business support grants administered by the Department for the Economy. These have been accounted for as if the expenditure was controlled by Invest Northern Ireland, however in my opinion was controlled by the Department for the Economy itself and, in order to provide a true and fair view, should not have been accounted for by Invest Northern Ireland. In my opinion the substance of these transactions was that the Department for the Economy itself was responsible for this expenditure, not Invest Northern Ireland. I reached this view because the Department for the Economy designed and delivered the scheme and incurred the expenditure, while instructing Invest Northern Ireland to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. This has resulted in misstatements in the corresponding amounts for 2021-22 of:

- £16.8 million of an overstatement to the General Fund arising from notional Grant-in-Aid;
- £13.4 million of overstated Grant expenditure;

- £1.5 million of overstated charge for expected credit losses against grant clawback debtors for these schemes;
- £3.1 million of overstated income relating to grant clawback;
- £0.5 million of overstated debtors; and
- £4.5 million of understated opening General Fund reserve.

The cumulative effect of these misstatements is that for 2021-22 Net Expenditure has been overstated by £11.8 million, and Net Assets have been overstated by £0.5 million. Net Assets at 1 April 2021 have also been understated by £4.5 million.

Limitation on the scope of the audit arising from insufficient evidence to support an accounting estimate.

A provision of £2.1 million (2021-22 £1.9 million) has been made in the group financial statements for potential clawback from the EU for ineligible expenditure for Northern Ireland Co-Operation Overseas Limited (NI-CO), a subsidiary of Invest Northern Ireland. I was unable to obtain sufficient appropriate audit evidence on a key assumption used to calculate this estimate, to enable me to conclude whether the estimate is reasonable. There were no additional audit procedures that I could undertake to provide me with the required level of assurance. The scope of my audit is therefore limited in this respect.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 ‘Audit of Financial Statements and Regularity of Public Sector Bodies 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 that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council’s Ethical Standard, 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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Invest Northern Ireland’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Invest Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Invest Northern Ireland is adopted in consideration of the requirements set out in the Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate. The Accounting Officer is responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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.

Matters on which I report by exception

Except for information related to Disagreement over accounting treatment which is impacted by my qualified opinion on the financial statements, and in the light of the knowledge and understanding of Invest Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

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

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Except in respect of the matters set out in my *Basis for qualified opinion* section, 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
- I have not received all of the information or explanations I require for my audit.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error;
- ensuring the annual report, which includes the Remuneration and Staff Report is prepared in accordance with the applicable financial reporting framework; and
- assessing Invest Northern Ireland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Invest Northern Ireland will not continue to be provided in the future.

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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Invest Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Industrial Development Act (Northern Ireland) 2002, the Financial Assistance Act (Northern Ireland) 2009, health and safety legislation and relevant tax laws;
- making enquires of management and those charged with governance on Invest Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;

- completing risk assessment procedures to assess the susceptibility of Invest Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure on grant schemes and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- communicating with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, reviewing legislation, performing substantive testing on grant awards, carrying out data analytics on grant applicants, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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.

My detailed observations are included in my report attached to the financial statements at pages 145 to 152.

Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

31 October 2023

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue from contracts with customers	6	11,402	9,594
Other operating income	6	33,949	28,907
Total Operating income	6	**45,351**	**38,501**
Staff Costs	4	(38,634)	(38,730)
Purchase of goods and services	4	(32,201)	(30,591)
Depreciation and impairment charges	4	(9,218)	(3,074)
Decrease in Provisions	4	1,155	10,575
Other Operating Expenditure	4	(57,294)	(86,331)
COVID-19 Business Support Schemes	4	(50)	(28,057)
Total operating expenditure		**(136,242)**	**(176,208)**
Net operating expenditure		**(90,891)**	**(137,707)**
Finance income		2,132	1,854
Finance expense		(921)	(949)
Net expenditure for the year before taxation		**(89,680)**	**(136,802)**
Tax	7(i)	(1,196)	(148)
Net expenditure for the year after taxation		**(90,876)**	**(136,950)**

Other Comprehensive Net Expenditure

	Note	2023 £'000	2022 £'000
Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	7(iii)	1,828	2,787
Net gain on revaluation of intangible assets	10	278	124
Total Comprehensive Net Expenditure for the year ended 31 March 2023		**(88,770)**	**(134,039)**

All activities derive from continuing operations.

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

Statement of Comprehensive Net Expenditure – Invest NI
For the year ended 31 March 2023

	Note	2023	2022
		£'000	**£'000**
Revenue from contracts with customers	6	716	590
Other operating income	6	33,395	28,368
Total Operating income	6	**34,111**	**28,958**
Staff Costs	4	(37,455)	(37,496)
Purchase of goods and services	4	(21,798)	(26,739)
Depreciation and impairment charges	4	(8,495)	(2,510)
Decrease/(Increase) in Provisions	4	1,155	10,575
Other Operating Expenditure	4	(57,294)	(86,331)
COVID-19 Business Support Schemes	4	(50)	(28,057)
Total operating expenditure		**(123,937)**	**(170,558)**
Net operating expenditure		**(89,826)**	**(141,600)**
Finance income		-	-
Finance expense		-	-
Net expenditure for the year before taxation		**(89,826)**	**(141,600)**
Tax	7(i)	-	-
Net expenditure for the year after taxation		**(89,826)**	**(141,600)**

Other Comprehensive Net Expenditure

	Note	2023	2022
Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	8	1,354	2,334
Net gain on revaluation of assets	10	278	124
Total Comprehensive Net Expenditure for the year ended 31 March 2023		**(88,194)**	**(139,142)**

All activities derive from continuing operations.

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2023

	Note	2023 £'000	2022 Restated £'000	01 April 2021 Restated £'000
Non-current assets				
Property, plant and equipment	8	64,406	69,846	77,857
Investment properties	9	7,600	7,600	7,600
Intangible assets	10	17,660	23,222	23,443
Right-of-use assets	22	3,224	-	-
Investments in associates	12	69,823	65,300	53,002
Financial assets	13	45,564	35,611	45,625
Trade and other receivables	14	3,291	4,838	3,447
Total non-current assets		**211,568**	**206,417**	**210,974**
Current assets				
Trade and other receivables	14	37,554	27,398	34,652
Cash and cash equivalents	15	29,769	29,439	29,403
Assets classified as held for sale	16	5,676	-	150
Total current assets		**72,999**	**56,837**	**64,205**
Total assets		**284,567**	**263,254**	**275,179**
Current liabilities				
Trade and other payables	17	(38,380)	(54,432)	(77,532)
Lease liability	22	(685)	-	-
Borrowings	18	(353)	(348)	(635)
Current Tax		(490)	-	(228)
Provisions	19	(21,348)	(22,315)	(32,900)
Total current liabilities		**(61,256)**	**(77,095)**	**(111,295)**
Total assets less current liabilities		**223,311**	**186,159**	**163,884**
Non-current liabilities				
Borrowings	18	(14,098)	(14,452)	(14,800)
Derivative financial instruments	21	(1,190)	(3,261)	(5,055)
Deferred tax liability	7(iii)	(2,260)	(1,712)	(955)
Leases liability	22	(2,646)	-	-
Total non-current liabilities		**(20,194)**	**(19,425)**	**(20,810)**
Total assets less total liabilities		**203,117**	**166,734**	**143,074**
Taxpayers' equity and other reserves				
Revaluation reserve		24,817	23,367	23,708
General reserve		178,300	143,367	119,366
Total equity		**203,117**	**166,734**	**143,074**

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

The financial statements on pages **74 to 144** were approved by the Board on 27 October 2023 and signed on its behalf.

M. Chittock

Mel Chittock
Accounting Officer Date 27 October 2023

Statement of Financial Position – Invest NI
As at 31 March 2023

	Note	2023	2022
		£'000	**£'000**
Non-current assets			
Property, plant and equipment	8	36,565	42,066
Intangible assets	10	2,603	3,288
Right-of-use assets	22	39,181	-
Investments in subsidiaries	11	17,593	17,593
Investments in associates	12	69,823	65,300
Financial assets	13	45,564	35,610
Trade and other receivables	14	3,291	4,838
Total non-current assets		**214,620**	**168,695**
Current assets			
Trade and other receivables	14	33,761	25,559
Cash and cash equivalents	15	559	337
Assets classified as held for sale	16	5,676	-
Total current assets		**39,996**	**25,896**
Total assets		**254,616**	**194,591**
Current liabilities			
Trade and other payables	17	(31,933)	(47,166)
Provisions	19	(19,273)	(20,429)
Lease liabilities	22	(5,301)	-
Total current liabilities		**(56,507)**	**(67,595)**
Total assets less current liabilities		**198,109**	**126,996**
Non-current liabilities			
Lease liabilities	22	(34,154)	-
Total assets less total liabilities		**163,955**	**126,996**
Taxpayers' equity and other reserves			
Revaluation reserve		17,897	16,921
General reserve		146,058	110,075
Total equity		**163,955**	**126,996**

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

The financial statements on pages **74 to 144** were approved by the Board on 27 October 2023 and signed on its behalf by

Mel Chittock
Accounting Officer

Date 27 October 2023

Consolidated Statement of Cash Flows
Year ended 31 March 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net expenditure before taxation			(89,680)		(136,802)
Adjustments for non-cash transactions	20	21,664		24,856	
Finance costs		921		966	
Finance income		(2,132)		(1,854)	
Decrease in trade and other receivables		(12,601)		6,207	
(Decrease)/increase in trade and other payables		(15,329)		(23,343)	
Use of provisions		(15,067)		(22,507)	
			(22,544)		(15,675)
Net cash (outflow) from operating activities			**(112,224)**		**(152,477)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,411)		(611)	
Purchase of intangible assets		(1,093)		(1,508)	
Proceeds of disposal of property, plant and equipment		2,832		8,744	
Repayments from other bodies		4,312		18,478	
Investment in associates		(12,381)		(16,537)	
Investment in financial assets		(2,387)		3,435	
Loan interest and dividends received		299		1,579	
Interest paid		(902)		(948)	
Corporation tax paid		566		(363)	
Net cash (outflow) from investing activities			**(11,165)**		**12,269**
Cash flows from financing activities					
Grants from sponsoring department		125,273		140,662	
Consolidated fund payments to DfE		(534)		-	
Repayment of borrowings		(368)		(418)	
Payments made to lease liabilities		(652)		-	
Net financing			**123,719**		**140,244**
Net increase/(decrease) in cash and cash equivalents in the year			**330**		**36**
Cash and cash equivalents at the beginning of the year			**29,439**		**29,403**
Cash and cash equivalents at the end of the year	15		**29,769**		**29,439**

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity
Year ended 31 March 2023

	General reserve	Revaluation reserve	Taxpayers' Equity
			Restated
	£'000	£'000	£'000
Balance at 31 March 2021	**119,366**	**23,708**	**143,074**
Changes in Taxpayers' Equity for 2021-22			
Other reserves movements including transfers	3,252	(3,252)	-
Comprehensive Net Expenditure for the Year	(136,950)	2,911	(134,039)
Grants from sponsoring department:			
Cash	140,662	-	140,662
Notional	16,784	-	16,784
Reversal of notional costs	253	-	253
Balance at 31 March 2022	**143,367**	**23,367**	**166,734**
Changes in Taxpayers' Equity for 2022-23			
Other reserves movements including transfers	656	(656)	-
Comprehensive Net Expenditure for the Year	(90,876)	2,106	(88,770)
Grants from sponsoring department:			
Cash	125,273	-	125,273
Notional	(493)	-	(493)
Reversal of notional costs	373	-	373
Balance at 31 March 2023	**178,300**	**24,817**	**203,117**

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

Statement of Changes in Taxpayers' Equity – Invest NI
Year ended 31 March 2023

	General reserve	Revaluation reserve	Taxpayers' Equity
			Restated
	£'000	£'000	£'000
Balance at 31 March 2021	**90,724**	**17,715**	**108,439**
Changes in Taxpayers' Equity for 2021-22			
Other reserves movements including transfers	3,252	(3,252)	-
Comprehensive Net Expenditure for the Year	(141,600)	2,458	(139,142)
Grants from sponsoring department:			
Cash	140,662	-	140,662
Notional	16,784	-	16,784
Reversal of notional costs	253	-	253
Balance at 31 March 2022	**110,075**	**16,921**	**126,996**
Changes in Taxpayers' Equity for 2022-23			
Other reserves movements including transfers	656	(656)	-
Comprehensive Net Expenditure for the Year	(89,826)	1,632	(88,194)
Grants from sponsoring department:			
Cash	125,273	-	125,273
Notional	(493)	-	(493)
Reversal of notional costs	373	-	373
Balance at 31 March 2023	**146,058**	**17,897**	**163,955**

Notes **1 to 27** on pages 81 to 144 form part of these accounts.

Notes to the Accounts
Year ended 31 March 2023

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 2022-23 *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.

In the current year, the group has applied the following new standards:

- The implementation of IFRS 16 Leases (IFRS deadline effective 1 January 2019)

Impact of IFRS 16
IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 has been implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022.

The adoption of IFRS 16 will have a material impact on the group's financial statements in the period

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

of initial application, as in scope operating leases, previously recognised as in year expenditure will be brought on to the Statement of Financial Position as a right-of-use asset with a corresponding lease liability.

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 NI shall recognise the cumulative effect of initially applying the Standard at the date of initial application (1 April 2022) 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. The FReM removes the option to apply the election in IFRS 16 (5(a)) and the group have applied the recognition and measurement exemption for short-term leases in accordance with IFRS 16 (6-8).

As the group cannot readily determine the interest rate implicit in the lease, the HM Treasury discount rates promulgated in the PES papers have been used as the incremental borrowing rate.

Incremental borrowing rate used at date of application 0.95%

The option for lessees to combine lease and service components and account for them as a single lease component has been selected in relation to the PFI contract.

The reconciliation of the group operating lease commitments as disclosed, applying IAS 17, at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application and lease liabilities recognised in the statement of financial position at the date of initial application is shown below:

	2022 **£'000**
Operating lease commitments as previously disclosed	3,653
Adjusted for:	
Short leases not capitalised on transition	(50)
Lease reclassified as service contracts	(96)
Adjustments for lease payments reassessed at transition	(403)
Adjusted lease commitment	3,104
Discounted commitments using the rate at date of initial application	**2,996**
Lease liabilities recognised at the date of initial application	**2,996**

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

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).

- Amendments to IFRS 17 (IFRS 17)
- IFRS 17 Insurance Contracts – Initial application of IFRS 17
- Amendments to IAS 1, Classification of liabilities as current or non-current (January 2020)
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current — Deferral of Effective Date (July 2020)
- Amendments to IFRS 4, Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies (February 2021)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021)
- Amendments to IAS 8, Definition of accounting estimates (February 2021)
- Amendment to IFRS 16, Clarification on how a seller-lessee subsequently measures sale and leaseback transactions (September 2022)
- Amendments to IAS 1, Classification of debt with covenants (October 2022)

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.

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.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 2023

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.

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.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

(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.

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 financial year end. The resulting gain or loss is recognised in Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

(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).

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

recognised in the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

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.

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

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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
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 treated as an operating lease if it meets the recognition criteria under IFRS 16.

Right-of-use assets
Invest NI recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The cost model in IAS 16 is used as a proxy for current value in existing use or fair value for all buildings and PFI right-of-use assets as the lease terms they are based on have a shorter useful life than the respective underlying assets and will not lead to a material difference.

Lease liabilities
At the commencement date of the lease, Invest NI recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, Invest NI uses the HM Treasury discount rates promulgated in PES papers, as the incremental borrowing rate, at the lease commencement date, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In additions, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting for a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
Invest NI applies the short-term lease recognition exemption to its short-term leases of buildings (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognised as an expense in the Statement of Comprehensive Net Expenditure.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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.

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.

Included in group other provisions is an amount in respect of a subsidiary and potential clawback of EU funds in relation to ongoing projects, which is a critical accounting estimate. The valuation has been calculated using the prior experience in relation to amounts that have previously been deemed ineligible.

Notes to the Accounts
Year ended 31 March 2023

1. ACCOUNTING POLICIES (CONTINUED)

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.

The valuation of investment property is a critical accounting estimate. A valuation has been performed at the reporting date by LPS. Key assumptions considered are rentals received per sq. ft., market rates and market yields in forming the valuations. The valuation provided is reviewed by management. This has resulted in the investment property being held at fair value in the consolidated 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 10.

Going concern
All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2023-24 has been approved at an opening value of £114.8m, of which £82.6m relates to Resource funding and £32.2m to Capital funding, for the continuation of Invest NI services. Planned activities for 2023-24 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. In this context, the accounts have been prepared on a going concern basis.

Notes to the Accounts
Year ended 31 March 2023

2. PRIOR PERIOD ADJUSTMENTS

NI-CO, a group subsidiary, recognise income from the EU based on expenditure incurred on agreed projects. As some of this expenditure may later be deemed ineligible by the EU, NI-CO includes in its financial statements a liability to recognise the potential costs arising from this disallowed expenditure.

This liability has previously been included as an accrual but on review in 2023-23, Invest NI have reclassified this liability as a provision as it is both uncertain in timing and value with an amount of £2.08m provided in 2022-23. This reclassification also applies to the 2021-22 and 2020-21 liability of £1.89m and £1.90m respectively which has been reclassified from an accrual to a liability and adjusted for in the accounts as prior period adjustments. The adjustment affects consolidated figures only and the impact of this is detailed below.

Impact on Statement of Financial Position

	Group 2022 £'000
Trade payables and accruals (note 17)	
As previously reported	(18,903)
Reclassed to provisions	1,886
Restated balance	**(17,017)**
Provisions (note 19)	
As previously reported	(20,429)
Reclassed from accruals	(1,886)
Restated balance	**(22,315)**

Impact on Statement of Financial Position

	Group 31 March 2021	**Group 1 April 2021 restated**
Trade payables	**(79,429)**	
Reclassed to provisions	1,897	
Restated opening balance		**(77,532)**
Provisions	**(31,003)**	
Reclassed from accruals	(1,897)	
Restated opening balance		**(32,900)**

Notes to the Accounts
Year ended 31 March 2023

3. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT

In line with IFRS 8 Operating Segments, Invest NI identified a number of operating segments (as outlined below) which were operational during the accounting period:

- Business Growth
- Finance
- People & Culture
- Transformation
- International & Skills
- Marketing & Communications
- Strategy & Partnerships
- Board and CEO

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 People & Culture segment.

Services provided by each segment

- The Business Growth Group seeks to grow the economy of Northern Ireland through the account management of Invest NI clients and for sectoral development within the business sector teams. The business sector teams include: Advanced Manufacturing & Engineering, Life & Health Sciences, Green Economy Development, Technology & Services, Food & Drink and Tourism Accommodation. Entrepreneurship and Scaling are also included within the work of this group.

- The Business Growth Group also has responsibility for the promotion of and investment in Innovation and Research & Development (IRD) within businesses in Northern Ireland. The IRD Division provides a wide range of advisory and financial support and works with the Sector, Regional and International teams to ensure they get the innovation support they need to start, grow and export.

- The Finance Group provides a range of corporate functions to the wider organisation including financial management, corporate risk management, legal advice, business appraisal, offers and claims management and general governance advice. The Finance Group also provides support to business through our Property Solutions and Corporate Finance teams helping businesses to start, grow and export.

- The People & Culture Group promotes strong people development and culture, provides a range of core HR services, manages our workplace services and oversees management of the BSDL Group.

- The Transformation Group oversees performance, compliance and co-ordination as well as internal operations, the group also aids businesses with digital transformations and supports new and existing businesses, through the Regional Office Network. The primary objectives of the Regional Office Network 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 2023

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

- The International & Skills Group develops relationships to secure new business for Northern Ireland, either through increased exports, new Foreign Direct Investment, supporting the internationalisation of the Northern Ireland economy. In support of increased productivity, the Group also works collectively with industry, government, and the academia to capture future skills needs and identify how the supply side can best meet these. This includes the provision of bespoke financial and non-financial support across priority areas such as leadership; operational excellence; digital transformation; supply chain development, upskilling; collaboration and labour availability.

- The Marketing & Communications Group is responsible for developing and implementing an integrated marketing and communications strategy for the organisation in both foreign and domestic markets.

- The Strategy & Partnerships Group leads the development of Invest NI's business strategy in response to the NI Executive's economic agenda, DfE's policy objectives and the wider economic environment. It also leads on the design and development of advice, guidance and support for businesses in relation to EU Exit and other emerging economic priorities such as COVID-19. Strategy Group plays a lead role in supporting City & Growth deal partners to develop and secure approval for strong, industry led, commercially focused projects that will boost economic recovery and future growth.

- The Board and CEO are responsible for Invest NI's performance and strategic direction.

Included within the consolidated results of the Invest NI Group is income of £10.2m and expenditure of £10.2m in relation to NI-CO a 100% owned subsidiary. On 26 June 2023, following a strategic review, the NI-CO Board concluded that it could no longer be considered a going concern. The transactions over the coming financial year are therefore expected to reduce in line with the winding down and planned closure of NI-CO.

Notes to the Accounts
Year ended 31 March 2023

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

2023	**Gross expenditure**	**Income**	**Total net expenditure per CSoCNE**
	£'000	**£'000**	**£'000**
Business Growth	58,287	397	57,890
Finance	16,822	33,716	(16,894)
Transformation	14,292	9	14,283
People and Culture	3,293	-	3,293
International and Skills	25,119	527	24,592
Marketing and Communications	5,327	-	5,327
Strategy and Partnerships	2,356	-	2,356
Board and CEO	513	-	513
NI-CO	10,183	10,209	(26)
COVID-19 Business Support Schemes operated and administered by Invest NI	20	-	20
COVID-19 Business Support Schemes operated and administered by DfE/LPS	30	493	(463)
Total	**136,242**	**45,351**	**90,891**
Reconciliation to CSoCNE			
Net finance income			(1,211)
Tax on ordinary activities			1,196
Net expenditure for the financial year			**90,876**

2022	**Gross expenditure**	**Income**	**Total net expenditure per CSoCNE**
	£'000	**£'000**	**£'000**
Business Solutions	58,858	1,973	56,885
Business and Sector Development	33,352	488	32,864
Finance and Operations	5,806	23,947	(18,141)
Regional Business	14,892	-	14,892
Human Resources	2,780	9	2,771
International Business	15,231	252	14,979
Communications	5,867	11	5,856
Strategy	1,949	-	1,949
Board and CEO	655	-	655
NI-CO	8,761	8,715	46
COVID-19 Business Support Schemes operated and administered by Invest NI	14,701	16	14,685
COVID-19 Business Support Schemes operated and administered by DfE/LPS (restated)	13,356	3,090	10,266
Total	176,208	38,501	137,707
Reconciliation to CSoCNE			
Net finance costs			(905)
Tax on ordinary activities			148
Net expenditure for the financial year			**136,950**

Notes to the Accounts
Year ended 31 March 2023

4. EXPENDITURE

	Group		Invest NI	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Staff costs				
Wages and salaries	29,289	29,000	28,545	28,203
Social security costs	2,647	2,705	2,564	2,623
Other pension costs	7,003	7,240	6,771	7,009
Recoveries in respect of outward secondments and others	(305)	(215)	(425)	(339)
	38,634	**38,730**	**37,455**	**37,496**
Purchase of goods and services				
Programme support	17,635	17,020	17,635	17,020
Rentals under operating leases	398	1,057	785	1,057
PFI (and other service concession arrangements) service charges	-	-	377	5,281
Other administration expenses	2,182	3,123	2,628	3,128
Cost of servicing contracts	11,559	9,095	-	-
Auditor's remuneration – notional	136	115	136	115
Other notional costs	237	138	237	138
Fees payable to auditors for:				
Audit services	32	25	-	-
Non-audit services	22	18	-	-
	32,201	**30,591**	**21,798**	**26,739**
Depreciation and impairment charges				
Depreciation (note 8 & 22)	1,733	1,194	5,887	630
Amortisation (note 10)	2,056	1,854	2,056	1,854
Asset impairment (note 8 & 10)	5,429	26	552	26
	9,218	**3,074**	**8,495**	**2,510**
Decrease in provisions	**(1,155)**	**(10,575)**	**(1,155)**	**(10,575)**
Other operating expenditure				
Grants	57,261	92,251	57,261	92,251
Programme support activities	331	71	331	71
Property acquisition and development	811	999	811	999
Loss/(Profit) on disposal of Property, Plant and Equipment	(76)	634	(76)	634
(Profit)/Loss on disposal of Financial assets	(516)	(1,409)	(516)	(1,409)
Financial instruments gains or losses (note 5)	(4,883)	4,233	(4,883)	4,233
Share of results of associates (note 12)	4,366	(10,448)	4,366	(10,448)
	57,294	**86,331**	**57,294**	**86,331**

Notes to the Accounts
Year ended 31 March 2023

4. EXPENDITURE (CONTINUED)

	Group		Invest NI	
	2023	2022 £'000	2023	2022 £'000
	£'000		£'000	
COVID-19 Business Support Schemes				
Small Business Grant Scheme *	30	(111)	30	(111)
Tourism and Retail Sectors Grant *	-	25	-	25
Large Tourism and Hospitality Business Support Scheme *	-	13,504	-	13,504
Wet Pubs Scheme *	-	(63)	-	(63)
NI Micro-Business Hardship Fund **		-		-
COVID-19 Restrictions Business Support Scheme Part A **	9	10,742	9	10,742
COVID-19 Restrictions Business Support Scheme Part B **	15	3,956	15	3,956
Limited Company Directors Support Scheme **	(4)	4	(4)	4
Newly Self Employed Support Scheme **	-	-	-	-
	50	**28,057**	**50**	**28,057**

* Scheme operated and administered by LPS/DfE
** Scheme operated and administered by Invest NI

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

Further information is available on page 42 in relation to the inherent risk of fraud and error within COVID-19 schemes, including the estimate provided by DfE in relation to fraud and error across all of the COVID-19 schemes of 2.08%. Invest NI acknowledges the difficulties in arriving at this estimate and notes the view of the C&AG on the methodology that means the actual rate of fraud and error may differ from the estimate.

Grant payments of £nil (2022: £nil) were made by Invest NI to Deloitte (auditors of BSDL Group).

Notes to the Accounts
Year ended 31 March 2023

4. EXPENDITURE (CONTINUED)

Total operating expenditure	**Group**		**Invest NI**	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Staff costs	38,634	38,730	37,455	37,496
COVID-19 Business Support Schemes	50	28,057	50	28,057
Other COVID-19 Response grants	667	16,430	667	16,430
Revenue grants	16,717	29,676	16,717	29,676
Innovation, research and development	23,109	34,595	23,109	34,595
Capital grants	13,413	7,307	13,413	7,307
Skills grants and competitiveness programmes	5,206	6,819	5,206	6,819
International Business support	4,863	2,883	4,863	2,883
Promotion and marketing	5,811	6,228	5,811	6,228
Programme support activities	2,464	2,986	2,464	2,986
Property acquisition and development	3,787	3,416	3,787	3,416
Rentals under operating leases	399	1,057	785	1,057
PFI (and other service concession arrangements) service charges	-	-	378	5,281
Other administration expenses	2,182	3,124	2,629	3,129
Cost of servicing contracts	11,559	9,095	-	-
Fees payable to auditors for:				
Audit services	32	25	-	-
Non-audit services	22	18	-	-
Depreciation and impairment charges	9,218	3,074	8,494	2,510
Auditor's remuneration – notional	136	115	136	115
Other notional costs	237	138	237	138
Loss/(Profit) on disposal of Property, Plant and Equipment	(76)	634	(76)	634
(Profit)/Loss on disposal of Financial assets	(516)	(1,409)	(516)	(1,409)
Financial instruments gains or losses (note 5)	(4,883)	4,233	(4,883)	4,233
Share of results of associates (note 12)	4,366	(10,448)	4,366	(10,448)
Decrease in provisions	(1,155)	(10,575)	(1,155)	(10,575)
Total operating expenditure	**136,242**	**176,208**	**123,937**	**170,558**

5. FINANCIAL INSTRUMENTS GAINS OR LOSSES

	Group and Invest NI	
	2023	**2022**
	£'000	**£'000**
Fair value adjustment on shares and convertible loan notes (note 13)	(6,433)	2,845
ECL allowance on fixed rate loans (note 13)	(930)	(133)
ECL allowance on trade receivables (note 21)	2,454	1,638
Fair value adjustment on re-measurement of financial assets held at amortised cost (note 13)	26	(117)
	(4,883)	**4,233**

Notes to the Accounts
Year ended 31 March 2023

6. INCOME

	Group		Invest NI	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Revenue from contracts with customers				
Recoupment of programme expenditure and related costs from client companies and third parties	716	590	716	590
Other	477	289	-	-
NI-CO turnover	10,209	8,715	-	-
	11,402	**9,594**	**716**	**590**
Other operating income				
Other	8	31	8	31
Property rent	915	1,717	361	1,178
Interest income on financial assets at amortised cost	158	320	-	320
Interest income on convertible loan notes	69	437	227	437
Share dividend income	-	56	-	56
Grant clawback	857	3,451	857	3,451
Core programme receipts from EU	31,942	22,895	31,942	22,895
Consolidated Fund income *	500	1,423	500	1,423
Amount payable to the Consolidated Fund*	(500)	(1,423)	(500)	(1,423)
	33,949	**28,907**	**33,395**	**28,368**
Total income	**45,351**	**38,501**	**34,111**	**28,958**

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

The core programme receipts from EU relate to funding under the European Union Investment for Growth and Jobs Programme (IGJ) 2014-2020. Income accrued but not yet received from the EU is included in Trade and Other Receivables (note 14).

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.

Notes to the Accounts
Year ended 31 March 2023

7. TAXATION

(i) Tax charge in the year	Group		Invest NI	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Analysis of charge in year				
Current tax:				
UK corporation tax on taxable income for the current year	-	-	-	-
Adjustments to tax charge in respect of previous periods	63	(588)	-	-
Current tax on loss/profit for the year	587	-	-	-
Total current tax	**650**	**(588)**	**-**	**-**
Deferred tax:				
Origination and reversal of temporary differences	503	483	-	-
Impact of rate changes	43	253	-	-
Total deferred tax	**546**	**736**	**-**	**-**
Total tax charge	**1,196**	**148**	**-**	**-**

(ii) Factors affecting tax charge

	Group	
	2023	2022
	£'000	£'000
Net expenditure before taxation	(89,680)	(136,803)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2022: 19%)	(17,039)	(25,984)
Tax effects of:		
Add: expenditure not deductible for tax purposes	24,445	32,406
Less: income not subject to tax	(6,481)	(5,502)
Tax relief applied	-	(638)
Tax losses brought forward	(5)	-
Origination and reversal of temporary differences	503	483
Capital allowances	61	59
Impact of rate changes	43	253
Adjustments in respect of previous periods	63	(588)
Exempt amounts	(394)	(341)
Total tax charge	**1,196**	**148**

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.

Notes to the Accounts
Year ended 31 March 2023

7. TAXATION (CONTINUED)

(iii) Deferred tax

Invest NI
Invest NI has not recognised deferred tax assets of £325,000 (2022: £901,500) in relation to brought forward tax losses at 1 April 2023 of £1,300,000 (1 April 2022: £3,606,000), 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 2022 – asset/(liability)	815	(137)	(1,587)	(803)	(1,712)
Credited/(charged) to CSoCNE	(518)	-	(30)	-	(548)
At 31 March 2023	**297**	**(137)**	**(1,617)**	**(803)**	**(2,260)**

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

	Group 2023 £'000	Group 2022 £'000
Fair value gains on Property, plant and equipment		
Before tax (note 8)	1,828	2,804
Tax credit/(charge)	-	(17)
After tax	**1,828**	**2,787**

Notes to the Accounts
Year ended 31 March 2023

8. PROPERTY, PLANT AND EQUIPMENT

		Group			
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2022	42,452	28,711	3,327	2,338	76,828
Additions	862	-	1,026	523	2,411
Disposals	(2,368)		(121)	(15)	(2,504)
Revaluation gain/loss	1,002	93	325	184	1,604
Transfer from/(to) Assets held for sale (note 16)	(4,576)	(1,100)	-	-	(5,676)
Impairment (note 4)	(552)	-	-	-	(552)
At 31 March 2023	**36,820**	**27,704**	**4,557**	**3,030**	**72,111**
Depreciation:					
At 1 April 2022	-	3,311	2,906	765	6,982
Charge for year (note 4)	-	606	278	199	1,083
Revaluation (loss)/gain	-	(488)	218	46	(224)
Disposals		0	(121)	(15)	(136)
At 31 March 2023	**-**	**3,429**	**3,281**	**995**	**7,705**
Net Book Value:					
1 April 2022	42,452	25,400	421	1,573	69,846
31 March 2023	**36,820**	**24,275**	**1,276**	**2,035**	**64,406**

Notes to the Accounts
Year ended 31 March 2023

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2022	36,851	6,615	3,124	1,369	47,959
Additions	862	-	1,024	352	2,238
Disposals	(2,368)	-	(121)	(15)	(2,504)
Transfer to assets held for sale	(4,576)	(1,100)	-	-	(5,676)
Revaluation gain	1,002	107	325	184	1,618
Impairment (note 4)	(552)	-	-	-	(552)
At 31 March 2023	**31,219**	**5,622**	**4,352**	**1,890**	**43,083**
Depreciation:					
At 1 April 2022	-	2,715	2,727	451	5,893
Charge for year (note 4)	-	132	268	97	497
Disposals	-	-	(121)	(15)	(136)
Revaluation gain	-	-	218	46	264
At 31 March 2023	**-**	**2,847**	**3,092**	**579**	**6,518**
Net Book Value:					
1 April 2022	36,851	3,900	397	918	42,066
31 March 2023	**31,219**	**2,775**	**1,260**	**1,311**	**36,565**

Notes to the Accounts
Year ended 31 March 2023

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Land £'000	Buildings £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2021	45,916	36,271	3,151	2,061	87,399
Additions	286	-	142	183	611
Disposals	(5,777)	(7,922)	(23)	-	(13,722)
Revaluation gain	2,053	212	57	94	2,416
Transfer from/(to) Assets held for sale (note 16)	-	150	-	-	150
Impairment (note 4)	(26)	-	-	-	(26)
At 31 March 2022	**42,452**	**28,711**	**3,327**	**2,338**	**76,828**
Depreciation:					
At 1 April 2021	-	6,513	2,457	572	9,542
Charge for year (note 4)	-	596	428	170	1,194
Revaluation (loss)/gain	-	(454)	44	23	(387)
Disposals	-	(3,344)	(23)	-	(3,367)
At 31 March 2022	**-**	**3,311**	**2,906**	**765**	**6,982**
Net Book Value:					
1 April 2021	45,916	29,758	694	1,489	77,857
31 March 2022	**42,452**	**25,400**	**421**	**1,573**	**69,846**

Notes to the Accounts
Year ended 31 March 2023

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2021	40,316	14,189	2,944	1,263	58,712
Additions	286	-	142	12	440
Disposals	(5,777)	(7,922)	(19)	-	(13,718)
Revaluation gain/(loss)	2,052	198	57	94	2,401
Transfer (to)/from Assets held for sale (note 16)	-	150	-	-	150
Impairment (note 4)	(26)	-	-	-	(26)
At 31 March 2022	**36,851**	**6,615**	**3,124**	**1,369**	**47,959**
Depreciation:					
At 1 April 2021	-	5,931	2,287	341	8,559
Transfer to Intangible assets (note 10)	-	-	-	-	-
Charge for year (note 4)	-	128	415	87	630
Disposals	-	(3,344)	(19)	-	(3,363)
Revaluation	-	-	44	23	67
At 31 March 2022	**-**	**2,715**	**2,727**	**451**	**5893**
Net Book Value:					
1 April 2021	40,316	8,258	657	922	50,153
31 March 2022	**36,851**	**3,900**	**397**	**918**	**42,066**

Notes to the Accounts
Year ended 31 March 2023

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IAS 16 requires measurement at fair value. Land and property was re-valued by LPS on 31 March 2023, 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.

Details of the group's land and buildings and information about the fair value hierarchy (as described in note 1) as at 31 March 2023 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2023
	£'000	£'000	£'000	£'000
Land	-	39,591	-	39,591
Buildings	-	24,275	-	24,275

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.

9. INVESTMENT PROPERTIES

	Group £'000
At 1 April 2021	**7,600**
Gain arising on fair value adjustment	-
At 1 April 2022	**7,600**
Gain arising on fair value adjustment	-
At 31 March 2023	**7,600**

The investment property was revalued at 31 March 2023 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 2023 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2023
	£'000	£'000	£'000	£'000
Investment property	-	7,600	-	7,600

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

Notes to the Accounts
Year ended 31 March 2023

10. INTANGIBLE ASSETS

	Group			
	Goodwill	Software licences	Software development	Total
	£'000	£'000	£'000	£'000
Cost/Valuation:				
At 1 April 2022	20,031	3,091	4,709	27,831
Additions	-	767	326	1,093
Disposals	-	(1,009)	(472)	(1,481)
Revaluations	-	301	392	693
At 31 March 2023	**20,031**	**3,150**	**4,955**	**28,136**
Amortisation/Impairment:				
At 1 April 2022	97	1,876	2,636	4,609
Charge for year (note 4)	4,877	1,055	1,001	6,933
Disposals	-	(1,009)	(472)	(1,481)
Revaluations	-	184	231	415
At 31 March 2023	**4,974**	**2,106**	**3,396**	**10,476**
Net book value:				
1 April 2022	19,934	1,215	2,073	23,222
31 March 2023	**15,057**	**1,044**	**1,559**	**17,660**

Notes to the Accounts
Year ended 31 March 2023

10. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2022	3,091	4,709	7,800
Additions	767	326	1,093
Disposals	(1,009)	(472)	(1,481)
Revaluations	301	392	693
At 31 March 2023	**3,150**	**4,955**	**8,105**
Amortisation:			
At 1 April 2022	1,876	2,636	4,512
Charge for year (note 4)	1,055	1,001	2,056
Disposals	(1,009)	(472)	(1,481)
Revaluations	184	231	415
At 31 March 2023	**2,106**	**3,396**	**5,502**
Net book value:			
1 April 2022	1,215	2,073	3,288
31 March 2023	**1,044**	**1,559**	**2,603**

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2023 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2023 £'000
Goodwill	-	-	15,057	15,057
Software licences	-	1,044	-	1,044
Software development	-	1,559	-	1,559

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

Notes to the Accounts
Year ended 31 March 2023

10. INTANGIBLE ASSETS (CONTINUED)

			Group	
	Goodwill	**Software licences**	**Software development**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost/Valuation:				
At 1 April 2021	20,031	2,926	3,829	26,786
Additions	-	627	881	1,508
Disposals	-	(537)	(101)	(638)
Revaluation gain	-	75	100	175
At 31 March 2022	**20,031**	**3,091**	**4,709**	**27,831**
Amortisation/Impairment:				
At 1 April 2021	97	1,223	2,023	3,343
Charge for year (note 4)	-	1,160	694	1,854
Disposals	-	(537)	(102)	(639)
Revaluation loss		30	21	51
Indexation	-	-	-	-
At 31 March 2022	**97**	**1,876**	**2,636**	**4,609**
Net book value:				
1 April 2021	19,934	1,703	1,806	23,443
31 March 2022	**19,934**	**1,215**	**2,073**	**23,222**

Notes to the Accounts
Year ended 31 March 2023

10. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2021	2,926	3,829	6,755
Additions	627	881	1,508
Disposals	(537)	(101)	(638)
Revaluation gain	75	100	175
At 31 March 2022	**3,091**	**4,709**	**7,800**
Amortisation:			
At 1 April 2021	1,223	2,022	3,245
Charge for year (note 4)	1,160	694	1,854
Disposals	(537)	(101)	(638)
Revaluation loss	30	21	51
Indexation	-	-	-
At 31 March 2022	**1,876**	**2,636**	**4,512**
Net book value:			
1 April 2021	1,703	1,807	3,510
31 March 2022	**1,215**	**2,073**	**3,288**

Impairment tests for goodwill

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

	2023 £'000	2022 £'000
Bedford Street Developments Limited	2,639	4,325
MRDE Limited	12,418	15,609
Total	**15,057**	**19,934**

Notes to the Accounts
Year ended 31 March 2023

10. 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	2023	2022
Gross margin	MRDE	63%	63%
Future rentals (per sq. ft.)	BSDL & MRDE	£24	£22
Discount rate	BSDL & MRDE	7.25%	4.30%

Future rentals are based on information supplied at 31 March 2023.

Interest rates have moved considerably over the 2022-23 year, with the Bank of England base rate increasing to 4.25% by 31 March 2023 (2022: 0.75%), pushing up commercial borrowing rates and the discount rate applied to measuring value in use of the CGU. This has resulted in an in year impairment of goodwill in the group of £4,877,000.

Notes to the Accounts
Year ended 31 March 2023

11. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2023 £'000	2022 £'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	Management of international development projects on behalf of Government Departments and other Public Bodies	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.

On 26 June 2023, following a strategic review, the NI-CO Board concluded that it could no longer be considered a going concern. The company will be wound down over the coming months.

Notes to the Accounts
Year ended 31 March 2023

12. INVESTMENTS IN ASSOCIATES

(i) Share of results in associates:

	Group and Invest NI	
	2023	**2022**
	£'000	**£'000**
Share of net assets of associates:		
At 1 April	65,300	53,002
At 31 March	69,823	65,300
(Decrease)/Increase	4,523	12,298
Distributions from associates (note 26)	3,492	14,687
Less additional capital paid in during year (note 26)	(12,381)	(16,537)
Share of results recorded in Net Expenditure (note 4)	**(4,366)**	**10,448**

(ii) Summarised financial information on a combined basis:

	Group and Invest NI	
	2023	**2022**
	£'000	**£'000**
Non-Current Assets	101,858	94,655
Current Assets	14,622	18,975
Current Liabilities	(484)	(1,161)
Non-Current Liabilities		-
Net Assets	**115,996**	**112,469**
Revenue	5,392	5,214
(Loss)/Profit	(534)	4,446
Other comprehensive income	-	-
Total comprehensive (expenditure)/income	(534)	4,446
Distributions from associates	3,492	14,687

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

Notes to the Accounts
Year ended 31 March 2023

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Net investment in associates:

	Group and Invest NI	
	2023	**2022**
	£'000	**£'000**
NITECH Growth Fund Limited Partnership (NITECH)	138	215
NI Growth Loan Fund	1,640	4,709
NI Small Business Loan Fund	87	245
Kernel Capital Growth Fund (NI)	6,765	7,746
Techstart NI SME Equity Limited Partnership (Techstart)	12,477	14,365
QUB Equity Limited Partnership	489	536
Ulster Equity Limited Partnership	911	665
NI Growth Loan Fund II	21,011	17,940
NI Small Business Loan Fund II	2,674	2,907
Growth Finance Fund	6,287	5,005
Techstart Ventures II LP	17,344	10,967
Net investment in associates	**69,823**	**65,300**

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.

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 was extended until April 2022 to allow for divestment of the remaining portfolio. Invest NI has received its £7.5m capital commitments and does not expect any further distributions.

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. The fund life has been extended by 2 years to facilitate maximisation of collections from borrowers and will now conclude in May 2024.

Notes to the Accounts
Year ended 31 March 2023

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 provided unsecured loans, between £1,000 and £50,000, 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 originally had a term of ten years ending in February 2023, however the term was extended by a year to February 2024, to provide additional time to collect outstanding loans.

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 NI. 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 and operates in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP and operating in the UK. 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.

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 operates 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 and operates 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 Ulster University including from the

Notes to the Accounts
Year ended 31 March 2023

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 in 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 typically provides unsecured loans between £10,000 and £100,000 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. The partners have consented to extending the fund by £7.5m and 1 further year of investment. This is therefore now a £37.5m Fund lasting 11 years managed by WhiteRock Capital Partners LLP and operating in the UK. Loans are typically between £500,000 and £2,000,000 and provided to export focused NI SMEs demonstrating strong growth or growth potential.

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 and operates in the UK. 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.

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

Notes to the Accounts
Year ended 31 March 2023

13. FINANCIAL ASSETS

The group holds the following financial assets:

	Group and Invest NI	
	2023	**2022**
	£'000	**£'000**
Financial assets at amortised cost		
Fixed rate loans	3,008	4,167
Financial assets at fair value through profit or loss (FVPL)		
Investments in ordinary shares	39,307	27,916
Investments in preference shares	365	377
Convertible loan notes	2,884	3,151
	45,564	**35,611**

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 2022	27,916	377	3,151	31,444
Additions	4,462	-	564	5,026
Conversions	863	-	(863)	-
Repayments and disposals	(289)	(15)	-	(304)
Dividend income	-	(43)	-	(43)
Fair value adjustment (note 5)	6,355	46	32	6,433
Fair value at 31 March 2023	**39,307**	**365**	**2,884**	**42,556**

Notes to the Accounts
Year ended 31 March 2023

13. FINANCIAL ASSETS (CONTINUED)

Financial assets at amortised cost

	Group and Invest NI Fixed rate loans £'000	Variable rate loans £'000	Total £'000
Gross amount			
At 1 April 2022	6,549	111	6,660
Additions	198	-	198
Repayments	(2,203)	-	(2,203)
Interest received	(195)	-	(195)
Interest income on financial assets at amortised cost	158	-	158
Accrued interest	(21)	-	(21)
Fair value adjustment on re-measurement (note 5)	(26)	-	(26)
Amount written off	(311)	-	(311)
At 31 March 2023	**4,149**	**111**	**4,260**
Loss allowance			
At 1 April 2022	2,382	111	2,493
ECL allowance (note 5)	(930)	-	(930)
Amount written off	(311)	-	(311)
At 31 March 2023 (note 21)	**1,141**	**111**	**1,252**
Net balance			
1 April 2022	4,167	-	4,167
31 March 2023	**3,008**	**-**	**3,008**

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 2023 £'000	2022 £'000
Gross carrying amount		
Fixed rate loans	4,149	6,549
Variable rate loans	111	111
	4,260	6,660
Loss allowance (note 21)	(1,252)	(2,493)
	3,008	**4,167**

Notes to the Accounts
Year ended 31 March 2023

13. FINANCIAL ASSETS (CONTINUED)

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 2023 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2023
	£'000	£'000	£'000	£'000
Fixed rate loans	-	-	3,008	3,008
Variable rate loans	-	-	-	-
Investments in ordinary shares	1,104	37,605	597	39,306
Investments in preference shares	-	-	365	365
Convertible loan notes	-	2,884	-	2,884
	1,104	**40,489**	**3,970**	**45,564**

There were no transfers between levels during the year.

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.

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

Notes to the Accounts
Year ended 31 March 2023

13. FINANCIAL ASSETS (CONTINUED)

private investors. The deals ranged from £150,000 to £1m and Invest NI provided £16.8m 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*) commenced as 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. In December 2020 the fund size was increased to £70m, with British Business Investments (BBI) now also participating alongside Invest NI and the private investors. The overall fund ratio of private to public funding will be at a minimum 60:40, with no more than a 50:50 split in any one round. The deals typically range from £150,000 to £1.75m and to date to 31 March 2023 Invest NI has provided £18.9m.

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

COVID-19 Equity Investment Fund
The COVID-19 Equity Investment Fund (CEIF) was launched in September 2020 with the aim of helping high growth potential SMEs access financing to progress their business plans and prepare for recovery and growth. Together with other investors, the CEIF provided matched equity investment or convertible loan notes of up to a maximum of £700,000 for technology and innovative businesses. The scheme was typically focussed on the sectors of advanced manufacturing, materials and engineering, digital and creative technologies, life and health sciences, cyber security, precision medicine, big data, internet of things and analytics.

Through CEIF Invest NI provided funding of £2.4m on the same terms as private investors. There have been two conversions of loan notes to equity in the reporting period. At the reporting date £0.9m of investments by way of convertible loan notes remain included under the investments in convertible loan notes, as well as £1.2m of equity investments.

Notes to the Accounts
Year ended 31 March 2023

14. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	18,962	17,000	15,202	16,129
Loss allowance (note 21)	(12,359)	(10,753)	(12,359)	(10,753)
	6,603	6,247	2,843	5,376
Other receivables	6,328	4,392	6,259	4,112
EU receivables	22,958	14,735	22,958	14,735
Amounts due from subsidiaries	-	-	121	123
Prepayments	1,277	811	1,232	781
Accrued income				
Loan interest	290	413	290	413
Other	98	800	58	19
	37,554	**27,398**	**33,761**	**25,559**
Amounts falling due after more than one year:				
Other receivables	904	2,451	904	2,451
EU receivables	2,387	2,387	2,387	2,387
	3,291	**4,838**	**3,291**	**4,838**

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 21.

Notes to the Accounts
Year ended 31 March 2023

15. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Balance at 1 April	29,439	29,403	102	2,332
Net change in cash and cash equivalent balances	330	36	457	(2,230)
Balance at 31 March	**29,769**	**29,439**	**559**	**102**
The following balances at 31 March were held at:				
Commercial banks and cash in hand	29,769	29,674	559	337
Bank overdraft (note 17)	-	(235)	-	(235)
Balance at 31 March	**29,769**	**29,439**	**559**	**102**

Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2022	Cash flows	Non-cash movements	31 March 2023
	£'000	£'000	£'000	£'000
Bank loans (note 18)	14,800	(368)	19	14,451
Financial instrument (note 21)	3,261	-	(2,071)	1,190
	18,061	**(368)**	**(2,052)**	**15,641**

16. ASSETS HELD FOR SALE

	Group and Invest NI	
	2023	2022
	£'000	£'000
Land	4,576	-
Buildings	1,100	-
	5,676	**-**

One building and four pieces of land are included within assets held for sale at 31 March 2023. The sale of these assets has since been agreed post year end. There were no assets meeting the assets held for sale criteria at 31 March 2022.

Notes to the Accounts
Year ended 31 March 2023

17. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2023	**2022 Restated**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Amounts due within one year:				
Bank Overdraft	-	235	-	235
Trade payables and accruals*	16,211	17,017	9,541	9,692
Accrued grant payables	17,268	32,414	17,269	32,414
Other taxation and social security	-	626	-	592
Amount owed to subsidiaries	-	-	287	106
Other payables	2,682	2,492	2,682	2,491
Deferred income	813	208	748	196
Amounts due to DfE: other income surrendered	1,406	1,440	1,406	1,440
	38,380	**54,432**	**31,933**	**47,166**

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

*A prior year adjustment of £1.89m relating to accruals has been moved to provisions (note 2 and note 19).

18. BORROWINGS

	Group		Invest NI	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Current				
Bank Loans	353	348	-	-
	353	**348**	**-**	**-**
Non-current				
Bank loans	14,098	14,452	-	-
	14,098	**14,452**	**-**	**-**

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 Bank of England less 0.00685% plus 1.05% margin.

Notes to the Accounts
Year ended 31 March 2023

18. BORROWINGS (CONTINUED)

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

	Group	
	2023	**2022**
Bank loans	**£'000**	**£'000**
Amounts due in less than one year	353	348
In more than one year but not more than two years	420	353
In more than two years but not more than five years	2,780	1,888
After more than five years	10,898	12,211
	14,451	**14,800**

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

	Group	
	2023	**2022**
Bank loans	**£'000**	**£'000**
Less than one year	1,235	1,250
In more than one year but not more than two years	1,275	1,235
In more than two years but not more than five years	5,107	4,349
After more than five years	12,341	14,374
	19,958	**21,208**

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

Notes to the Accounts
Year ended 31 March 2023

19. PROVISIONS FOR LIABILITIES AND CHARGES

(i) Amounts falling due within one year:

	Grants £000	Group Restated Other £000	Restated Total £'000
At 1 April 2021 (restated)	**31,003**	**1,897**	**32,900**
Provided in the year	13,739	-	13,739
Under provision from prior year/ (Provisions not required written back)	(1,807)	(11)	(1,818)
	11,932	1,886	13,818
Provisions utilised in the year	(22,506)	-	(22,506)
At 31 March 2022 (restated)	**20,429**	**1,886**	**22,315**
Provided in the year	14,268	189	14,457
Under provision from prior year/ (Provisions not required written back)	(357)	-	(357)
	13,911	189	14,100
Provisions utilised in the year	(15,067)	-	(15,067)
At 31 March 2023	**19,273**	**2,075**	**21,348**

*A prior year adjustment of £1.89m relating to accruals has been moved to provisions (note 2 and note 17).

Notes to the Accounts
Year ended 31 March 2023

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

	Invest NI Grants £'000
At 1 April 2021	**31,003**
Provided in the year	13,739
Under provision from prior year/ (Provisions not required written back)	(1,807)
	11,932
Provisions utilised in the year	(22,506)
At 31 March 2022	**20,429**
Provided in the year	14,268
Under provision from prior year/ (Provisions not required written back)	(357)
	13,911
Provisions utilised in the year	(15,067)
At 31 March 2023	**19,273**

(ii) Analysis of expected timing of discounted flows

	Group	
Provisions	**2023 £'000**	**2022 Restated £'000**
Not later than one year	21,348	22,315
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**21,348**	**22,315**

	Invest NI	
Provisions	**2023 £'000**	**2022 £'000**
Not later than one year	19,273	20,429
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**19,273**	**20,429**

Notes to the Accounts
Year ended 31 March 2023

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Grants
The majority of grant provisions are due to be paid within one year, hence the effect of discounting is considered to be immaterial. 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 gave rise to a continued 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.

Other group provisions
Included in other provisions is an amount in respect of a subsidiary and the potential for clawback of EU funds in relation to ongoing projects, any settlement would arise as projects are closed with the EU. The valuation has been calculated using the prior experience in relation to amounts that have previously been deemed ineligible. On 26 June 2023, the NI-CO Board concluded that it could no longer be considered a going concern, resulting in the potential for an element of increased uncertainty over the valuation of these balances.

20. STATEMENT OF CASH FLOWS

Adjustments for non-cash transactions

	2023 £'000	2022 £'000
Notional expenditure on COVID-19 Business Support Schemes *	(493)	16,784
Notional costs (note 4)	373	253
Movement in Provisions for the year (note 19)	13,911	11,932
Depreciation (note 4)	1,733	1,194
Amortisation (note 4)	2,056	1,854
Loss/(Profit) on disposal of Property, plant and equipment	(76)	634
(Profit)/Loss on Financial asset disposal	(516)	(1,409)
Impairment (note 4)	5,429	26
Interest charge on lease liabilities	37	-
Financial instruments gains or losses	(4,883)	3,537
Share dividend income (note 6)	-	56
Interest income on financial assets at amortised cost (note 6)	(158)	(320)
Share of results of associates (note 12)	4,366	(10,448)
Foreign exchange loss/(gain)	(115)	763
Total non-cash transactions	**21,664**	**24,856**

* This represents the amounts paid under the COVID-19 Business Support Schemes operated and administered by DfE/LPS. 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 2023

21. 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 13 and receivables in note 14. 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.

Reconciliation of loss allowance on trade receivables

	Group and Invest NI £'000
Loss allowance on trade receivables at 31 March 2022	**10,753**
Release of loss allowance on write off	(848)
ECL allowance on trade receivables (note 5)	2,454
Loss allowance on trade receivables at 31 March 2023	**12,359**

Notes to the Accounts
Year ended 31 March 2023

21. FINANCIAL INSTRUMENTS (CONTINUED)

	Group and 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 2023					
Expected loss rate	6.3%	54.9%	22.6%	80.5%	70.1%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,037	429	351	14,812	17,629
Loss allowance	**128**	**235**	**79**	**11,917**	**12,359**

	Group				
	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2022					
Expected loss rate	62.1%	2.0%	20.7%	63.7%	59.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,427	1,132	256	14,395	18,210
Loss allowance	**1,506**	**23**	**53**	**9,171**	**10,753**

	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 2022					
Expected loss rate	62.1%	2.0%	20.7%	63.7%	59.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,427	1,132	256	14,395	18,210
Loss allowance	**1,506**	**23**	**53**	**9,171**	**10,753**

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 13)	264	-	877	1,141
Variable rate loans (note 13)	-	-	111	111
Loss allowance at 31 March 2023	**264**	**-**	**988**	**1,252**

	Group and Invest NI			
	12-month ECL £'000	Lifetime ECL £'000	Impaired £'000	Total loss allowance £'000
Fixed rate loans (note 13)	470	-	1,912	2,382
Variable rate loans (note 13)	-	-	111	111
Loss allowance at 31 March 2022	**470**	**-**	**2,023**	**2,493**

Notes to the Accounts
Year ended 31 March 2023

21. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

Notes to the Accounts
Year ended 31 March 2023

21. FINANCIAL INSTRUMENTS (CONTINUED)

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 £1,190,000 (2022: £3,261,000) is obtained from counterparty valuation, and is based on observable market data.

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

	2023 £'000	2022 £'000
At 1 April	3,261	5,055
Fair value adjustment	(2,071)	(1,794)
Liability at 31 March	**1,190**	**3,261**

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.

22. LEASES

Invest NI as lessor
Net property rental income earned during the year was £361,000 (2022: £1,179,000). The group earned rental income of £915,000 (2022: £1,718,000). 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	
Obligations under operating leases for the following periods comprise:	**2023 £'000**	**2022 £'000**
Buildings:		
Year 1	885	325
Year 2	785	311
Year 3	760	288
Year 4	431	264
Year 5	51	184
Onwards	24	215
	2,936	**1,587**

Notes to the Accounts
Year ended 31 March 2023

22. LEASES (CONTINUED)

Obligations under operating leases for the following periods comprise:	Invest NI 2023 £'000	2022 £'000
Buildings:		
Year 1	156	171
Year 2	133	157
Year 3	108	134
Year 4	105	110
Year 5	51	107
Onwards	24	215
	577	**894**

Invest NI as lessee

Right-of-use assets

	Group		Invest NI		
	Buildings	**Total**	**Buildings**	**PFI Lease**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost:					
At 1 April 2022 (on transition)	2,996	2,996	2,996	40,697	43,693
Additions	878	878	878	-	878
At 31 March 2023	**3,874**	**3,874**	**3,874**	**40,697**	**44,571**
Accumulated Depreciation					
At 1 April 2022	-	-	-	-	-
Charge for year (note 4)	650	650	650	4,740	5,390
At 31 March 2023	**650**	**650**	**650**	**4,740**	**5,390**
Carrying Amount:					
1 April 2022	2,996	2,996	2,996	40,697	43,693
31 March 2023	**3,224**	**3,224**	**3,224**	**35,957**	**39,181**

The Group currently leases several regional and international office properties. The average remaining lease term is 5 years. Invest NI HQ is leased under a PFI arrangement from a group company with a remaining term of 7.5 years. Further information on the PFI is presented in note 24.

Three of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £878,000 (2022: Nil).

Notes to the Accounts
Year ended 31 March 2023

22. LEASES (CONTINUED)

Amounts recognised in profit and loss:

	Group		Invest NI	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Depreciation expense on right-of-use assets	650	-	5,390	-
Interest expense on lease liabilities	37	-	424	-
Expense relating to short-term leases	119	-	119	-
	806	**-**	**5,933**	**-**

The total Group cash outflow for leases amount to £772,000 (2022: £1,057,000)

Lease liabilities

Maturity analysis:

	Group		Invest NI	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Year 1	717	-	5,676	-
Year 2	724	-	5,683	-
Year 3	671	-	5,630	-
Year 4	462	-	5,420	-
Year 5	429	-	5,388	-
Onwards	428	-	13,253	-
	3,431	**-**	**41,050**	**-**
Less Interest element	**(100)**		**(1,595)**	
Present Value of obligations	**3,331**		**39,455**	
Analysed as:				
Current	685	-	5,301	-
Non-current	2,646	-	34,154	-
	3,331	**-**	**39,455**	**-**

The Group does not face a significant liquidity risk with regard to its lease liabilities.

Notes to the Accounts
Year ended 31 March 2023

23. OTHER FINANCIAL COMMITMENTS

	Group and Invest NI	
	2023 £'000	2022 £'000
Commitments in relation to unclaimed grants under financial assistance offers and agreements at the year-end comprised:	**111,739**	**147,891**

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

24. 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. Under IFRS 16, the PFI contract is now recognised as a right-of-use asset and corresponding lease liability (see note 22 for more detail).

The asset has been revalued by LPS on 31 March 2023 at £25,500,000 (2022: £25,500,000). Total future minimum payments due under this PFI contract are given in the table below for each of the following periods:

	Invest NI	
	2023 £'000	2022 £'000 Restated
Not later than one year	5,317	5,392
Later than one year and not later than five years	22,110	22,388
Later than five years	14,663	21,231
	42,090	**49,011**

The above is subject to annual service performance review adjustments and includes an assumption that charges will increase by an average inflation factor of 1.59% over the remaining term, an impact of approximately £3.5m. The prior year figures have been restated to include adjustment for inflation. 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.

25. 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.

Notes to the Accounts
Year ended 31 March 2023

25. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37 (CONTINUED)

The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. A number of past and present NICS pension scheme members have taken a class action in relation to injury to feelings. This class action affects all employers across the NI public sector and is an extremely complex case which may have significant implications for both Invest NI and wider public sector. However, the cases are at a very early stage of proceedings and until there is further clarity on potential scope and impact, a reliable estimate of liability cannot be provided.

26. 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:

	2023 £'000	2022 £'000
Payables: amounts due within one year (note 17):		
Balances with other central government bodies	1,406	1,440

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 12. The following payments were made to associates during the year:

	2023 £'000	2022 £'000
Crescent Capital III LP	150	525
Kernel Capital	751	1,537
Techstart NI SME Equity	396	1,983
QUB Equity Limited Partnership	50	50
Ulster Equity Limited Partnership	50	50
Growth Finance Fund	1,000	1,469
NI Growth Loan Fund II	3,000	5,349
Techstart Ventures II LP	6,984	5,499
Ulster Equity LP	-	75
	12,381	**16,537**

Notes to the Accounts
Year ended 31 March 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

The following distributions were received from associates during the year:

	2023 £'000	2022 £'000
Crescent Capital II LP	-	3,129
Techstart Ventures II LP	15	4,951
Small Business Loan Fund	117	265
Techstart NI SME Equity	38	768
NI Growth Loan Fund	3,322	5,574
	3,492	**14,687**

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. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

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

ELT member	Company	Nature of relationship	New financial assistance offered 2023 £'000	Amount paid 2023 £'000	New financial assistance offered 2022 £'000	Amount paid 2022 £'000
Alan McKeown	Inpresspics	(a)	-	-	-	9
Alan McKeown	Belfast City Council	(a)	-	480	-	360

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

ELT member	Company	Nature of relationship	Amount paid 2023 £'000	Amount paid 2022 £'000
Alan McKeown	Belfast City Council	(a)	22	43

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

ELT member	Company	Nature of relationship	Amount invoiced 2023 £'000	Amount invoiced 2022 £'000
Alan McKeown	Belfast City Council	(a)	7	84

Notes to the Accounts
Year ended 31 March 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

ELT member	Company	Nature of relationship	Balance 2023 £'000	Balance 2022 £'000
Alan McKeown	Belfast City Council	(a)	-	137

Balance owed from the entity at 31 March:

ELT member	Company	Nature of relationship	Balance 2023 £'000	Balance 2022 £'000
Alan McKeown	Belfast City Council	(a)	3,807	3,807

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. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

Further details regarding the Register of Interests are on page 30.

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.

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 2021-22 for bodies from which Board members resigned or retired during 2021-22, these are not replicated in the 2022-23 financial statements. Similarly, where a Board member retired from Invest NI in 2021-22 no disclosure has been made in respect of this individual for 2022-23. The 2021-22 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2022-23, no comparative information for 2021-22 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.

Notes to the Accounts
Year ended 31 March 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2023 £'000	Amount paid 2023 £'000	New financial assistance offered 2022 £'000	Amount paid 2022 £'000
Padraig Canavan	Lithe IT Limited	Shareholder	-	-	-	10
Mark Nodder	Cadshare Technology Limited (c)	Chair	9	8	-	26
	Traynors Limited	Director	-	2	-	14
Judith Totten	Queen's University Belfast	(a)	7	4,344	-	5,646
Colin Coffey	Agri-Food and Biosciences Institute	Chair	-	25	-	7
	Flint Studios Limited	Chair	-	-	-	36
	Natural World Products Limited	Chair	6	-	-	4
Julie-Ann O'Hare	Randox Laboratories	Senior Management	-	802	(d)	(d)
Scott Richie	Cocktail Keg Company		4	8	(d)	(d)
	Franks Pets Limited		-	20	(d)	(d)
Kevin Kingston	Belfast Harbour Commissioners	Board Member	-	-	6	-
Kieran Kennedy	O'Neills Irish International Sports Company Limited (b)	Managing Director	(b)	(b)	-	116
	21 Training Limited	Chair	-	-	5	-
Rose Mary Stalker	Belfast Harbour Commissioners	Board Member	-	-	6	-
Deborah Lange	Belfast Harbour Commissioners	Board Member	-	-	6	-

Notes to the Accounts
Year ended 31 March 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board member	Company	Nature of relationship	Amount paid 2023 £'000	Amount paid 2022 £'000
Judith Totten	Queen's University Belfast	(a)	84	335
Colin Coffey	Agri-Food and Biosciences Institute	Chair	4	4
	Institute of Directors	Member and Chartered Director Assessor	2	14
Marie-Therese McGivern	Northern Ireland Water Limited	Non-Executive Director	15	26
	Strategic Investment Board Limited	Non-Executive Director	38	131
Mark Nodder	Cadshare Technology Limited (c)	Chair	2	-
Kieran Kennedy	North West Regional College	Member of Governing Body	119	90
Michael McQuillan	South Eastern Regional College	Member of Governing Body	20	5

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

Board member	Company	Nature of relationship	Amount invoiced 2023 £'000	Amount invoiced 2022 £'000
Mark Nodder	Cadshare Technology Limited (c)	Chair	4	1

Notes to the Accounts
Year ended 31 March 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2023 £'000	Balance 2022 £'000
Judith Totten	Queen's University Belfast	(a)	(e)	1,810
Colin Coffey	Agri-Food and Biosciences Institute	Chair	6	23
Kieran Kennedy	North West Regional College	Member of Governing Body	57	74
Marie-Therese McGivern	Strategic Investment Board Limited	Non-Executive Director	-	14
Michael McQuillan	South Eastern Regional College	Member of Governing Body	8	26
Scott Richie	Cocktail Keg Company	Investor	4	(d)

There were no loan or receivable balances outstanding at 31 March 2023 (2022: £Nil) from any company in which a Board member had a beneficial interest.

Key
(a) Connected via family relations.

(b) The Board member's relationship with this organisation ceased during 2021-22 therefore transactions with the company are disclosed but not balances at 31 March 2022 on the grounds that no beneficial relationship existed at that date. No balances or transactions are disclosed for this company during 2022-23 or at 31 March 2023.

(c) Techstart NI SME Equity holds an investment of £395,013 in Cadshare Technology Limited. Techstart NI SME Equity is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(d) The board member commenced employment with Invest NI in 2022-23, therefore no transactions or balances are disclosed for 2021-22.

(e) The board member resigned from Invest NI during 2022-23, therefore balances owing to/from the body at the year-end are not disclosed on the grounds that no beneficial relationship existed at that date.

Notes to the Accounts
Year ended 31 March 2023

27. EVENTS AFTER THE REPORTING PERIOD

In April 2023 NI-CO commenced a strategic review of its operations and markets. The context to this review was NI-CO's ineligibility to bid for contracts under the 2021-27 EU Multi-Finance Framework Programme due to the changes in the trading relationship between the EU and the UK (EU projects having made up a significant percentage of NI-CO's annual revenue). As a result of the review, the NI-CO Board met on 26th June 2023 and concluded that NI-CO could no longer be considered a going concern. The NI-CO Chair wrote to the Invest NI Accounting Officer on 28th June 2023 to inform him of the decision and to present NI-CO's proposed closure plan which includes the decision to dispose of the NI-CO building, Landmark House. The asset is included within Note 8 *Property, Plant and Equipment* at a valuation of £1.6m and it is expected that a disposal would be completed by 31 March 2024.

The Bank of England interest rate has increased from 4.25% at the reporting date to 5.25% potentially impacting the impairment of goodwill which uses a discount rate based on a commercial lending margin above base rate. If all other assumptions remained the same, then this rise in base rate would increase the impairment of goodwill in the group by an additional £5m.

The change in base rate also impacts the valuation of the derivative financial liability. The fair value of the interest rate swap is based on discounted future cash flows which vary depending on the base rate yield curve. The change in interest rates decreases the fair value of the liability by £800k.

Date of authorisation for issue
The Accounting Officer authorised the issue of these financial statements on 31 October 2023.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN ASSEMBLY

Introduction

1. Invest Northern Ireland (Invest NI) is a Non-Departmental Public Body, established in 2002 to grow the local economy by helping new and existing businesses compete internationally and by attracting new investment. It is a separate legal entity with its own independent board and Accounting Officer. It is sponsored by the Department for the Economy (the Department), but it is not part of the Department and produces its own financial statements.

2. Invest NI has three subsidiaries, all of which are limited companies, producing their own financial statements in line with the requirements of the Companies Act 2006. These results are then consolidated with Invest NI's transactions and balances to form group financial statements which are reported within the Invest NI Annual Report and Accounts. My opinion on the group financial statements considers whether those statements as a whole show a true and fair view, and can therefore be affected by issues arising in these subsidiaries.

Purpose of the Report

3. I am required to examine, certify and report upon the financial statements prepared by Invest NI under the Industrial Development Act (Northern Ireland) 2002. I provided adverse regularity and true and fair audit opinions on the 2020-21 financial statements of Invest NI and qualified opinions on the 2021-22 financial statements. This report explains the reasons for my qualified opinion on the Invest NI financial statements for the year ended 31 March 2023, which in part is linked to the issues noted in my previous reports. In addition, it provides information on other issues which I became aware of during my audit, relating to the need to obtain further approvals for certain expenditure which did not result in a qualification of my audit opinion.

4. I have qualified my true and fair audit opinion due to:

    - corresponding figures relating to COVID-19 business support grant expenditure of £13.4 million in 2021-22, together with related transactions and balances, which was controlled and administered by the Department but was, in my view, incorrectly recorded in Invest NI's financial statements (see paragraphs 5-16 below for further details); and

    - a limitation in the scope of my work due to insufficient appropriate audit evidence being available to me to support a key assumption used to estimate a liability at 31 March 2023 of £2.1 million (2021-22 £1.9 million) within a subsidiary of Invest NI, whose financial information has been consolidated within the Invest NI group financial statements (see paragraphs 17-22 for further details).

Corresponding figures relating to COVID-19 business support grants administered by the Department for the Economy

5. Invest NI's 2022-23 financial statements include corresponding figures for transactions and balances during 2021-22 and record £157.4 million of grant-in-aid funding from the Department during 2021-22; a proportion of this funding related to COVID-19 business support grants to Northern Ireland businesses.

6. Given the political and economic concerns at the time, these grant schemes were delivered at extreme pace and in a challenging environment. The situation was made worse by the imposition of home working and a lack of appropriate resources. Given the urgency and speed with which these schemes were designed and delivered, the accounting treatment has been complex.

7. Corresponding figures include expenditure on a number of COVID-19 emergency business support grants totalling £13.4 million in 2021-22, which were administered and paid by the Department. The opening balance of net assets at 1 April 2021 was also affected by transactions related to these schemes. A breakdown of expenditure between these schemes is provided in Figure 1. Neither Invest NI nor any of its staff were directly involved in the delivery of these schemes. Information on these schemes for 2019-20 have been included within Figure 1 and Figure 2 to provide an overview but these amounts are not reflected in the 2022-23 financial statements and therefore do not impact on my audit opinion on those financial statements.

Figure 1: Department for the Economy administered COVID-19 business support schemes (included in Invest NI's Annual Report and Accounts)

Scheme	Expenditure in 2021-22 £ million	Expenditure in 2020-21 £ million	Expenditure in 2019-20 £ million
Small Business Grant Scheme	(0.1)	23.2	220.0
Tourism and Retail Sectors Grant	0.03	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	13.5	37.4	0.0
Wet Pubs Scheme	(0.06)	4.1	0.0
TOTAL	**13.37**	**138.3**	**220.0**

Source: Invest NI 2021-22, 2020-21 and 2019-20 Annual Report and Accounts

8. Despite the schemes being administered and paid by another organisation, rather than by Invest NI, the expenditure was included in Invest NI's financial statements, under the instructions of the Department. This unusual accounting arrangement was used because the Department did not have the legal authority to make the required payments itself. The aim of this arrangement was to reflect scheme expenditure in the entity with the appropriate legal authority to make the payments. Invest NI has the relevant authority under the Industrial Development (NI) Order 1982. So essentially the Department designed and delivered these schemes and incurred the expenditure, while instructing Invest NI to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition.

9. The Department, Invest NI, DoF's Land & Property Services (LPS) and Account NI all agreed a Memorandum of Understanding (MOU) which set out the roles and responsibilities of those involved in the policy, design, operation and delivery of the Covid-19 business support grants. In the MOU, the sole duty allocated to Invest NI is to "record

the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts". However, the primary duties in relation to establishing the scheme, its design and delivery, payment approval and taking responsibility for any losses arising from its administration, were allocated to, and accepted by, the Department. While there was some early consultation with Invest NI on the scheme, no Invest NI staff were involved in scheme delivery and Invest NI had no role in the payments that were made to grant recipients.

10. Invest NI is required to provide financial statements which show a true and fair view of its financial transactions and its financial position. Therefore, including the expenditure of another entity led to misstatements within Invest NI's financial statements in 2022-23, due to misstatements in the corresponding figures for 2021-22 and the opening balance of net assets at 1 April 2021. I have therefore qualified my audit opinion on the 2022-23 financial statements.

11. During my audit of the 2020-21 financial statements the Department consulted with the Departmental Solicitor's Office (DSO) and the Department of Finance (DoF) on this novel accounting treatment and both bodies gave their support to it. However, the legal advice is not based on the application of relevant accounting standards and DoF, although supportive, did not issue an accounts direction to the Department to provide a clear basis for the approach taken. It is a requirement of my role to form an independent audit opinion on whether the financial statements reflect a true and fair view, and comply with accounting standards and the Government Financial Reporting Manual. Since the Department controlled and administered the scheme and made the payments to recipients, without any meaningful involvement of Invest NI, it is my opinion that this money was not spent by Invest NI and therefore should not have been recorded in its financial statements.

12. In addition to the grant expenditure in Figure 1, Invest NI also included notional grant-in-aid from the Department of £16.8 million for 2021-22, representing payments made by the Department to grant recipients of these schemes. Income from grant clawbacks of £3.1 million was also reflected in the 2021-22 financial statements together with associated debtors of £0.5 million after providing for £1.5 million of debtors which are not expected to be recovered. In its 2020-21 financial statements Invest NI included accruals of £4.5 million for these grant schemes, but in my opinion, it did not have an obligation at 1 April 2021 for these schemes since it was not involved in controlling or delivering them and therefore should not have reflected an obligation for accruals in the opening balance of its net assets and reserves at 1 April 2021. These all represent further misstatements which I have taken into account in determining my audit opinion. Information on these schemes for 2019-20 have been included within Figure 2 to provide an overview but does not impact on my audit opinion on the 2022-23 financial statements.

Figure 2: Misstatements resulting from the accounting treatment for Department for the Economy administered COVID-19 business support schemes

Account area	Misstatement in 2021-22 £ million	Misstatement in 2020-21 £ million	Misstatement in 2019-20 £ million
Grant-in-Aid – i.e. payments to grant recipients made from the Department's bank account	16.8	286.1	67.7
Grant expenditure on DfE administered schemes	(13.4)	(138.3)	(220.0)
Charge for expected credit loss (ECL) on grant clawback debtors	(1.5)	-	-
Income from clawback of grants for these schemes	3.1	-	-
Accruals	-	4.5	152.3
Debtor – grant clawback still owed net of ECL	(0.5)	-	-
General Fund – relating to opening accruals	(4.5)	(152.3)	0.0

13. This is a matter of 'substance over form', an accounting concept which means that, in order to present a true and fair view, financial statements should reflect the economic substance of transactions or events, not their legal form. Financial statements representing a legal form that differs from the economic substance, do not result in a faithful representation. Following a detailed technical review, it is my opinion that the economic substance of the grant schemes outlined in Figure 1, is that the Department, not Invest NI, controlled and delivered the schemes and made the payments to recipients with assistance from the Land and Property Services (LPS). As a result, these transactions should not have been recorded in Invest NI's financial statements. I also note that the Invest NI Accounting Officer had no opportunity to govern those schemes or influence the expenditure.

14. I provided Invest NI with an opportunity to reconsider its accounting treatment and proposed that it make an adjustment to its 2020-21 financial statements to rectify the issue. There was constructive engagement on this issue and Invest NI demonstrated openness to my recommendation, however, Invest NI understandably wanted to wait until the Department decided its course. Following a decision by the Department not to adjust its own accounts, Invest NI took the same position. There was a further opportunity for Invest NI to resolve this issue by amending its 2021-22 financial statements, and again for its 2022-23 financial statements (including its corresponding figures for 2021-22 and opening balances at 1 April 2021), but it declined to do so.

15. Invest NI operates under a Management Statement and Financial Memorandum (MSFM) with the Department which states that "accounts be prepared in accordance with any directions issued by the minister, Department or DoF". While Invest NI was instructed by the Department to account for the expenditure in this way (see paragraph 7 above) that instruction does not, in my view, constitute an Accounts Direction. Therefore, I must provide my opinion on the basis of my disagreement with the accounting treatment of these grants and the associated grant-in-aid and accruals, since in my opinion they should not have been included in Invest NI's financial statements.

16. The COVID business support grant schemes administered by the Department of £13.4 million for 2021-22 and the associated transactions noted in Figure 2 above have been included in Invest NI's 2022-23 financial statements. Opening accruals of £4.5 million at 1 April 2021 also impacted on opening net assets at 1 April 2021. Since in my view none of these transactions should have been reflected in Invest NI's financial statements I have therefore qualified my true and fair audit opinion.

Limitation on the scope of the audit arising from insufficient evidence to support an accounting estimate

17. Northern Ireland Co-Operation Overseas Limited (NI-CO) is one of Invest NI's subsidiaries and operates on a not-for-profit basis. Its principal activity is to manage and implement international development projects on behalf of central government departments and other public bodies. A substantial amount of NI-CO's revenue in recent years has been generated through European Union (EU) projects. Since the UK's withdrawal from the EU, NI-CO has not been awarded any further EU contracts, and received official notification from the EU that it is ineligible to apply for contracts from its 2021-27 EU Multi-Finance Framework Programme. NI-CO has been unable to identify other revenue streams to sustain the organisation and, following consideration of a business review report produced by a consultant, in June 2023 NI-CO's Board concluded that the entity was no longer a going concern and should cease trading.

18. As a limited company, the audit of NI-CO's statutory financial statements is performed by a registered auditor in line with requirements of the Companies Act 2006. Under auditing standards I am required to engage with the auditors of all Invest NI's subsidiaries, to obtain the assurance I need to inform my audit opinion on the group's consolidated financial statements. The level of this engagement varies depending on the relative size of the subsidiary within the group and the audit risk profile.

19. In June 2023 the auditors of NI-CO informed me that NI-CO's draft financial statements had been prepared on a going concern basis, but that they had concerns that this was not appropriate and could not proceed with certification of those financial statements until NI-CO considered its position. This changed the risk profile of NI-CO within my audit of the Invest NI group financial statements and, in accordance with auditing standards, I undertook additional procedures to obtain sufficient appropriate audit evidence for material NI-CO balances and disclosures within the Invest NI group financial statements. This included engagement with Invest NI, NI-CO and NI-CO's auditors.

20. As part of this audit work I identified an accounting estimate for a liability of £2.1 million (£1.9 million in 21-22) within the financial statements where I was unable to obtain sufficient appropriate audit evidence. This estimate related to a provision for clawback that may be payable to the EU should any issues be identified during an EU audit of claims made by NI-CO within seven years of the related project being completed, and is referred to as the 'Ineligible Expenditure Fund' (IEF). In most cases, the provision was based on an assumption of 2.5 per cent of project expenditure being ineligible, but I have been unable to obtain sufficient appropriate evidence to confirm that this assumption was reasonable. I have therefore qualified my audit opinion since the scope of my work was limited by this and there were no alternative audit procedures which I could carry out to obtain the assurance that I required.

21. Since NI-CO is no longer a going concern under accounting standards it will now need to consider how to present its own financial statements on a basis other than going concern, and may therefore be able to reflect a final agreed liability for the IEF in these revised financial statements. The Invest NI group as a whole, however, remains a going concern,

meaning that the accounting framework indicated within the Government Financial Reporting Manual (FReM) and International Financial Reporting Standards (IFRS) are still an appropriate basis for the group financial statements. Under IFRS the decision by the NI-CO Board in June 2023 to cease trading is considered an event after the reporting period that requires narrative disclosure within the group financial statements rather than adjustments to the balances disclosed in the Statement of Financial Position. NI-CO has initiated engagement with the EU on the settlement of any liabilities with it. There is a degree of uncertainty on how the decision to cease trading, which will limit the EU's ability to conduct future audits, will impact on the final settlement figure. This uncertainty does not require an adjustment to the balance disclosed within the group financial statements since the decision to cease trading was taken after the reporting period.

22. In the interests of good governance and timely accountability I am content that Invest NI's decision to finalise its consolidated financial statements in advance of negotiations with the EU being concluded, is appropriate.

DoF re-approval has not been sought on a timely basis for certain expenditure when circumstances change

23. In addition to forming an opinion on whether the financial statements show a true and fair view I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them. This includes whether the expenditure complied with any conditions imposed by DoF in approving the expenditure. In contrast to my true and fair audit opinion, this opinion relates only to the year of account and not the comparative year.

24. My report on Invest NI's 2020-21 financial statements noted irregular expenditure of £14.2 million relating to a loan to Glenmore Generation Limited. This had resulted from Invest NI not complying with several conditions of the DoF approval given for the loan, including the need to seek re-approval from DoF following changes in circumstances. The report noted this area would be kept under consideration. During my audit of Invest NI's 2022-23 financial statements I noted further instances of regularity issues arising, due to DoF approval not being sought when there had been changes in circumstances:

    a) Grant support for a capital project – In 2016 DoF approved grant support of £3.8 million for a project, on the condition that 60 per cent of the funding would be from the European Regional Development Fund (ERDF) and remainder from Invest NI's own budget allocation. When the ERDF claim was being prepared in March 2017, Invest NI determined that the project was unlikely to meet the EU's qualifying conditions and replaced this project in the claim with other projects to ensure that no funding was lost to the NI block nor was there any additional funding requirement. However this meant that the funding mix for the project itself had changed, given that it was then fully funded from Invest NI's own budget. DoF approval should have been sought prior to the decision to change this mix. In September 2023 Invest NI requested retrospective approval for this change, which DoF granted on the basis that there was no change to the project, its outputs or total expenditure.

    b) Ebrington Leisure Holdings – DoF approved a grant of £1.8 million for this project, with a condition on the completion timetable for the project. A delay in implementation meant that this condition had been breached and further DoF approval was required. Whilst DoF was initially informed of the delay, it requested further updates before providing approval. However, due to a misunderstanding by Invest NI staff, these updates were not provided. DoF considered that expenditure of £1.4 million on this project was initially irregular, of which only £0.8 million related to 2022-23. It subsequently granted retrospective approval for the expenditure since the project remained within the level that had been approved.

c) Held over leases - Leases for two of Invest NI's regional offices expired in 2021 and 2022. Due to several factors new leases could not be agreed before the lease period expired. Invest NI entered into "holdover" periods with the landlords while new lease negotiations took place. A holdover period is when a tenant continues to occupy and use the premises after the lease term ends. DoF approval is required for all new leases entered into, and it considered that its approval should also have been sought for these lease holdovers. Invest NI has now requested DoF retrospective approval for £0.2 million on these two leases during the holdover period, of which £0.1 million relates to 2022-23. Unless and until retrospective approval is granted this expenditure is irregular, however the amount involved is not material in the context of my audit, and I have not therefore qualified my regularity opinion as a result.

25. My regularity audit opinion has not been qualified on these issues because;

- grants for the capital project and Ebrington Leisure Holdings have now been regularised following retrospective approval by DoF, and most of that expenditure was incurred in earlier financial years; and

- expenditure on hold over leases in 2022-23 which is currently irregular is not considered material to my regularity audit opinion.

26. Nonetheless, whilst I acknowledge the number of approvals in place for various projects and programmes that Invest NI must manage, I am concerned about the number of instances in recent years of regularity issues arising, particularly when circumstances change and re-approval is required. Approval should be obtained at the appropriate time, rather than being sought on a retrospective basis.

27. In light of these issues, Invest NI needs to carefully consider potential root causes and how it documents and monitors the conditions attached to approvals. A full review should be undertaken of all projects and programmes to produce a central database that can be monitored to ensure they are operating within all conditions of approval and any re-approval is actioned on a timely basis to help prevent future irregular expenditure. It should also consider whether additional staff training is required.

28. Invest NI told me that "as the replacement of the £3.8M project in the ERDF claim resulted in no net impact on national or EU budgets expended, this had led the teams to the erroneous conclusion that additional DoF approval was not required. In the Ebrington Leisure case, Invest NI did correctly approach DoF for approval for the time extension, but as the initial response from DoF was incorrectly interpreted by the Invest NI team as approval to proceed, the further updates were not provided. In the case of the leases, while Invest NI was aware that DoF approval is required for all new leases, it was not aware that the "holdover" periods while new lease negotiations took place also required DoF approval. All three issues above, which Invest NI considers to be very specific, have been noted and these issues will be built into our scheduled training programme, as detailed below.

29. While the responsibility for monitoring and follow-up on approval conditions rests with the project owner in each area, as a second line of defence, Invest NI is undertaking an immediate assessment of projects to ensure that they are operating within the conditions of approval. This work will be overseen by the Invest NI Governance Council and, in the first instance, will focus on a review of the cases where DoF approvals are in place. Going

forward, an action from the Invest NI Independent Review is to establish a central compliance team. Responsibility for maintaining a central database of approval conditions will be included in the remit of this team and this database will be used to carry out checks on compliance with approval conditions. Invest NI is currently running an organisation wide commercial training programme to ensure staff are equipped with the necessary knowledge and skills to effectively appraise and monitor projects. Compliance with, and monitoring of, conditions of approval will be included within these training modules."

30. I will keep this area under consideration and may carry out a review in the future.

Dorinnia Carville
Comptroller and Auditor General

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31 October 2023

If you require this document in an alternative format (including Braille, audio disk, large print or in minority languages to meet the needs of those whose first language is not English) then please contact:

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