

**Invest  
Northern  
Ireland**  
**Annual Report  
& Accounts**  
**2017-18**

**INVEST NORTHERN IRELAND  
ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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

on  
6th July 2018

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# Performance Report - Overview

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

## Chairman's Statement

### Delivering for Northern Ireland

This is the first year of reporting on our 2017-2021 Business Strategy.

It is also the first year of outcome based reporting, mirroring the approach of the draft Programme for Government. Using industry surveys, and data gathered from across our customer base against Key Performance Indicators (KPIs), we will be monitoring and reporting on our progress towards our employment, exports and innovation outcome targets.

We have been gathering this data for a few years to provide a benchmark, and have now completed the collection and validation of data for 2017.

	Year 1 Progress	2017-2021 Outcome
Additional Jobs	10,970	30,000-40,000
Total Sales	£1.7 billion	£3.2 to £4.2 billion
External Sales	£1.2 billion	£2.4 to £3.1 billion
Export Sales	£0.8 billion	£0.8 to £1.2 billion

This outturn of nearly 11,000 additional jobs within the first year is an exceptional outturn, and positions us one third of the way towards our four year outcome target. These are jobs that businesses have already created and two thirds of these are in companies located outside of Belfast.

The figures also show we are half way towards the sales and external sales outcome targets and have already reached the lower end of the export sales outcome.

This first year progress gives us a strong base on which to build. Our Purchasing Managers Index (PMI) survey is also showing positive trends for our customers. The survey tracks key variables – output, new orders and employment – and compares them with the Northern Ireland private sector as a whole, and the UK. Key findings from the most recent survey show that Invest NI-supported businesses have consistently demonstrated higher levels of growth across all measures.

### Global Change

Brexit negotiations and the US Administration's approach to trade and tax will undoubtedly bring about change for businesses. The US is the second largest export market for Northern Ireland businesses. Any widening into other sectors of the current proposals to raise import tariffs on certain goods into the US could adversely impact on this. We will pay close attention to any proposals brought forward by the US Administration.

While we all face the challenges presented by Brexit, we remain in close contact with our customers, listening to their concerns and providing advice where we can. We launched a dedicated 'Think Ahead' resource on investni.com providing useful briefings, FAQs and links to our support programmes to help businesses prepare.

We are also helping businesses carry out health checks and to scenario-plan for the different ways Brexit might impact their business. Our staff are receiving briefings from industry experts on key areas such as movement of people, the regulatory environment, and import/export tariffs to ensure they are able to guide businesses through this period of change.

As the out-workings of Brexit become clearer, and we understand the level of potential impact on Northern Ireland business, we will amend or add to our range of support mechanisms to ensure businesses are able to respond to the post-Brexit landscape.

## **International markets**

As part of our drive to support economic growth we are continually looking to expand Northern Ireland exports into emerging markets and seek new investment opportunities.

During the year we launched a portfolio of opportunities, in partnership with the Department for International Trade (DIT) and the Strategic Investment Board, to attract large scale infrastructure and regeneration investment to Northern Ireland.

Our close relationship with DIT is also supporting our export drive in 10 new territories. Many of our newly appointed Regional Managers are based in DIT offices, which is providing opportunities for closer working and increased traction within these markets.

We also developed an Education Strategy to support the universities, boarding schools, colleges and language schools to realise the investment potential from international study. We have an excellent, globally-recognised education system and attracting foreign students to Northern Ireland brings cultural and economic benefit. The quality of our graduates also forms a core part of our strong sales proposition to attract new investors and is often cited as a key reason for companies choosing to locate in Northern Ireland.

## **Customer focus**

We have made significant strides in our journey to becoming a Trusted Business Partner.

At the start of 2018 we piloted a Live Chat service on investni.com. We are the second public body in Northern Ireland to provide customers with this communications channel. We are also preparing to launch our new customer portal which will initially allow customers to submit applications for support online and ultimately will be further developed to check, in real time, the status of these applications, make online claims, and track the progress of claims payments.

As well as technology and process improvements, we have also introduced a number of new initiatives and training programmes to support staff development and engagement.

To date, 250 staff have completed a comprehensive Customer Engagement training programme. We have also introduced Agile Working practices allowing staff to work on time bound assignments in different areas. These assignments not only support continuous improvement in the organisation but also provide staff with the opportunity to gain experience and new skills which they can then apply.

The Invest NI Board and I were delighted to see the organisation's commitment to excellent customer service recognised in our latest Customer Service Excellence assessment. Invest NI is now the highest rated organisation in Northern Ireland.

We also achieved customer satisfaction results through our quarterly customer satisfaction surveys which, when benchmarked internationally, put us at the top end of the range when compared to other 'business to business' organisations.

## Conclusion

When we launched our 2017-2021 Business Strategy in spring 2017, we could not have foreseen that the first year would be without a Northern Ireland Executive and Minister for the Economy.

We would welcome restoration of the devolved Administration, but in the meantime we will continue to move forward with implementing our Business Strategy and our work with partners and stakeholders.

As always, it has been a privilege to work with my Board colleagues and the team at Invest NI to support Northern Ireland businesses.

I would also like to express my thanks to our former Permanent Secretary, Dr Andrew McCormick and wish him well in his new role as Director General of International Relations. I am also pleased to welcome Noel Lavery as Andrew's replacement as Permanent Secretary at the Department for the Economy. I, the Board and the Executive Leadership Team look forward to working with Noel in his new role.



**Mark Ennis**

Chairman

Date: 26 June 2018

# Chief Executive's Review

To achieve the outcomes of our Business Strategy we are focused on supporting more companies to innovate for the first time, export for the first time, and invest in Northern Ireland for the first time; on helping companies scale up more quickly to become large employers of the future; and helping local businesses to stand out on the international stage.

Our first year in and we have made good progress towards this. With our support, businesses continue to make strong investments in R&D and to grow exports. We also continue to attract new investors at similar levels to previous years and support local and foreign-owned companies to create new jobs.

## SUPPORT

### Innovation

Investing in innovation is crucial, not just to business growth but to survival. Studies show a solid link between investment in innovation, and profitability and growth. This is why we are specifically working to simplify the innovation landscape and increase awareness of innovation. During 2017-2018 we provided innovation support to 355 companies for the first time.

Our Innovation Voucher scheme was introduced to encourage local companies to innovate by working with our universities and further education colleges. Since 2008, over 2,300 Innovation Vouchers have been issued. During the course of this year, local manufacturer Sensoteq used an Innovation Voucher to work with a regional college to develop its own environmental testing platform for its performance sensors. As a result they were able to develop, test and get the product to market faster.

### Exports

With our advice on how to prepare an export strategy and workshops to develop export skills and knowledge, we are helping more businesses take the first step to selling their products and services outside Northern Ireland. This year we supported 107 companies to sell outside Northern Ireland for the first time.

Two years since launching to market, Copeland Gin won its first business outside of Northern Ireland. With our export support the company is now selling its products in the Republic of Ireland and the Middle East.

*"Invest NI's continued assistance has given us the confidence, capability and contacts to sell our products in export markets. We are excited for this next stage of our development."*

Gareth Irvine, Director of Copeland Spirits

### Start-Up

We want to make Northern Ireland the best region in which to start and grow a business. Working with our partners we are developing a strong entrepreneurial eco-system to support this. Work on an Entrepreneurship Action Plan is underway, and during the year a number of specific start-up programmes have been launched – Propel Pre-Accelerator and Ignite Northern Ireland Accelerator – to support local and international entrepreneurs. We also launched a 'My New Business' section on nibusinessinfo.co.uk with videos and tools, as well as tutorials and case studies, to help people get their business started.



## Invest

Attracting international entrepreneurs to establish and grow their business here is one part of our international strategy. We also continue to seek and secure new first-time investment projects from established businesses. This year 23 new investors have been secured such as SimplyNUC, which has chosen to locate its operations centre in Bangor; Lithe IT, which has set up a sales and marketing function in Londonderry; and Texas-based Bazaarvoice Inc., which is setting up its 170 strong European base in Belfast.

As part of our work to support the Department for the Economy (DfE) and local government to deliver investment and growth across Northern Ireland, our Regional Offices have worked with the 11 councils to help shape their Community Plans and develop strong regional sales propositions which will help attract investment right across Northern Ireland.

## SCALE

We are working closely with companies that have the ability to scale quickly, supporting them to create jobs and increase competitiveness through investment in innovation and R&D, increased exports and growing and developing employees.

Belfast-based Neueda Ltd is part of our Scaling Programme. The company has experienced impressive growth in recent years, with revenues up by over 30 per cent year-on-year since 2012. Ranked in Deloitte's 'Technology Fast 50' for a second year, the firm has an ambitious growth strategy to see revenues reach £100 million by 2022. As a Trusted Business Partner we are working closely with the company to help it realise these ambitions and recently provided support towards an investment to double its workforce and develop its existing staff.

## Innovation

Innovation is everything from changing processes to make them more efficient, to refining products to meet changing customer needs, and exploiting new business models to maximise global opportunities. However, there is a perception that it is restricted to 'white coats' and labs. To help change this perception we intend to introduce an Innovation Accreditation Scheme to recognise the wide range of innovative activities our customers are involved in.

*"Companies who invest in innovation demonstrate greater job growth, employ better qualified people and are more likely to export."*

NESTA Innovation Foundation

Investment in R&D doesn't tend to attract media headlines, but it plays an important role in driving economic growth. This year we supported a major investment in innovation, research and development by BT. The £30 million project will create a new Innovation Centre focusing on advanced research into the Internet of Things, Artificial Intelligence and Data Analytics.

## Exports

We are also supporting our customers to reach new markets. The Republic of Ireland and US have been our largest export markets for some time, with around 8,000 businesses currently selling products and services in these territories. Over the past two years, exports from Northern Ireland to the US have grown by 16 per cent to £1.5 billion.

The changing global business environment and the final out-workings of Brexit in particular, will bring significant change for our exporting businesses. Supporting companies to help manage this risk through increased innovation and extending their export reach into new markets is essential.

This is why we have increased our support for the number of visits a company can make to a market, and we've had a busy schedule of trade missions and promotional activities including some successful inward 'meet the buyer' events.

Glastry Farm is one company to benefit from this activity and win new business in a new market. The company is now supplying its ice-cream to Pure UAE in the United Arab Emirates, its first deal outside the UK and Ireland.

*"This is our first business outside of the UK and Ireland and Invest NI's support has been very important to us in making this major step into international markets."*

Chloe Burgess, Production Manager, Glastry Farm Ice-Cream

## Invest

We continue to promote Northern Ireland as a location of choice for new investment, and for re-investment. Nearly three quarters of our investors re-invest, which is testament to the value of Northern Ireland and our people to their business.

Investment through acquisition has also introduced a number of companies to Northern Ireland. For example, GB law firm, Shoosmiths first came to Northern Ireland through its acquisition of local firm McManus Kearney in 2016. We have since worked with the company to help it grow its presence here. As a result, this year the company chose to base its first dedicated Inceptions Team (for client on-boarding) in Belfast, servicing its UK network.

## STAND OUT

Globalisation has been a key driver of the world economy for more than 20 years, increasing investment, boosting innovation and enhancing overall competitiveness.

Increasing international competitiveness is particularly important for a small, regional economy such as Northern Ireland.

We are making progress. Exports are at their highest level on record and Northern Ireland secures more Foreign Direct Investment (FDI) per head of the population than anywhere else in the UK. But we need to do more. We are committed to working with our partners and supporting our customers to build on this and have developed an International Strategy to deliver this growth.

During the year we increased our international presence in 10 new territories, including Hong Kong, Toronto, Santiago and Sydney. The Regional Managers will use their experience and connections to provide in-market support for Northern Ireland companies investigating export opportunities or looking to build on existing business in the market. They will also draw on their networks to identify inward investment opportunities.

Through these new offices and our existing network we have continued to build on our international partnerships, in particular with DIT, ensuring that businesses are able to tap into a wide range of support and help raise the profile of Northern Ireland around the world.

## Next Steps

We will focus on delivering a number of key initiatives for year two of our Strategy.

Building on our drive to expand and strengthen our international presence, we will open three new Trade, Investment and Innovation Hubs in Dublin, London and Brussels during the next year.

These locations represent significant markets for both trade and FDI opportunities. The Brussels Hub will also serve as a gateway to wider European networks and markets.

The Hubs will provide a platform, and physical space, for Northern Ireland businesses and academia to host meetings, showcase products and develop trade and investment opportunities.

We will also finalise our sector development strategies which will help raise awareness of capabilities, establish key partnerships and secure new business.

And we will implement our Entrepreneurship Plan to provide a clear pathway of support and guidance to our businesses of the future.

## Conclusion

As our Performance Analysis on pages 11-13 shows, we have made good progress in this first year of our Business Strategy 2017-2021. By working with companies as a Trusted Business Partner we are ensuring they receive the tailored support they need to achieve their growth ambitions. This, in turn, is driving economic growth.

Our role of Trusted Business Partner will become even more important as we support businesses to meet the challenges and grasp the opportunities that arise from Brexit. I, and the whole team at Invest NI, remain fully committed to ensuring that we provide the support, guidance and expertise businesses need to succeed now and into the future.



**Alastair Hamilton**  
Accounting Officer  
Date: 26 June 2018

## The purpose and activities of the organisation

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

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

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

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

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

## Key issues and risks

There are risks and uncertainties inherent in the group's operations that could have a significant impact on its business, results and financial position. The group has a well-developed structure and set of processes for identifying and mitigating the key business risks it faces. Our processes require that the most significant business risks, with a residual risk rated as "very high", are reported to DfE with updates provided quarterly. Two such risks, relating to the UK's exit from the EU and skills availability, are detailed in the table overleaf.

## Key issues and risks (continued)

These risks, which are rated as “high”, along with a number of less significant risks which will continue to affect the group’s business in 2018-19, are set out below, together with the strategies adopted by the group to mitigate them:

Risk	Impact	Mitigating Actions
Depending on the nature and timing of UK exit from the EU, there is a risk of an adverse impact on NI levels of exporting and FDI.	The uncertainty over the UK’s future relationship with the EU has the potential to impact on business confidence, particularly in terms of investment and exporting. There is a need to ensure that the requirements of NI businesses are represented in the exit negotiations to ensure that NI is not disproportionately affected.	The EU Response Plan continues to be rolled out, including a series of staff workshops drawing on external expertise and insights. Information for companies is made available on the Invest NI website and is updated regularly. Extensive ongoing liaison also continues with Northern Ireland Civil Service (NICS) and Whitehall departments on key issues including market access and people.
Failure to recognise the risk of insufficient skills availability to meet demands of existing and potential Invest NI customers.	Insufficient skills availability to meet demand of customers will (1) impact on productivity of indigenous and established companies; (2) impact on ability to attract new inward investment to NI; (3) restrict growth of indigenous and established companies.	Ongoing engagement with existing client base, potential new investors, universities and DfE. Supply information to Skills Barometer for articulation of demand. Collaborative approach with DfE on the Assured Skills Programme to create pipeline of available skills. Collaborative Network planned for each priority sector.
Uncertainty over budget allocation affecting Invest NI’s ability to honour commitments to clients and deliver corporate objectives.	The budget for 2018-19 has now been allocated. This provides the necessary resources to continue to deliver against targets in the near term. The budget for 2019-20 and beyond has not yet been allocated so uncertainty going forward remains.	Continue to engage with DfE in submitting bids and supporting information to the Department of Finance (DoF). Continue to explore best use of other funds.
Failure to maximise the FDI and business growth benefits of a reduced rate of Corporation Tax (CT).	Poor communication/ engagement/research planning and/or poor targeting results in limited additional investment in NI from CT reduction. Ongoing delay on a firm implementation date impacts the timing of additional investment.	Preparatory work largely remains on hold pending the re-establishment of the NI Executive. A new CT strategic risk register has been developed and actions agreed to update estimates of costs and benefits. Invest NI is working with DfE and DoF to identify actions which may be required to re-establish momentum given the delays which have occurred.

Risk	Impact	Mitigating Actions
Inadequate control and adherence to Information Management and Governance legislation, guidance and good practice.	Ineffective and/or lack of compliance in the creation, storage, distribution and governance of Invest NI core information both within systems and on paper. Lack of resilience in the event of a cyber security attack on Invest NI's network and systems. Risk of non-compliance with General Data Protection Regulation (GDPR) may result in significant financial penalty, regulatory audit or reputational damage.	ISO27001 certification. Embedding and monitoring of information security guidance. Quarterly data security review, Information Security Communications strategy to ensure staff buy in. Annual security risk management overview. Implementation plan in place to progress all appropriate actions towards GDPR compliance.

The risk relating to Information Management and Governance has been included on Invest NI's Risk Register for some time. It is now considered a key risk due to the introduction of the GDPR and the potential impact of non-compliance. All of the risks that were presented in 2016-17 continue to be included in the current year and the mitigating actions continue to evolve.

Further information on the group's risk management process through our risk and control framework can be found on page 32.

# Performance Report - Performance Analysis

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

## 2017-18 Targets and Achievements

Invest NI's Business Strategy 2017-2021 sets an ambitious path for us to contribute to the delivery of the outcomes of the Northern Ireland draft Programme for Government and the associated draft Northern Ireland Industrial Strategy - Economy 2030. To align with the principles of outcome-based accountability, on which they are based, our approach to performance reporting has evolved in a similar manner.

Whilst Invest NI provides support to a broad range of businesses in Northern Ireland, focused to support a portfolio of those customers with whom we have an account managed relationship is at the core of our operating model. By gathering and reporting on the annual performance of a set of Key Performance Indicators (KPIs) from this group, we will monitor progress towards the key outcomes of our Business Strategy.

## Business Strategy Outcome Targets 2017-2021

- Supporting and encouraging 30,000 – 40,000 additional jobs;
- Increasing business expenditure on Research and Development by between £160m and £200m<sup>1</sup>;
- Supporting our customers to increase their total sales by between £3.2bn and £4.2bn, of which between £2.4bn and £3.1bn will be sales outside Northern Ireland, including between £0.8bn and £1.2bn of new export sales.

The headline KPI results for 2017 indicate a very strong performance by our account managed customers and represent a very positive contribution towards our Business Strategy targets.

KPI	2017 Outcome
Additional New Jobs Created	10,970
Total sales growth	£1.7 billion*
External sales growth	£1.2 billion*
Exports sales growth	£0.8 billion*

\*Growth figures based on an annual cohort of businesses which have data recorded for 2016 and 2017.

<sup>1</sup>Reporting on Invest NI's Business Strategy outcomes will be derived from our KPI survey with the exception of Business Expenditure on Research and Development (BERD). An external measure will be used as an indicator for BERD and the 2017 outcome will be published in November 2018.

## Operating Plan 2017-18 Targets

As the KPI data is gathered and reported on an annual basis, we continue to apply a core set of activity measure targets in our annual Operating Plan. This enables in-year monitoring and reporting and ensures that our activities are focused on those areas which will drive delivery of our Business Strategy outcomes.



Overall performance of the Operating Plan 2017-18 activity measures was excellent, with 95 per cent being met or exceeded. The various trends and factors which influenced our 2017-18 performance have been explored earlier in the Chairman's Statement and Chief Executive's Review.



Activity	Target 2017-21	Progress 2017-18
<b>1. Total Assisted Jobs</b>	16,000 - 24,000	5,160
a) Assisted Jobs from <b>locally-owned</b> companies	8,800 - 13,400	2,934
b) Assisted Jobs from <b>externally-owned</b> companies of which:	7,200 - 10,600 of which:	2,226 of which:
c) Assisted Jobs from <b>first time inward investment</b>	5,340 - 7,700	1,297
<b>2. Total Investment in Innovation</b>	£64m - £80m	£19m
<b>3. Total Investment in R&amp;D</b>	£400m - £700m	£131m
<b>4. Total Investment in Skills</b>	£130m - £170m	£24m
<b>5. Companies entering New Markets</b> of which:	600 - 800 of which:	261 of which:
a) Companies selling <b>outside NI for the first time</b>	300 - 400	107

Internal Audit Service (IAS) has completed a verification exercise of the performance data. IAS is satisfied that the activity outturn for 2017-18 reported by Invest NI has been accurately stated and presents a true and fair view of activity for the period.

## Future Targets

Invest NI will seek to build on the strong performance demonstrated within the first year of our Business Strategy. We will set future annual Operating Plan targets which will ensure that we continue on a trajectory to allow us to meet (or exceed) our target outcomes for the period 2017-21.

## 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.

## Business Review

### Invest NI Budget outturn

- Total net outturn for the year was £127.8m against an allocated budget of £129.1m, a 99 per cent achievement against target.
- Receipts generated in the year, excluding EU programme funding, totalled £12.2m against a target of £12.8m. These receipts related to the disposal of property, plant and equipment, sale of investments, property rental, dividends and loan interest, and the clawback of grant monies to the extent that they have been deemed to be recoverable.

## Financial Performance and position

### Consolidated Statement of Comprehensive Net Expenditure

Total consolidated net operating expenditure for the year, excluding interest payable and Corporation Tax, has decreased from £129m to £104m.

The reduction of £25m in consolidated net operating expenditure relates to a £19m increase in operating income and a £6m reduction in operating expenditure.

The increase in total income for the year of £19.1m from £40.2m to £59.3m is as a result of the following movements:

There was an increase of £15.5m in receipts from the European Commission as compared to last year, reflecting an increase in the related grant expenditure eligible to attract EU funding and an increased spend on the Access to Finance funds.

NI-CO turnover has increased by £4.8m as a result of a successful year during which £10m worth of new contracts were secured.

Fixed rate loan interest income increased from £1.2m last year to £2.1m in 2017-18 as a result of the interest recognised on the Sustainable Use of Poultry Litter (SUPL) and Agri-Food loan schemes. Share dividend income increased by just over £0.3m.

There was a £1.1m decrease in the recoupment of costs from third parties and client companies. Last year almost £0.9m of income was recognised for the reimbursement of costs incurred by Invest NI on behalf of the Councils for the Regional Start programme. This programme has now transferred to the Councils, and no income was recognised in 2017-18. Other increases in income included property rentals by £0.2m, other income by £0.2m, and grant clawback by £1.4m.

Finally, there was a gain of £1.6m on the fair value of the properties in the BSDL group, split between £1.3m in relation to the Invest NI Bedford Street headquarters and £0.3m for the Linum Chambers investment property. This compares with a gain of £4.8m for last year contributing to a £3.2m reduction in the operating income as compared with last year.

Total operating expenditure has decreased from £169.7m to £163.6m. The reduction in operating expenditure can be explained by a number of factors:

Within administration expenses, salary costs reduced by £0.5m, of which NI-CO staff costs increased by £0.2m and Invest NI reduced by £0.7m reflecting the ongoing drive to maintain and reduce staff costs. Last year salary costs for Invest NI included £0.4m for the VES redundancy costs. Other administration costs reduced by £0.1m to £3.0m. Within this there was a reduction of £0.5m in exchange rate losses from £0.7m to £0.2m, which was offset by a £0.2m increase for Invest NI and £0.2m increase in NI-CO other admin costs.

Overall programme related expenditure has increased by £0.5m. Within this area we invested an additional £2.5m in supporting innovation, research and development and directed an additional £1m towards our international business support. Expenditure on other programmes, and revenue and capital grant support, increased by £0.8m. These increases in programme related expenditure were offset by a reduction of £1.6m on expenditure on property acquisition and development, as well as a reduction of £1.6m in programme support activities which includes programme delivery, professional legal fees and associated costs. Our promotion and marketing costs also reduced in the year by £0.6m.

The costs of servicing contracts have increased by £3.8m from £11.7m to £15.5m, primarily as a result of an increase in NI-CO operating costs related to its increased turnover.

Asset impairments and depreciation increased by £0.6m, with a charge of £2.7m in 2017-18, as compared to £2.1m in the previous year, reflecting an increase in the depreciation charge for newly developed IT assets.

There was a reduction in expenditure of almost £2.3m in the share of results of associates, 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.

Provisions expenditure reduced from a charge of £4m in 2016-17 to a release of £4.1m this year, resulting in a net reduction in expenditure of £8.1m. The majority of the provisions balance of £30.2m is in respect of grants earned but not yet claimed at year end.

### **Consolidated Statement of Financial Position**

Non-current assets including investments at the year-end were £186.7m, an increase of £17.7m on 2016-17. This is principally due to the following factors:

Property, plant and equipment increased by £3.3m from £68.7m to £72.0m, largely reflecting the gain of £3.2m in the Invest NI land and property portfolio and a gain of £1.3m in the valuation for the Invest NI headquarters in the BSDL group following a revaluation by Land and Property Services (LPS) at 31 March 2018. There were also additions of land and other assets totalling £1.7m and against this there were land and asset disposals of £1.4m as well as net impairments / depreciation charges of £1.5m.

There was a £0.3m increase in the value of the Linum Chambers investment property in the BSDL group from £6.5m to £6.8m.

Investment in associates has increased by £8.4m from £28.8m to £37.2m reflecting an overall net increase in the total asset and liability position for 2018 compared with 2017.

Investments in financial assets increased from £29.0m to £38.8m. This relates to additional loan and share investments of £10.8m, offset by repayments and disposals of £1.9m, combined with the net impact of fair value adjustments and increases in provisions of £0.8m.

Trade and other receivables due after more than one year have decreased by £4.2m, largely due to the timing of repayments due from the Carbon Trust Energy Loan Scheme.

Total current assets at the year-end were £73m, an increase of £13.5m on 2017. Trade and other receivables accounted for £8m of this increase, with the balance of £5.5m due to an increase in cash and cash equivalents.

Within trade and other receivables, there was a £9.9m increase in EU Receivables relating to the timing of receipts by Invest NI from the European Commission. There was a £1.7m reduction in Invest NI recoverable trade receivables. Prepayments and accrued income have reduced by £0.6m, and there was a £0.3m reduction in other receivables. Within this balance, there was an increase of £4m relating to the timing of repayments due from the Carbon Trust Energy Loan Scheme, which was offset largely by distributions due from a former investment fund that have now been transferred to Financial Assets.

The increase of £5.5m in cash and cash equivalents is due to an increase of £2.1m in NI-CO cash balances due to an increase in the value of trade payables, as well as increases in both the BSDL Group cash balances of £1.9m and an increase in the Invest NI year-end cash and bank balances of £1.5m.

Total Current liabilities have increased by £10.3m from £68.2m to £78.5m. Trade and Other Payables have increased by £13.9m, including an increase of £6.8m in Invest NI grant accruals relating to the timing of the receipt of year-end client grant claims. Trade payables have increased by £6.3m, of which £4.3m relates to Invest NI and £2m relates to NI-CO.

Provisions have decreased from £34.3m to £30.2m. The provisions balance in respect of grants earned in the year but not yet claimed has reduced by £4.2m as a result of the timing of grant claims received as compared to the period in which the grant was earned. There is a current tax liability for the BSDL group of £0.5m, compared to zero for last year, largely due to the timing of the Corporation Tax payment.

Total non-current liabilities at the year-end were £23.5m, a decrease of £1.3m on the previous year. Within this figure, group borrowings due in more than one year have reduced by £0.5m, and the fair value of the BSDL group derivative financial instrument has decreased by £1m to £6m. The deferred tax position liability has increased from £0.4m to £0.6m in recognition of the future tax impact arising from BSDL Group property revaluations.

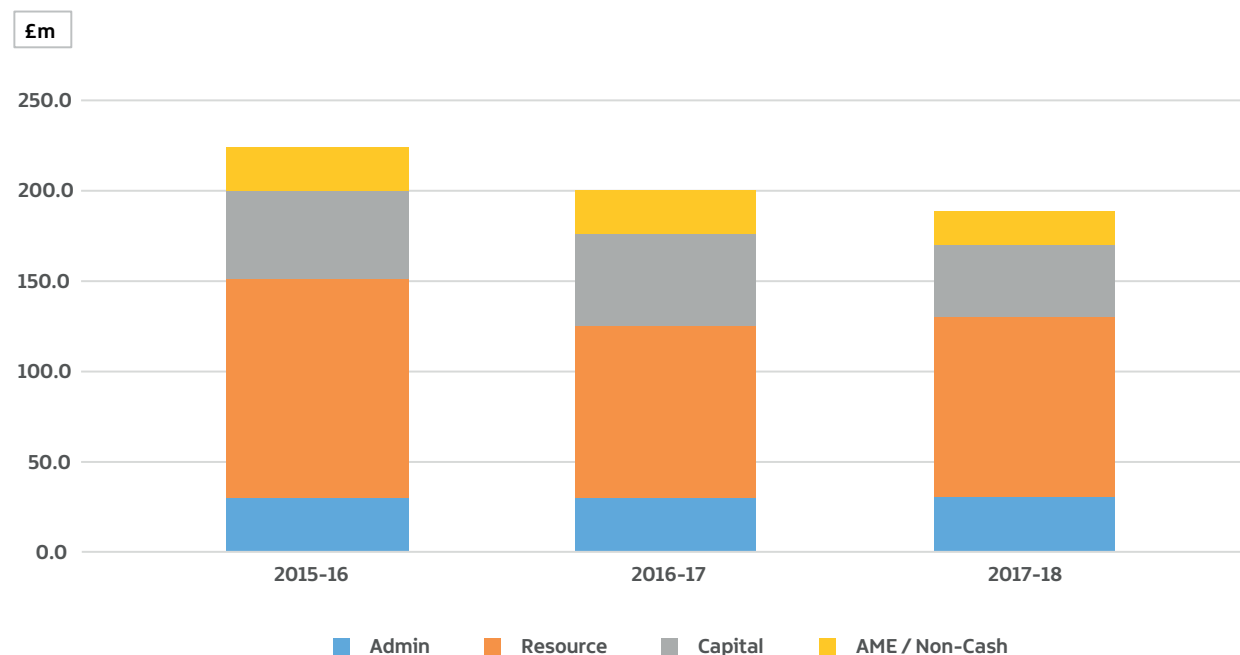
## Long Term Expenditure Trends

	2015-16 Budget Outturn £'000	2016-17 Budget Outturn £'000	2017-18 Budget Outturn £'000
<b>Total Resource DEL *</b>	<b>150,268</b>	<b>127,764</b>	<b>132,315</b>
<i>Of which:</i>			
Administration	28,557	29,300	28,790
Programme	120,150	97,331	101,669
Non-Cash	1,561	1,133	1,856
<b>Total Capital DEL*</b>	<b>46,087</b>	<b>48,568</b>	<b>40,220</b>
<i>Of which:</i>			
Capital Grant	34,718	28,219	28,256
Direct Capital	5,620	3,554	2,767
Financial Transactions	5,749	16,795	9,197
<b>Total AME**</b>	<b>(239)</b>	<b>13,108</b>	<b>(246)</b>
<b>Total Spending</b>	<b>196,116</b>	<b>189,440</b>	<b>172,289</b>
<b>Total Receipts</b>	<b>37,836</b>	<b>31,134</b>	<b>44,726</b>
<i>Of which:</i>			
Resource Receipts	5,053	8,569	8,588
Capital Receipts	5,394	3,645	3,642
EU Receipts including Recyclables	27,389	18,920	32,496

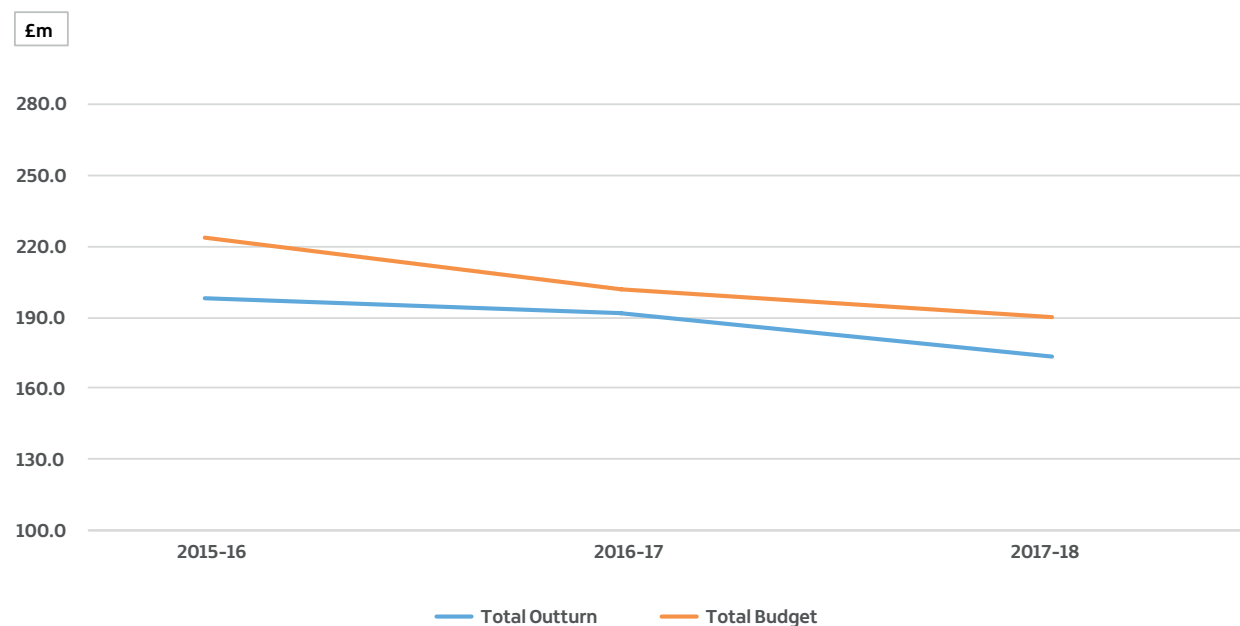
\*DEL (Departmental Expenditure Limits) \*\*AME (Annually Managed Expenditure)

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.

## Analysis of Budget by Type 2015-16 to 2017-18



## Expenditure Outturn v Budget Allocation 2015-16 to 2017-18



## Strategy, Objectives and Future Direction

As we look forward to the second year of Invest NI's Business Strategy, we remain committed to playing a key role in delivering the draft Programme for Government target to make Northern Ireland "a strong, competitive, regionally balanced economy". We will continue to focus on identifying new and emerging opportunities and supporting business across Northern Ireland to prepare to take advantage of these global opportunities.

To compete in a dynamic global economy where emerging technology is driving rapid change, it is essential that Northern Ireland business continues to innovate and build on our existing sectoral strengths. The new UK Industrial Strategy has identified key areas that will present significant global market opportunities over the next 5-10 years and where the UK has potential to achieve a global leadership position. These industries of the future include Big Data, Artificial Intelligence, Clean Growth, Future of Mobility and Ageing Society. We will work in collaboration with our economic development partners and stakeholders to support our businesses to identify where and how we can play our part in driving this future growth and exploiting these global market opportunities. Northern Ireland already has research expertise and business capability in many of these emerging technology areas. Our existing research and competence centres in connected health, sustainable energy, agri-food, advanced engineering and ICT enhance our growing international reputation and provide further evidence of our global capability in high-growth markets such as cyber security, financial technology, business and professional services, advanced manufacturing, data analytics, digital and creative industries.

Through our role as a Trusted Business Partner, we will work with our customers across Northern Ireland, our universities and FE colleges, local councils, government departments and the wider business support ecosystem to ensure we deliver synergies. Working together we will provide practical, joined up support to deliver economic growth.

We are acutely aware of the need to support businesses as Brexit draws near. Over this next year, as the UK prepares to withdraw from the European Union, we will introduce tailored support and advice for our customers to enable them to meet the challenges of Brexit and take advantage of new market opportunities. Support will include Brexit Healthchecks to identify and prioritise company-specific Brexit challenges, assistance to develop scenario plans, specialist guidance and advice to manage the risks identified, as well as the introduction of new export market development initiatives.

Communication with customers on Brexit is paramount, so we will continue to inform our staff on Brexit issues, making sure our staff and customers are kept aware of ongoing negotiations and emerging implications for business. We will also continue our collaborative work with sector bodies and industry associations, stakeholders and customers to ensure that we are well prepared to support business in the run up to Brexit and beyond.

Looking at the macro picture, global economic activity continues to expand, with growth occurring across all of Northern Ireland's major markets. World trade has also grown strongly in the past year. These conditions provide a positive backdrop for further success for Northern Ireland businesses in the months and years ahead, in spite of the current uncertainties surrounding Brexit, US foreign policy and the wider geopolitical landscape.

Much economic commentary inevitably focuses on the short term. Scanning the future and building on those activities and niches where Northern Ireland has a competitive position will grow in importance in the coming year and beyond. Whilst uncertain times may be a constant, technological and other drivers will continue to provide significant opportunities for Northern Ireland to improve our productivity and wider economic performance in the longer term.

We will continue to prioritise and focus on strengthening those sectors and sub-sectors where Northern Ireland has world class capability and the greatest potential to exploit global market opportunities. We will support business to innovate, develop their staff skills and management capability, enhance their productivity and export capability. We will continue to drive initiatives to ensure that Invest NI is a world leading business development agency through Transform, our continuous improvement strategy. We plan to accelerate our investment in digital delivery and this, combined with more agile working, will increase our efficiency and effectiveness to provide world class customer service and business support.

In delivering the above, Invest NI will play a key role within the wider economic development landscape to help transform Northern Ireland into a truly leading, internationally competitive economy that provides opportunities for all.

## **Sustainability Report**

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

### **People**

CR activities have been central to Invest NI achieving Investors in People (IiP) Gold status. To help our staff support businesses in a dynamic and challenging business world, we invest in both commercial skills and trust building relationship skills, thus encouraging personal growth and a 'Trusted Business Partner' approach.

Invest NI's CR activities have also been an important component in achieving the Customer Service Excellence (CSE) Standard. Following this year's CSE assessment we again achieved full compliance against all criteria and in 22 of those criteria the assessor deemed us to be 'Compliance Plus' which makes us the highest accredited organisation in Northern Ireland.

Invest NI continues to drive positive employee engagement throughout the organisation with the support of a team of Engagement Champions. Our leaders committed to a range of actions which improved engagement and this year Invest NI was again accredited as "One to Watch" by Best Companies. In maintaining these standards we continue to demonstrate a strong commitment to providing better customer service, inter-team communication, and greater opportunities for staff to involve themselves in CR opportunities.

Other notable achievements this year in our people agenda have included supporting the mental health of our staff. Through our CR Health & Well-being agenda, we have held a number of 'Well-mind' sessions providing employees with practical techniques to improve their resilience and mental health. We also have an Employee Recognition Scheme with formal recognition events for those people deemed to have gone above and beyond their daily role and shown to be exemplars of Invest NI's vision and values.

### **Social and Community**

Invest NI, as a statutory partner, has been actively engaged with the 11 Councils in the development of Community Plans for their local areas. Whilst our primary focus is on the Economic Development actions emerging from the plans, these will have a positive influence on the future social and environmental wellbeing of the Council areas.

Invest NI is one of a small number of organisations to have been awarded the BITC Corporate Responsibility CORE Benchmarking Standard. In the last year we have worked alongside our new charity partner, Northern Ireland Chest Heart & Stroke, to fundraise over £10,000. We also offer a Payroll Giving Scheme which allows staff to make tax-efficient donations to charities of their choice. Uptake on all of the CR priorities is measured and reported on quarterly via the CR Scorecard and last year our staff were involved in volunteering and fundraising efforts with a wide range of community and voluntary organisations including our new charity partner.

### **Environmental Matters**

We are strongly committed to undertaking environmentally sound practices in the areas of energy, waste and transport. We continue to recycle 97.5 per cent of all general waste in our headquarter building and are currently looking at ways to reduce our paper consumption through the more effective use of our IT systems. Our staff incentive schemes offer Cycle to Work and the Translink Annual Commuter Travelcard schemes. These are offered to all Northern Ireland-based staff. Invest NI has also continued to deliver energy and resource efficiency support to Northern Ireland businesses to assist them to reduce energy use and minimise their waste. This has resulted in identified cost savings of £9.2 million to date, and helped them to meet their environmental objectives.



**Alastair Hamilton**  
Accounting Officer  
Date: 26 June 2018



# 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 2018.

### Results

The net expenditure for the year is £105,048,000 (2017: £131,090,000).

### 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

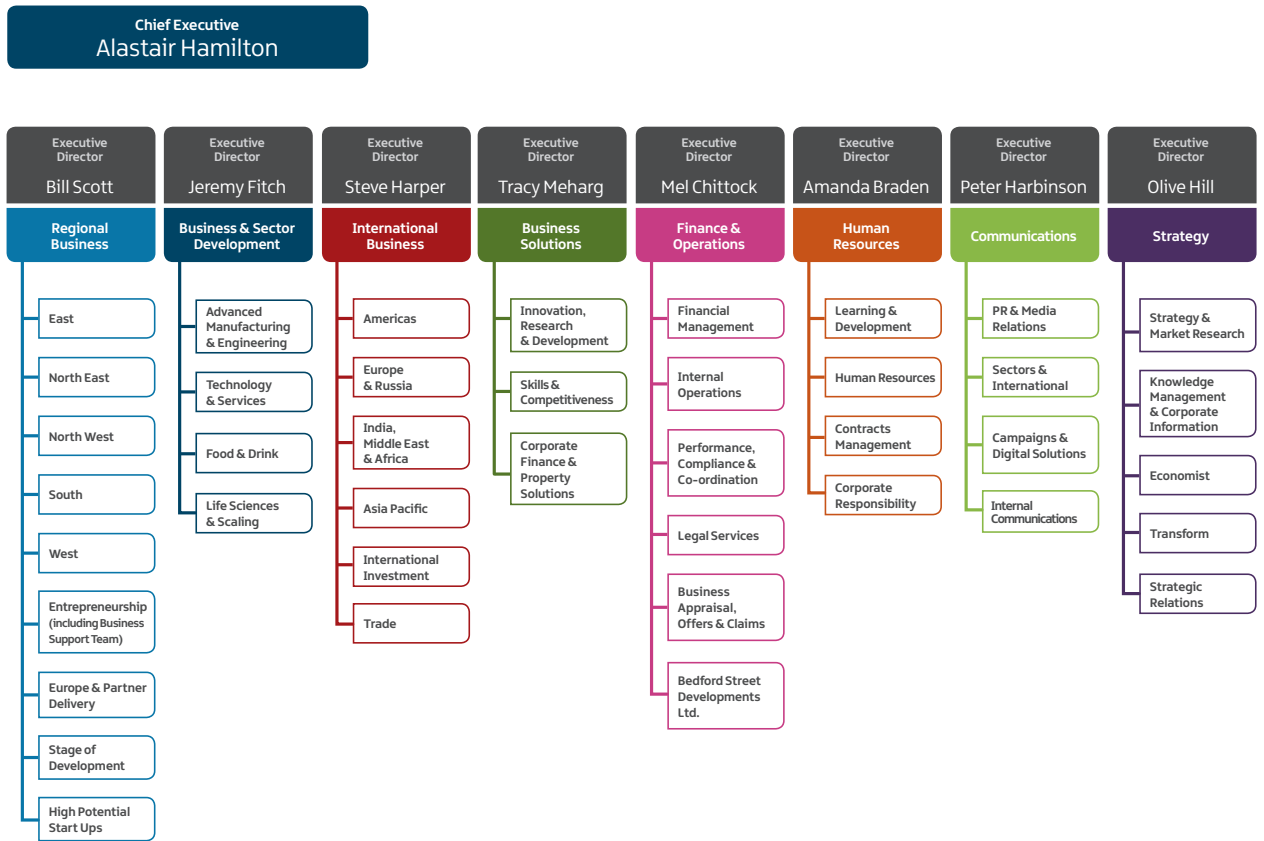
Mark Ennis	Chairman
Gerard O'Hare	Deputy Chairman
Ken Nelson	
Scott Rutherford	
Rose Mary Stalker	
Deborah Lange	
Mark Nodder	
Mark Sweeney	
Padraig Canavan	
Brian Baird	
Peter McNaney	Resigned 1 October 2017
Judith Totten	

### Executive Leadership Team (ELT)

Alastair Hamilton	Chief Executive
Tracy Meharg	Executive Director, Business Solutions
Jeremy Fitch	Executive Director, Business and Sector Development
Mel Chittock	Executive Director, Finance and Operations
Amanda Braden	Executive Director, Human Resources
Bill Scott	Executive Director, Regional Business
Olive Hill*	Acting Executive Director, Strategy
Steve Harper	Executive Director, International Business
Peter Harbinson	Executive Director, Communications

\* Donal Durkan was seconded to Belfast City Council in 2015-16. Olive Hill has been temporarily appointed to the role of Acting Executive Director, Strategy since December 2015. Donal returned to Invest NI on 4 April 2018.

## 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 2017-18 Invest NI paid approximately 98 per cent of invoices (2016-17: 97 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 2017-18 Invest NI paid approximately 95 per cent of invoices (2016-17: 93 per cent) within the ten working day target.

### Register of Interests

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

### Personal Data Related Incidents

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

## Estate Management Strategy

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

## Invest NI Complaints and Feedback Process

Customer focus is at the heart of Invest NI's organisational culture, whereby our staff work together as one team with the aim of satisfying the needs of our customers and providing a world class experience. A key part of this is to recognise that customer feedback, both positive and negative, is a way of identifying improvements and allowing us to take corrective action when something goes wrong.

The Invest NI Complaints and Feedback Policy requires that all complaints, whether raised informally as part of business as usual interaction with customers, or formally through the Complaints Manager, are acknowledged within one working day, with a response to be provided within ten working days. If it is not possible to provide a response within this timeframe, the customer should be advised accordingly and a revised timeline for a resolution provided.

If a complainant remains dissatisfied with the response to a formal complaint, a review can be requested by contacting the Chief Executive's office. Should a resolution not be possible at this stage, customers have the option to refer their complaint to the Northern Ireland Public Services Ombudsman for independent review.

The Complaints and Feedback Policy provides guidance to staff on a number of areas, including: how to identify when feedback should be treated as a complaint; and how to capture and share positive feedback to reinforce behaviour that exceeds customer expectations. In 2017-18 a total of seven (2016-17: 13) complaints were received through this process, three (2016-17: five) of which were raised formally. Two of the seven complaints were not upheld.

Five out of the seven complaints (71 per cent; 2016-17: 75 per cent) had a response issued within ten working days. In all cases where a resolution was not possible within the ten working day timeframe, customers were informed and a revised timeline was indicated. A total of 29 cases of negative feedback (2016-17: 34), not requiring a response within the ten day timeframe, were also recorded. In addition, a request to review the response to a formal complaint was received in March 2017. The outcome of this review was communicated to the complainant in April 2017. The complainant has subsequently approached the Ombudsman's office, which has made a request for information from Invest NI in order to assess whether or not to investigate. This process is ongoing.

The details of all complaints are recorded centrally and analysed to identify repeating trends or themes. These trends are then used to drive improvement in our processes and services as part of an overall programme of improvement. Of the five complaints which were upheld during 2017-18, two related to instances where the information provided was not of an acceptable standard. In these cases, an apology was issued and additional training provided to minimise recurrence. In another two cases, further engagement with the customer was undertaken to improve communication and set the correct level of expectation. The fifth case related to physical access to the building, and while it was concluded that the access exceeded the statutory requirements, additional signage was provided to address the issues raised. Invest NI's progress against the ten day target for responses is reported through our Standards of Service.

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

### **Statement of disclosure of information to auditors**

As Accounting Officer at the date of the approval of these financial statements, as far as I am aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- I have taken all the steps I ought to have taken as Accounting Officer in order to make myself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

### **Statement of Accounting Officer's Responsibilities**

Under the Industrial Development Act (Northern Ireland) 2002, DfE (with approval from 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, changes in taxpayers' equity 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.

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.

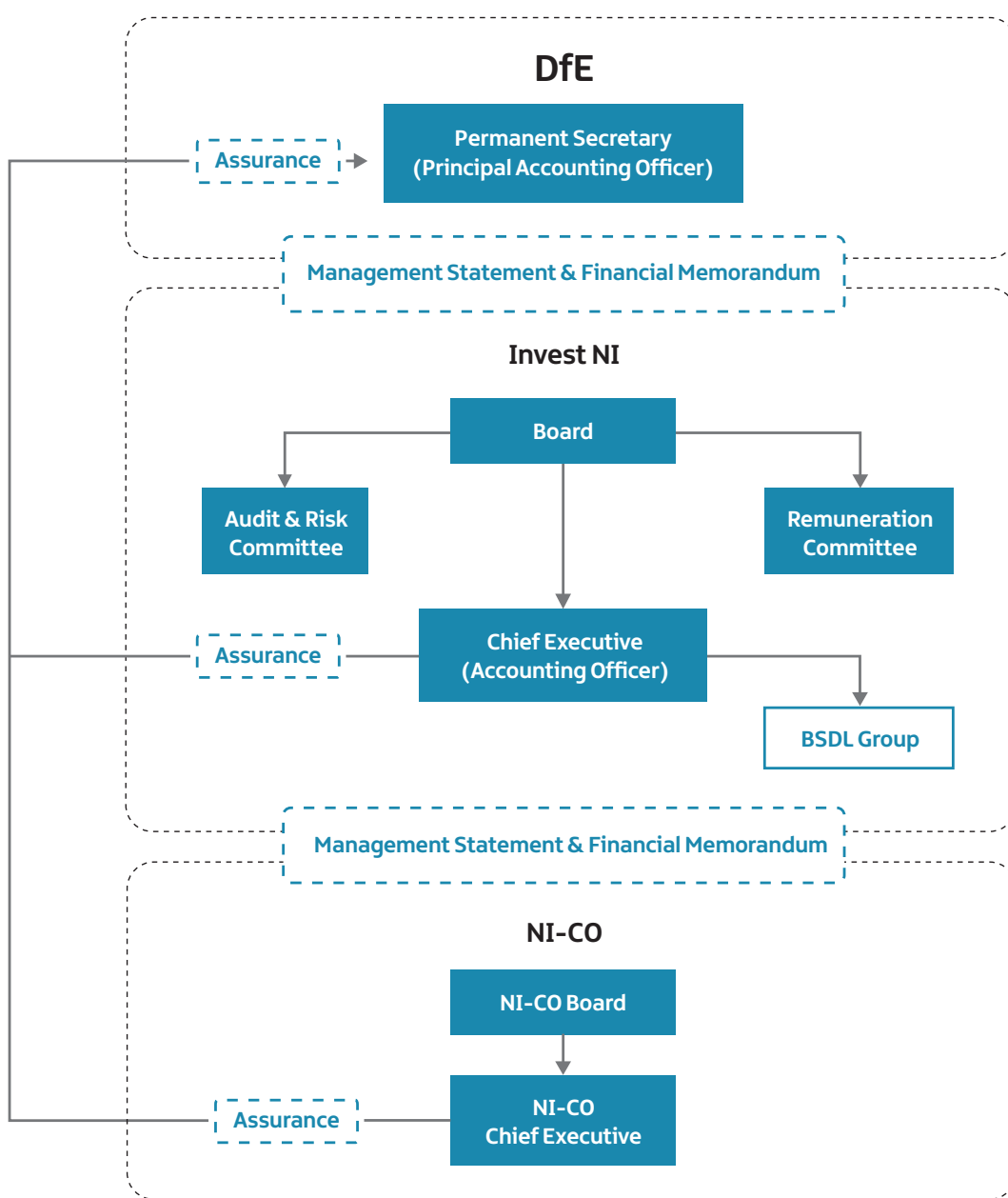
# Governance Statement Year ended 31 March 2018

## 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 2017-18 and up to the date of approval of the Annual Report and Accounts, and accords with DoF guidance.

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

## Invest NI's Governance Framework



## Responsibilities of the Board and Chairman

Invest NI has a Board comprising a Chairman and ideally not fewer than 10 or more than 20 other members. There are currently 11 Board members (including the Chairman), with one member having left in September 2017. All appointments to the Board are made in accordance with the Code of Practice published by the Commissioner for Public Appointments Northern Ireland. DfE is responsible for appointing the Board members with the final decision resting with the Minister.

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

The role of the Chairman is to provide leadership, strategic support, corporate governance direction, and to represent Invest NI in the local and international business communities. The Chairman 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 Chairman and Board are set out in the Management Statement and Financial Memorandum.

## Conflicts of interests

Board members are asked to declare any conflict of interest related to meeting agendas or casework panels they may be attending. On the identification of any conflict of interest, either the relevant Board member(s) would be excluded from the discussions/decision-making related to the conflicted area of business or, in the case of casework panels, an alternative Board member would be selected. Further details regarding Related Party Transactions are on page 112.

## Board performance and effectiveness

In 2017-18 the Board met 10 times. There is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation, introductions to the senior management team and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. In February 2018 the Board undertook its annual strategy workshop, which involves a review of the organisation's performance against its objectives and targets, a strategic forward look and in-depth presentations and discussions on specific topics, including an analysis of the risks faced by Invest NI.

The Board completed a self-assessment exercise in 2016-17 which indicated that members felt that the Board is operating effectively and in line with what is considered to be good practice. An action plan was developed to target a small number of areas for improvement, with further activity during 2017-18 to address the points raised.

Many of the questions in the evaluation relate to the Board's assessment of the quality of information provided to it. The responses to these questions indicate that the Board is content that the level and quality of reporting assists in its decision making. Specifically, the average response to the statement 'The Board is satisfied that the information provided to it is both timely and accurate' was 4 out of 4, indicating unanimously strong agreement.

## Board attendance 2017-18

Name of Board member	Board meetings attended per Board member (out of a possible 10 <sup>1</sup> )	Audit & Risk Committee meetings attended per Committee member (out of a possible 5 <sup>1</sup> )	Remuneration Committee meetings attended per Committee member (out of a possible 2)
Mark Ennis	10	N/A	2
Brian Baird	5 <sup>2</sup>	N/A	N/A
Padraig Canavan	8	N/A	N/A
Deborah Lange	9	5	2
Peter McNaney	4 <sup>3</sup>	3 <sup>4</sup>	N/A
Ken Nelson	8	N/A	N/A
Gerard O'Hare	8	5	2
Mark Nodder	7	N/A	N/A
Scott Rutherford	9	4	N/A
Rose Mary Stalker	9	1 <sup>5</sup>	2
Mark Sweeney	10	N/A	N/A
Judith Totten	8	5	N/A

### Notes:

<sup>1</sup>Except where noted.

<sup>2</sup>Out of a possible 6 (due to pre-arranged, unpaid leave of absence).

<sup>3</sup>Out of a possible 5 (stepped down from Board after September 2017 meeting).

<sup>4</sup>Out of a possible 3 (stepped down from Board/ARC after September 2017 meeting).

<sup>5</sup>Out of a possible 2 (appointed to ARC ahead of November 2017 meeting).

## Board Succession Management

There were no new appointments to the Board during the 2017-18 financial year. With four Board members having reached the end of their first term on 31 March 2017, three of those members were extended for a period pending Ministerial/Permanent Secretary approval for their full second term. Due to other commitments, Peter McNaney stepped down from the Board following the September 2017 meeting. Four other Board members reached the end of their second term on 31 March 2018, but also agreed to an extension of this term pending Ministerial/Permanent Secretary approval of new appointments.

A succession strategy is being agreed with the DfE for all new appointments required to the Board.

## Board Committees

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

- Audit & Risk Committee
- Remuneration Committee

## **Audit & Risk Committee**

The Audit & Risk Committee is responsible for reviewing and advising on risk management and corporate governance processes, compliance matters and internal and external audit issues.

The Committee currently comprises the Chair (Deborah Lange) plus four other Board members. Meetings are also attended by the Chief Executive, Executive Director of Finance & Operations, the Director of Performance, Compliance and Co-ordination Division, Finance Director, Risk Manager, representatives from DfE, Northern Ireland Audit Office (NIAO), and Internal Audit Service (IAS). The Committee met five times during 2017-18.

The Committee's Terms of Reference include an annual commitment to review its own performance. A self-assessment exercise, drawing on checklists designed by the National Audit Office and NIAO, commenced in December 2017, with the summary of the key findings presented ahead of the Committee's meeting in February 2018. An analysis of the results demonstrates that members felt that the Committee was operating effectively and adhering to good or best practice in all areas. A small number of areas for improvement were identified and an action plan was agreed.

The Committee continues to operate a 'Rolling Agenda' system which ensures that all major issues are reviewed at least on an annual basis. The rolling agenda was amended in February 2018 in order to provide the Committee with an opportunity to discuss particular topics either in greater detail or more frequently. Topics covered by the Committee in 2017-18 included Risk Management Strategy and Policy, including a review of key corporate risks and emerging threats; Invest NI's Whistleblowing Policy; fraud investigation updates; Information Governance, including the introduction of the GDPR; procurement practices; External Delivery Organisations (EDOs); Accountability Grids; Business Continuity Planning, including the risk of Cyber Security attacks; the External Audit by the NIAO; and progress against the Internal Audit Plan.

In the Audit & Risk Committee Annual Report for 2017-18 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 of the Chief Executive. The Committee comprises the Chairman and three other Board members, with meetings attended by the Executive Director, Human Resources. The committee met twice during 2017-18.

## **Board Working Groups**

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



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

## **Executive Committees**

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

### **Internal Audit Committee**

The Internal Audit Committee is an executive committee responsible for reviewing internal compliance issues, implementing action plans and audit recommendations, developing internal control systems and providing advice to the Audit & Risk Committee. The Committee met twice during 2017-18 and was chaired by the Executive Director, Finance & Operations. Issues discussed included reviews of the audit strategy and annual plan, progress against the annual audit plan, reviews of EDOs and IAS quality assessment. The Committee comprises a number of other Executive Directors, Directors and representatives from IAS, and has agreed terms of reference, which were updated in February 2018.

### **Executive Leadership Team**

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

The ELT meets weekly, with one meeting per month focused on financial and governance matters and one full day meeting per month focused on strategic direction. It regularly reviews the performance of the organisation against agreed targets, monitors budget requirements and outturn, and ensures implementation of agreed actions to achieve Invest NI's strategic, operational and financial objectives.

## **Other guidance and policies**

### **Code of Ethics and Conduct**

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

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

## Bribery, Fraud Prevention and Whistleblowing Policies

Invest NI requires all staff to act honestly and with integrity and to safeguard the public resources for which they are responsible. Invest NI procedures stipulate that any suspected or alleged fraud (anonymous or otherwise) must be reported to the Audit & Risk Committee and IAS (who in turn inform NIAO), investigated and, where appropriate, referred to the police at the earliest juncture. 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 2017-18 is outlined in the table below.

Governance Process	Guidance Documents	Incidents Reported in Year
<b>Bribery</b>	Anti-Bribery Compliance Policy and Guidance Manual	None
<b>Public Interest Disclosure</b>	Whistleblowing Policy	None
<b>Fraud Prevention</b>	Anti-Fraud Policy and Fraud Response Plan	Three suspected cases were notified to the NIAO in line with the Invest NI Fraud Response Plan.

Three cases reported in previous years are still under investigation with one case resulting in a decision by the Public Prosecution Service to prosecute, although charges were later dropped. In addition, two further cases of suspected fraud are being investigated internally to substantiate the claims made and to determine if further action and notification is warranted. Progress on outstanding cases are monitored by the Audit & Risk Committee and the Internal Audit Committee.

## Invest NI's compliance with the Corporate Governance Code

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

## Relationship with subsidiary company NI-CO

Invest NI's relationship with its subsidiary NI-CO is set out in the Management Statement and Financial Memorandum agreed between the two organisations. This 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 Management Statement and Financial Memorandum is being reviewed, with work ongoing with NI-CO, DfE and DoF to finalise the relationship framework between Invest NI and NI-CO.

## 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 are the Invest NI Executive Directors of Human Resources and Finance and Operations who receive no remuneration from BSDL. The BSDL Group directors present the audited BSDL annual financial statements to the Invest NI Accounting Officer prior to consolidation into the Invest NI annual accounts. The Invest NI policies and procedures, including all governance arrangements, have been adopted by the BSDL group. 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 2017-18.

## Relationships with Arm's Length Bodies

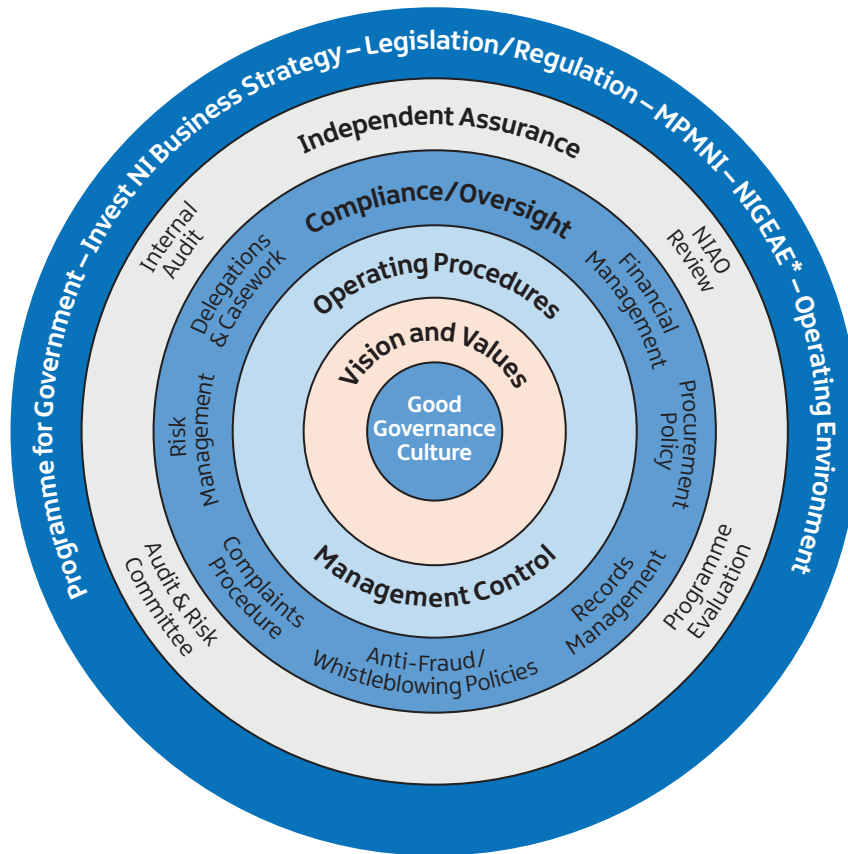
Written contractual or partnership agreements are in place with Arm's Length Bodies (known as EDOs) or Service Providers who deliver specific services or activities on behalf of Invest NI. These agreements also set out the performance and reporting requirements, which in turn are monitored by designated 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, an annual rolling inspection programme of EDOs and their management by Invest NI is carried out by external consultants. A summary of the outcomes of the reviews carried out during 2017-18 can be seen in the Internal Audit section of this statement.

## Ministerial directions

There were no ministerial directions received during 2017-18.

## 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.



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

## Risk Management policy

The Board, Chief Executive, and 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, previously two separate documents which were reviewed and combined into one overarching document in 2017-18. The Risk Management Strategy and Policy was approved by the Audit & Risk Committee at its meeting in September 2017.

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

The Risk Register is subject to a quarterly review by Performance, Compliance and Co-ordination Division, 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 2017-18 three new risks were identified and added to the Corporate Risk Register as part of the review process. Four risks were removed and/or downgraded from Corporate to Group Registers as they had been effectively managed to an acceptable level of risk. Key risks and uncertainties have been discussed in more detail on pages 9-10. Invest NI continued to monitor longer term threats through the Emerging Risk Register, which was introduced in September 2015 to analyse developing hazards that were relatively remote but which had the potential to impact on the organisation's business. The Emerging Risk Register was updated and approved by Board at its May 2017 and October 2017 meetings.

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

## **Business Continuity**

Business Continuity and Recovery Plans have been developed for the organisation and Business Continuity responsibilities and corporate governance structures have been clearly defined and communicated. Business Continuity arrangements are regularly monitored, tested and improved. A desktop training exercise, designed to simulate an incident and test the organisation's readiness to respond, was conducted in October 2017, with actions taken to address lessons learned from this exercise. There were no major incidents during the year that required implementation of the Business Continuity Plan. An update was provided to the Audit & Risk Committee at its February 2018 meeting.

## **Data Security**

Invest NI continues to maintain an Information Security Management System independently certified to ISO 27001 to protect the confidentiality, integrity and availability of corporate information. Reviews of Invest NI's Information Security Management System were carried out by IAS and by external ISO auditors during 2017-18, with no significant issues identified. Security matters are reviewed by an Information Governance Group which met four times during the year. All approved USB devices, Invest NI laptops and mobile data devices are encrypted. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements.

During the year there were a number of losses involving portable data storage devices and incidents relating to unauthorised disclosure of information, the majority of which had a mitigated risk rating of 'medium' or 'low'. Two incidents had a mitigated rating of 'high' due to the nature of the information disclosed, however none were deemed necessary to report to the ICO as no significant risk was posed to individuals. All of the incidents were contained and where necessary processes updated to mitigate against future risk. All staff have completed annual mandatory information security training.

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

## Group Assurance Statements on Internal Control

During 2017-18 each of the Executive Directors conducted a quarterly review and provided me with Assurance Statements on Internal Control for their areas of responsibility. These reviews and the completion of the Assurance Statements were supported by the use of Internal Control checklists. Key findings were discussed with me and this work helped inform my bi-annual Assurance Statements to the DfE Permanent Secretary.

## Internal Audit

IAS, the internal auditor of Invest NI, operates to standards defined in the Public Sector Internal Audit Standards. The work of IAS carried out in the year was based on the three year (2017-18 to 2019-20) Audit Strategy agreed with management and approved by the Audit & Risk Committee at its meeting in May 2017. The overall strategy and plan for 2017-18 were formulated with due consideration given to the key corporate and operational risks to which Invest NI is exposed. The Audit & Risk Committee reviewed progress at each regular meeting and approved a revision to the plan at its September 2017 meeting and a one year extension to the audit strategy period at its February 2018 meeting. The analysis of risks and the internal audit plans and reports are also reviewed by the Internal Audit Committee. 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 2017-18 audit plan.

	Satisfactory	Limited	TBC
Final Reports	4	0	0
Draft Reports	3	0	0
Fieldwork	0	0	2

There were no IAS Audit Reports that received a limited opinion in 2017-18.

Fieldwork is complete for the two reviews identified in the table above for which draft reports have not yet issued. These are at final review stage which includes the EU Audit Authority quality assurance process. In addition there were a number of consultancy reviews completed for which no opinion is provided.

During 2017-18 work continued on the ongoing programme of EDO inspections and sponsor control reviews. While the reports from the 2017-18 programme have yet to be issued, no significant issues have been identified to date. In addition, a number of inspection and sponsor control reviews, for which fieldwork was completed as part of the 2016-17 programme, have progressed to final or draft report stage, with all reports achieving at least a satisfactory opinion.

Internal Audit has been informed of the decision by DoF not to give retrospective approval to the expenditure that was committed to the Skills Growth Programme after 31 December 2015. Internal Audit completed a review of Casework Management in Invest NI during 2017-18 and is content that the issue of the approval of the extension to the Skills Growth Programme was not representative of the normal practice within Invest NI. While Internal Audit recognises the significance of this case, it is not considered that it reflects a systemic weakness in the system of Risk Management, Control and Governance within Invest NI and as such does not impact on the overall satisfactory Internal Audit opinion provided to Invest NI.

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 2017-18 year. IAS's overall audit opinion reflects the positive results from the audit work undertaken in the year.

## Skills Growth Programme

### Summary

In January 2018 Invest NI brought forward casework to DfE and DoF to request approval for a final nine month extension to the Skills Growth Programme. As part of the casework process, DoF requested further information regarding a previous two year extension to the programme, which had been approved by the relevant delegated authority within Invest NI. This was done under the Invest NI amendments policy which delegates approval of extensions up to, but not exceeding, 24 months without reference to the original approver. DoF has subsequently determined that this extension did not fall under that policy.

### Background

Approval had originally been granted by DETI (the Department of Enterprise, Trade and Investment) and DFP (the Department of Finance and Personnel) (now DfE and DoF) in 2013 for a three year programme up to December 2015. The approval was subject to a number of standard conditions, including that the start date of the project would not be delayed by more than 24 months, that there would be no substantial changes to the scope and scale of the project as outlined in the business case, and that resource or capital costs and assumptions would vary by no more than 10 per cent.

The project commenced as planned within the agreed timelines, and the timing of the programme was subsequently extended by Invest NI for a further two years within the original budget allocation. The result of this was a new end date of December 2017 but no additional expenditure. Invest NI considered that it had the authority to approve this extension and that no further approval was required from DETI or DFP. This decision was taken on the basis that the programme spend would not exceed the amount approved by DFP and would be within the 10 per cent tolerance outlined; there would be no significant change in the scale or scope of the programme; the funds would be utilised for the same purpose as outlined in the original business case; and the extension would not exceed 24 months.

The original approved amount of £31m was not exceeded, it is recognised that there were no value for money issues raised in respect of the two year extension, and steps have been taken to ensure that the misinterpretation of the conditions of approval will not reoccur. However, DoF has determined that due to the misinterpretation of the original conditions of approval, retrospective approval will not now be granted.

As a result, the total expenditure of £3m claimed under the total offers of support of £13.4m issued by Invest NI against this programme during the two year period after 31 December 2015, has been determined to be irregular. The £3m expenditure claimed to date under these offers included £2.095m in 2017-18 with the balance in the preceding two years.

### **Future actions**

Invest NI is reviewing and updating its policies in the context of the DoF decision, to ensure clarity going forward. In addition, Invest NI will review the balance of outstanding commitments under the remaining letters of offer and will consider whether the matter can be resolved for future years.

### **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 which also had an impact on, or potential relevance to, Invest NI.

A total of 27 recommendations have been added to the Accountability Grids as a result of the circulation by DfE's Corporate Governance, Accountability and Casework team of a summary of a number of Westminster Public Accounts Committees. None of the 27 new recommendations have a specific relevance for Invest NI.

A summary of the Accountability Grids was reviewed by the Audit & Risk Committee in November 2017, at which point there were a total of 322 recommendations in the grids.

Invest NI is taking forward actions relating to five of the recommendations. While these actions represent minor enhancements to existing arrangements, no major gaps or system issues have been identified.

### **NIAO Reports**

In September 2017 NIAO published a Value For Money Study on Invest NI's Access to Finance programme. The study made 10 recommendations under five areas. Invest NI and DfE have developed an action plan to take forward the recommendations.

### **Significant internal control problems**

No significant internal control problems have been identified.

### **Public Accounts Committee Issues**

There were no Public Accounts Committee issues raised in 2017-18.



## Conclusion

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

# Remuneration and Staff Report

## Remuneration Report Year ended 31 March 2018

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

### Chairman and Board members

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

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

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

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

	Salary	Benefits in kind	Salary	Benefits in kind
	2017-18	2017-18	2016-17	2016-17
	£'000	£	£'000	£
Mark Ennis (Chairman)	43	-	42	-
Ken Nelson	12	100	12	-
Gerard O'Hare	12	-	12	-
Scott Rutherford	12	-	12	-
Rose Mary Stalker	12	200	12	-
Deborah Lange	12	200	12	200
Mark Nodder	12	-	12	-
Mark Sweeney	12	600	12	200
Padraig Canavan	12	-	12	-
Brian Baird	8	-	12	-
Peter McNaney (resigned 1 October 2017)	6	-	12	-
Judith Totten	12	-	12	-

Benefits in kind have been rounded to the nearest £100 in the table above.

## 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 of 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 SCS remuneration arrangements are 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. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have eight pay points) to allow progression through the pay scales within a reasonable period of time.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. The pay award for SCS staff for 2017-18 was finalised in May 2018 and a pay remit has been submitted to DoF for approval.

## Service Contracts

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. One individual has been temporarily appointed to a position within ELT. 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 can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org)

## Salary 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):

	2017-18				2016-17			
	Salary	Benefits in kind	Pension Benefits*	Total	Salary	Benefits in kind	Pension Benefits*	Total
	£'000	(to nearest £100)	(to nearest £1000)	£'000	£'000	(to nearest £100)	(to nearest £1000)	£'000
<b>Chief Executive:</b>								
Alastair Hamilton	195-200	-	(5)	190-195	195-200	-	75	265-270
<b>Executive Directors:</b>								
Mel Chittock	90-95	-	7	95-100	90-95	-	29	120-125
Jeremy Fitch	95-100	-	25	120-125	95-100	-	48	140-145
Amanda Braden	70-75	-	29	95-100	65-70	-	27	95-100
Bill Scott **	70-75	-	(1)	65-70	75-80	-	25	100-105
Peter Harbinson	70-75	-	9	75-80	65-70	-	24	90-95
Brian Dolaghan ***	-	-	-	-	35-40 (85-90 FYE)	-	32	65-70
Oonagh Hinds ***	-	-	-	-	30-35 (65-70 FYE)	-	(121)	(85-90)
Olive Hill	70-75	-	4	75-80	70-75	-	28	95-100
Steve Harper (from 26 September 2016)	90-95	-	36	125-130	45-50 (FYE 90-95)	-	19	65-70
Tracy Meharg (from 2 September 2016)	100-105	-	5	105-110	55-60 (100-105 FYE)	-	20	75-80

The salary figures included in the table above reflect what was paid to the individuals during 2017-18, 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.

\*\* This individual was temporarily promoted to the post of Acting Executive Director, International Business until 30 September 2016, when he returned to his substantive post within ELT.

\*\*\* This individual was not in a post subject to disclosure during the current reporting period.

**Median salary**

The following section is subject to audit

	2017-18	2016-17
	£'000	£'000
Band of Highest Paid Director's Total Remuneration	195-200	195-200
	£	£
Median Total Organisation Remuneration	31,446	31,446
Ratio	6.3	6.3

The banded, full time equivalent, annualised total remuneration of the highest paid director has been included in the table above.

The ratio calculated above is based on the mid-point of the Band of Highest Paid Director's Total Remuneration.

Remuneration ranged from £17,000 to £195,000-£200,000 (2016-17 £14,000 (full time equivalent) to £195,000-£200,000).

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.

**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 ex gratia payments.

**Bonuses**

No member of ELT received any bonuses during 2017-18 or the previous year.

## Pension Entitlements

Pension details of ELT as at 31 March 2018 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Alastair Hamilton	35-40 plus nil lump sum	0-2.5 plus nil lump sum	476	473	(9)
Mel Chittock	25-30 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	583	540	5
Jeremy Fitch	30-35 plus 80-85 lump sum	0-2.5 plus (0-2.5) lump sum	619	572	8
Amanda Braden	10-15 plus nil lump sum	0-2.5 plus nil lump sum	124	102	15
Bill Scott	30-35 plus 90-95 lump sum	0-2.5 plus 0-2.5 lump sum	643	604	(2)
Peter Harbinson	20-25 plus nil lump sum	0-2.5 plus nil lump sum	419	385	7
Olive Hill	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	530	492	3
Steve Harper	0-5 plus nil lump sum	0-2.5 plus nil lump sum	31	10	14
Tracy Meharg	35-40 plus 105-110 lump sum	0-2.5 plus 0-2.5 lump sum	778	725	4

Invest NI made no contributions to partnership pension schemes in respect of any member of ELT.

## Northern Ireland Civil Service (NICS) Pension Schemes

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

The **alpha** pension scheme was introduced for new entrants from 1 April 2015. The **alpha** scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the **classic**, **premium**, **classic plus** and **nuvos** pension arrangements also moved to **alpha** from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to **alpha** and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to **alpha** on 1 April 2015 or at a later date determined by their age. **Alpha** is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

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

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

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (**classic**, **premium** and **classic plus**).

From April 2011, pensions payable under **classic**, **premium** and **classic plus** are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of **premium** or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 – 31 March 2019 are as follows:

### Scheme Year 1 April 2018 to 31 March 2019

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - Classic members or classic members who have moved to alpha	Contribution rates - All other members
From	To	From 1 April 2018 to 31 March 2019	From 1 April 2018 to 31 March 2019
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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 3% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in **alpha** is linked to the member's State Pension Age but cannot be before age 65.

Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>

### Cash Equivalent Transfer Values

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

### 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 and no member of ELT retired early in either the current or previous year.

### 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.



## Staff Report

### Staff Costs

The following section is subject to audit

	Group			
	Permanently employed staff £'000	Others* £'000	2017-18 Total £'000	2016-17 Total £'000
Salaries and wages	22,104	2,979	25,083	26,010
Social security costs	2,402	11	2,413	2,342
Other pension costs	5,030	22	5,052	5,018
<b>Sub total</b>	<b>29,536</b>	<b>3,012</b>	<b>32,548</b>	<b>33,370</b>
Recoveries in respect of outward secondments and others	(312)	-	(312)	(360)
External secondees and temporary staff including irrecoverable VAT	-	428	428	199
<b>Total net costs</b>	<b>29,224</b>	<b>3,440</b>	<b>32,664</b>	<b>33,209</b>
Of which:				
<b>Charged to administration</b>	<b>26,773</b>	<b>440</b>	<b>27,213</b>	<b>27,726</b>
Charged to programme	2,451	3,000	5,451	5,483

	Invest NI			
	Permanently employed staff £'000	Others* £'000	2017-18 Total £'000	2016-17 Total £'000
Salaries and wages	21,289	2,979	24,268	25,257
Social security costs	2,322	11	2,333	2,267
Other pension costs	4,858	22	4,880	4,945
<b>Sub total</b>	<b>28,469</b>	<b>3,012</b>	<b>31,481</b>	<b>32,469</b>
Recoveries in respect of outward secondments and others	(412)	-	(412)	(460)
External secondees and temporary staff including irrecoverable VAT	-	428	428	199
<b>Total net costs</b>	<b>28,057</b>	<b>3,440</b>	<b>31,497</b>	<b>32,208</b>
Of which:				
<b>Charged to administration</b>	<b>25,606</b>	<b>440</b>	<b>26,046</b>	<b>26,725</b>
Charged to programme	2,451	3,000	5,451	5,483

\*Others includes Board members, temporary staff/external secondees and employees who are engaged on a fixed term contract. It also includes staff engaged locally overseas.

Directly employed programme funded staff are engaged to deliver specific programmes in Northern Ireland. These staff members are separately funded and the associated recoupment of administrative costs is reflected within programme expenditure in note 3 'Other Operating Costs'.

## 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 most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £4,880,000 were payable to the NICS pension schemes (2016-17 £4,945,000) at one of three rates in the range 20.8 per cent to 26.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of **alpha** from April 2015. For 2018-19, the rates will also range from 20.8 per cent to 26.3 per cent however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,000 (2016-17: £7,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8 per cent to 14.75 per cent (2016-17: 8 per cent to 14.75 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £ Nil, 0.5 per cent (2016-17: £Nil, 0.5 per cent) of pensionable pay, were payable to the NICS Pension Schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the reporting period date were £Nil (2017: £Nil). Contributions prepaid at that date were £Nil (2016-17: £Nil).

During the year, two individuals (2016-17: one individual) retired early on ill-health grounds. The accruing superannuation liabilities amounted to £1,000 (2016-17: £23,000). There were no early retirements during the year (2016-17: one).

NI-CO contributed £172,000 (2016-17: £74,000) to a defined contribution scheme during the year.

## 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*	2017-18 Total	2016-17 Total
Directly employed	567	4	571	597
Temporary staff/external secondees	-	4	4	3
Board members	-	11	11	12
Locally engaged overseas	-	27	27	31
NI-CO staff	26	-	26	26
<b>Total</b>	<b>593</b>	<b>46</b>	<b>639</b>	<b>669</b>
Of which:				
<b>Charged to administration</b>	<b>506</b>	<b>5</b>	<b>511</b>	<b>532</b>
Charged to programme	61	41	102	111
NI-CO staff	26	-	26	26

Invest NI	Permanently employed staff	Others*	2017-18 Total	2016-17 Total
Directly employed	567	4	571	597
Temporary staff/external secondees	-	4	4	3
Board members	-	11	11	12
Locally engaged overseas	-	27	27	31
<b>Total</b>	<b>567</b>	<b>46</b>	<b>613</b>	<b>643</b>
Of which:				
<b>Charged to administration</b>	<b>506</b>	<b>5</b>	<b>511</b>	<b>532</b>
Charged to programme	61	41	102	111

Information on people	2017-18			2016-17		
	Male	Female	Total	Male	Female	Total
Board members	8	3	11	9	3	12
Senior civil servants (SCS)*	12	8	20	12	6	18
Number of employees (excluding SCS)	262	317	579	270	324	594
<b>Total</b>	<b>282</b>	<b>328</b>	<b>610</b>	<b>291</b>	<b>333</b>	<b>624</b>

\*Senior civil servants are defined as a member of staff at Grade 5 or above. The 20 employees referred to above comprise 1 individual at Grade 1, 4 individuals at Grade 3 and 15 individuals at Grade 5.

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

## Off-payroll engagements

There were no off-payroll engagements requiring disclosure.

## Reporting of Civil Service and other compensation schemes – exit packages

*The following section is subject to audit*

During the prior year, Invest NI implemented a Voluntary Exit Scheme (VES) following the same terms and conditions as the NICS scheme. A total of 17 individuals left under the scheme at a cost of £388,000 and creating an annual reduction in paybill of just over £1m. The operation of this scheme also presented an opportunity for us to continue to effectively align staff to deliver our strategic objectives under Transform, our continuous improvement strategy. There was no such scheme implemented in the current year.

Comparative data is shown (in brackets) for the previous year.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil (Nil)	Nil (3)	Nil (3)
£10,000-£25,000	Nil (Nil)	Nil (9)	Nil (9)
£25,000-£50,000	Nil (Nil)	Nil (4)	Nil (4)
£50,000-£100,000	Nil (Nil)	Nil (1)	Nil (1)
£100,000-£150,000	Nil (Nil)	Nil (Nil)	Nil (Nil)
£150,000-£200,000	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>Total number of exit packages</b>	<b>Nil (Nil)</b>	<b>Nil (17)</b>	<b>Nil (17)</b>
<b>Total resource cost (£)</b>	<b>Nil (Nil)</b>	<b>Nil (388,000)</b>	<b>Nil (388,000)</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## Consultancy costs and temporary staff

Consultancy costs of £Nil (2016-17: £2,000) were incurred and there was expenditure of £10,000 (2016-17: £Nil) on temporary staff during the year.

## Employee-related policies

Invest NI is committed to the development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. In particular, active involvement and communication with employees is conducted both directly and through the recognised Trade Union (NIPSA) in all relevant matters. The organisation is also committed to the continuing development of its staff and to maximising their contribution to the continuous improvement of service delivery.

Staff attendance is actively managed, and the organisation's absence rate for the 2017-18 year was 3.88 per cent including long term sickness (2016-17: 3.44 per cent). In 2016-17 the NI Civil Service's absence rate was 5.7 per cent (the NI Civil Service comparison for the year 2017-18 is not currently available).

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 ensure that all Invest NI employees understand their responsibility for ensuring that their conduct is consistent with Invest NI's determination to provide a neutral and harmonious working environment for staff.

Invest NI's policy on equality of opportunity aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance. All staff attend induction training in Equality and Disability Awareness on joining the organisation and future training is expected to be delivered when due during 2018-19.

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.

The Learning and Development function supports the development of all staff by providing internal and external training to develop skills and expertise. We ensure that all learning interventions are aligned to the business strategy and organisational values.

Invest NI recognises its statutory responsibility to provide healthy and safe working conditions and practices, and believes they are essential to achieving our organisational aims in line with our core vision and values.

# 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:

Waiver/Write off	Group and Invest NI					
	2018 Losses £'000	2018 No. of cases >£250k*	2018 No. of cases <£250k	2017 Losses £'000	2017 No. of cases >£250k*	2017 No. of cases <£250k
Grants recoverable	2,346	4	27	1,241	1	27
Others including investments and accrued income	2,356	-	35	2,058	1	34

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.

At the year-end there are 15 cases of potential losses totalling £17,093,000 (2017: 18 cases totalling £18,750,000) that are under management review. Of these cases £14,906,000 were reported in previous years; £2,187,000 were new cases in 2017-18. The review process is ongoing and since the year-end approvals for waivers/write offs have been obtained for eight of these cases totalling £14,337,000. One of these cases, with a value of £14,179,000 related to Mackie International Limited and Springvale Foundry Limited.

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

\*Individual company names not disclosed due to commercial sensitivity.

### Special payments

	Group and Invest NI	
	2018	2017
Total number of special payments	-	1
	£'000	£'000
Total value of special payments	-	450

### Details of special payments over £250,000

There were no special payments greater than £250,000 in the current year.

## Fees and charges

*This section is subject to audit*

Name of service	Financial objective	Performance against objective	2017-18			2016-17		
			Full cost £'000	Unit cost £	Income received in year £'000	Full cost £'000	Unit cost £	Income received in year £'000
Export Development Service	Not Full Recovery of cost - Service costing more than £1 million	Objective met	4,059	**	473	3,987	**	619

### Reason for subsidy

This service relates to the Export Development Service, which aims to support companies to develop export skills, and to research and develop export markets. There is a fee structure for the programme, but the aim is not to recover the full cost of the service as it has been determined that this would be a disincentive to companies to undertake this activity which would have a significant detrimental impact on export growth and economic development.

\*\* The Export Development Service encompasses a wide range of support measures including trade missions and overseas exhibitions for which there are varying unit costs applicable dependent upon the type of support.

### Remote Contingent Liabilities

*This section is subject to audit*

There are no remote contingent liabilities that require disclosure.



**Alastair Hamilton**  
Accounting Officer  
Date: 26 June 2018

# The Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly

## Opinion on financial statements

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2018 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the group's and of Invest Northern Ireland's affairs as at 31 March 2018 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.

## Qualified opinion on regularity

In my opinion, except for the £2.1 million of expenditure on the Skills Growth Programme described in the basis of opinions section below, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

The Department of Finance did not provide approval for grant expenditure which had been committed to during the period 1 January 2016 to 5 April 2018 for the Skills Growth Programme. In 2017-18 Invest Northern Ireland paid out £2.1 million in relation to grants under the Skills Growth Programme which were committed to during the period in which it did not have approval from the Department of Finance. Consequently, my regularity opinion has been qualified in respect of this expenditure, as the expenditure does not conform to the authorities which govern it.

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



## Other Information

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

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

## Opinion on other matters

In my opinion:

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

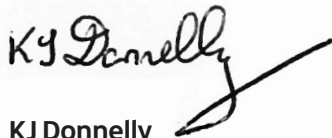
In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities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

### **Matters on which I report by exception**

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

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

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



**KJ Donnelly**

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

28 June 2018

## Consolidated Statement of Comprehensive Net Expenditure – For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Income from sale of goods and services		19,599	15,475
Other operating income		39,684	24,708
<b>Total Operating income</b>	<b>5</b>	<b>59,283</b>	<b>40,183</b>
Staff Costs		(27,213)	(27,726)
Purchase of goods and services		(43,038)	(40,544)
Depreciation and impairment charges		(2,669)	(2,063)
Provision expense		4,140	(3,969)
Other Operating Expenditure		(94,837)	(95,353)
<b>Total operating expenditure</b>	<b>3</b>	<b>(163,617)</b>	<b>(169,655)</b>
<b>Net operating expenditure</b>		<b>(104,334)</b>	<b>(129,472)</b>
Finance income		276	284
Finance expense		(342)	(1,270)
<b>Net expenditure for the year before taxation</b>		<b>(104,400)</b>	<b>(130,458)</b>
Tax	6(i)	(648)	(632)
<b>Net expenditure for the year after taxation</b>		<b>(105,048)</b>	<b>(131,090)</b>

### Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	6(iii)	3,457	2,259
Net (loss)/gain on revaluation of intangible assets	9	(26)	58
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	12	255	28
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2018</b>		<b>(101,362)</b>	<b>(128,745)</b>

All activities derive from continuing operations.

Notes **1 to 25** form part of these accounts.

## Statement of Comprehensive Net Expenditure – Invest NI – For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Income from sale of goods and services		3,726	4,383
Other operating income		38,040	19,939
<b>Total Operating income</b>	<b>5</b>	<b>41,766</b>	<b>24,322</b>
Staff Costs		(26,046)	(26,725)
Purchase of goods and services		(32,238)	(33,695)
Depreciation and impairment charges		(2,196)	(1,568)
Provision expense		4,140	(3,969)
Other Operating Expenditure		(94,837)	(95,352)
<b>Total operating expenditure</b>	<b>3</b>	<b>(151,177)</b>	<b>(161,309)</b>
<b>Net operating expenditure</b>		<b>(109,411)</b>	<b>(136,987)</b>
Finance income		-	-
Finance expense		-	-
<b>Net expenditure for the year before taxation</b>		<b>(109,411)</b>	<b>(136,987)</b>
Tax	6(i)	-	-
<b>Net expenditure for the year after taxation</b>		<b>(109,411)</b>	<b>(136,987)</b>

### Other Comprehensive Net Expenditure

<b>Items that will not be reclassified to net operating expenditure:</b>			
Net gain on revaluation of property, plant and equipment	7	3,201	1,187
Net (loss)/gain on revaluation of intangible assets	9	(26)	58
<b>Items that may be reclassified to net operating expenditure:</b>			
Net gain on revaluation of investments	12	255	28
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2018</b>		<b>(105,981)</b>	<b>(135,714)</b>

All activities derive from continuing operations.

Notes **1 to 25** form part of these accounts.

# Consolidated Statement of Financial Position – As at 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	72,042	68,707
Investment properties	8	6,800	6,500
Intangible assets	9	21,335	21,193
Investments in associates	11	37,157	28,792
Financial assets	12	38,774	29,005
Trade and other receivables	13	10,624	14,795
<b>Total non-current assets</b>		<b>186,732</b>	<b>168,992</b>
<b>Current assets</b>			
Trade and other receivables	13	53,402	45,403
Cash and cash equivalents	14	19,622	14,077
Current tax asset		-	11
<b>Total current assets</b>		<b>73,024</b>	<b>59,491</b>
<b>Total assets</b>		<b>259,756</b>	<b>228,483</b>
<b>Current liabilities</b>			
Trade and other payables	15	(47,306)	(33,429)
Borrowings	16	(512)	(410)
Current tax liability		(466)	-
Provisions	17	(30,204)	(34,344)
<b>Total current liabilities</b>		<b>(78,488)</b>	<b>(68,183)</b>
<b>Total assets less current liabilities</b>		<b>181,268</b>	<b>160,300</b>
<b>Non-current liabilities</b>			
Borrowings	16	(16,904)	(17,430)
Provisions	17	-	-
Derivative financial instruments	19	(5,976)	(6,968)
Deferred tax liability	6(iii)	(601)	(369)
<b>Total non-current liabilities</b>		<b>(23,481)</b>	<b>(24,767)</b>
<b>Total assets less liabilities</b>		<b>157,787</b>	<b>135,533</b>
<b>Taxpayers' equity and other reserves</b>			
Revaluation reserve		7,228	3,828
General reserve		150,559	131,705
<b>Total equity</b>		<b>157,787</b>	<b>135,533</b>

Notes **1 to 25** form part of these accounts.

The financial statements on pages **55 to 119** were approved by the Board on 26 June 2018 and signed on its behalf by:



**Alastair Hamilton**  
Accounting Officer  
Date: 26 June 2018

# Statement of Financial Position – Invest NI

## As at 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	46,503	44,397
Intangible assets	9	1,304	1,162
Investments in subsidiaries	10	17,593	17,593
Investments in associates	11	37,157	28,792
Financial assets	12	38,774	29,005
Trade and other receivables	13	10,624	14,795
<b>Total non-current assets</b>		<b>151,955</b>	<b>135,744</b>
<b>Current assets</b>			
Trade and other receivables	13	51,064	42,981
Cash and cash equivalents	14	2,817	1,303
Current tax asset		-	-
<b>Total current assets</b>		<b>53,881</b>	<b>44,284</b>
<b>Total assets</b>		<b>205,836</b>	<b>180,028</b>
<b>Current liabilities</b>			
Trade and other payables	15	(41,265)	(28,952)
Provisions	17	(30,204)	(34,344)
<b>Total current liabilities</b>		<b>(71,469)</b>	<b>(63,296)</b>
<b>Total assets less current liabilities</b>		<b>134,367</b>	<b>116,732</b>
<b>Non-current liabilities</b>			
Provisions	17	-	-
<b>Total assets less liabilities</b>		<b>134,367</b>	<b>116,732</b>
<b>Taxpayers' equity and other reserves</b>			
Revaluation reserve		5,900	2,756
General reserve		128,467	113,976
<b>Total equity</b>		<b>134,367</b>	<b>116,732</b>

Notes **1 to 25** form part of these accounts.

The financial statements on pages **55 to 119** were approved by the Board on 26 June 2018 and signed on its behalf by:



**Alastair Hamilton**  
Accounting Officer  
Date: 26 June 2018

# Consolidated Statement of Cash Flows

## Year ended 31 March 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Cash flows from operating activities</b>					
Net expenditure after interest before tax			(104,400)		(130,458)
Adjustments for other non-cash transactions	18	2,959		3,131	
Finance costs		342		1,270	
Finance income		(276)		(284)	
(Increase) in trade and other receivables		(8,179)		(10,751)	
Increase/(decrease) in trade and other payables		13,884		(10,126)	
Use of provisions		(4,140)		3,969	
			4,590		(12,791)
<b>Net cash (outflow) from operating activities</b>			<b>(99,810)</b>		<b>(143,249)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,746)		(1,166)	
Purchase of intangible assets		(782)		(122)	
Proceeds of disposal of property, plant and equipment		778		1,268	
Repayments from other bodies		3,424		3,477	
Investment in associates		(13,619)		(9,902)	
Investment in share capital and convertible loan notes		(2,750)		(3,413)	
Loans made to client companies		(2,283)		(11,297)	
Loan interest received		462		570	
Dividends received		12		32	
Interest paid		(1,334)		(1,370)	
Corporation tax paid		8		(365)	
<b>Net cash (outflow) from investing activities</b>			<b>(17,830)</b>		<b>(22,288)</b>
<b>Cash flows from financing activities</b>					
Financing from DfE		123,616		166,803	
Consolidated fund payments to DfE		(7)		(32)	
Repayment of borrowings		(424)		(406)	
<b>Net financing</b>			<b>123,185</b>		<b>166,365</b>
<b>Net increase in cash and cash equivalents in the year</b>			<b>5,545</b>		<b>828</b>
<b>Cash and cash equivalents at the beginning of the year</b>			<b>14,077</b>		<b>13,249</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>		<b>19,622</b>		<b>14,077</b>

Notes 1 to 25 form part of these accounts.

## Consolidated Statement of Changes in Taxpayers' Equity – Year ended 31 March 2018

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
<b>Balance at 31 March 2016</b>	<b>95,630</b>	<b>1,845</b>	<b>97,475</b>
<b>Changes in Taxpayers' Equity for 2016-17</b>			
Other reserves movements including transfers	334	(334)	-
Comprehensive Net Expenditure for the year	(131,062)	2,317	(128,745)
Grant in aid from DfE:			
Resource	125,102	-	125,102
Capital	41,701	-	41,701
<b>Balance at 31 March 2017</b>	<b>131,705</b>	<b>3,828</b>	<b>135,533</b>
<b>Changes in Taxpayers' Equity for 2017-18</b>			
Other reserves movements including transfers	31	(31)	-
Comprehensive Net Expenditure for the year	(104,793)	3,431	(101,362)
Grant in aid from DfE:			
Resource	100,129	-	100,129
Capital	23,487	-	23,487
<b>Balance at 31 March 2018</b>	<b>150,559</b>	<b>7,228</b>	<b>157,787</b>

Notes 1 to 25 form part of these accounts.



## Statement of Changes in Taxpayers' Equity – Invest NI – Year ended 31 March 2018

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
<b>Balance at 31 March 2016</b>	<b>83,798</b>	<b>1,845</b>	<b>85,643</b>
<b>Changes in Taxpayers' Equity for 2016-17</b>			
Other reserves movements including transfers	334	(334)	-
Comprehensive Net Expenditure for the Year	(136,959)	1,245	(135,714)
Grant in aid from DfE:			
Resource	125,102	-	125,102
Capital	41,701	-	41,701
<b>Balance at 31 March 2017</b>	<b>113,976</b>	<b>2,756</b>	<b>116,732</b>
<b>Changes in Taxpayers' Equity for 2017-18</b>			
Other reserves movements including transfers	31	(31)	-
Comprehensive Net Expenditure for the Year	(109,156)	3,175	(105,981)
Grant in aid from DfE:			
Resource	100,129	-	100,129
Capital	23,487	-	23,487
<b>Balance at 31 March 2018</b>	<b>128,467</b>	<b>5,900</b>	<b>134,367</b>

Notes 1 to 25 form part of these accounts.

# Notes to the Accounts

## Year ended 31 March 2018

### 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 2017-18 *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.

The 2016-17 Statements of Financial Position and Note 13 'Trade Receivables and Other Receivables' have been re-presented to improve presentation in line with guidance from DoF.

#### 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, assets classified as available-for-sale 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.

## 1. ACCOUNTING POLICIES (CONTINUED)

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 and 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.

### Adoption of new and revised standards

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 April 2017 that have had a material impact on the group. Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these financial statements. Management consider that these are unlikely to have a significant impact on the 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.

## 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 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 property

Property that is held for long term rental yield, for capital appreciation or both, and that is not occupied by group companies, is classified as an investment property. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The fair value of investment property 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.

### 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.

## 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

#### General description

Financial assets are classified into the following specified categories: at "fair value through profit or loss" (FVTPL); "held-to-maturity investments"; "available-for-sale" (AFS) financial assets; and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Invest NI's financial assets are mainly classified as AFS and loans and receivables.

Financial assets are recognised and derecognised on a date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the specified timeframe and are initially measured at fair value, net of transaction costs.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest and/or dividend income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

## 1. ACCOUNTING POLICIES (CONTINUED)

### Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as AFS or as held-for-trading, or designated as at FVTPL. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

At each reporting date, the future discounted cash flows are re-estimated, resulting in a change in carrying amount of the asset. The required adjustment is recognised in Net Expenditure.

### Available-for-sale

Financial assets that are not classified as held-to-maturity, held-for-trading, designated as FVTPL, or loans and receivables, are classified as AFS. Financial assets can be designated as AFS on initial recognition. AFS financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as AFS financial assets. Impairment losses and exchange differences resulting from retranslating the cost of foreign currency AFS financial assets are recognised in Net Expenditure together with interest calculated using the effective interest method. Other changes in the fair value of AFS financial assets are reported in a separate component of the General reserve until disposal, when the cumulative gain or loss is recognised in Net Expenditure.

### Impairment of financial assets

Invest NI assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets classified as AFS or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

### Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, Invest NI measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition.

## 1. ACCOUNTING POLICIES (CONTINUED)

Impairment losses are recognised in Net Expenditure and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

### Financial assets carried at fair value

When a decline in the fair value of a financial asset classified as AFS has been recognised directly in reserves and there is objective evidence that the asset is impaired, the cumulative loss is removed from reserves and recognised in Net Expenditure. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value.

### Derecognition

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that Invest NI either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, Invest NI assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the Statement of Financial Position. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, Invest NI assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where Invest NI has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Assets can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

### Financial liabilities

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### Financial liabilities

Financial liabilities of Invest NI, including trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at cost.

### Derivative financial instruments

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

## 1. ACCOUNTING POLICIES (CONTINUED)

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 the reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

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

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

### 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 receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that Invest NI will not be able to recover balances in full. Balances can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

### 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.



## 1. ACCOUNTING POLICIES (CONTINUED)

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

### 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 carried at Invest NI's share of the net assets of the associate.

### 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.

## 1. ACCOUNTING POLICIES (CONTINUED)

### Income

Income represents:

- 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, principally recoupment of costs, client contributions to assistance, 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 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.

## 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

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

### PFI contracts

Upon entering into a PFI contract, Invest NI assesses whether it controls or regulates what services the operator of the contract must provide with the infrastructure, to whom it must provide them and at what price. It also assesses if it controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. If both the above conditions are met, the infrastructure will be recognised on the Statement of Financial Position as an asset.

### 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.

### 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.

### Judgements and key sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are in the areas of valuation of non-current assets, impairment of financial assets and provisions for liabilities. These involve estimation of future cash flows that are inherently uncertain.

## 1. ACCOUNTING POLICIES (CONTINUED)

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 grants 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.

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

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

## 2. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT

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

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

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

The results of NI-CO are included separately overleaf as they do not form part of any of the Invest NI operating segments.

The results of the BSDL Group are included within the Finance and Operations Group.

### Services provided by each segment

- The Business Solutions Group is responsible for providing a wide range of advisory and financial business support. The group works in partnership with the Sector, Regional and International teams to ensure that businesses get the support they need to help them to start, grow, innovate and export.
- The Business and Sector Development Group is made up of four teams that manage client portfolios organised on a sectoral basis. The four teams are Food & Drink; Life Sciences & Scaling; Advanced Engineering & Manufacturing and Technology & Services.
- The Finance and Operations Group provides a range of corporate functions to the wider organisation including financial management, EU structured funds, procurement, corporate risk management, legal advice, equality, information technology, business appraisal, offers and claims management, general governance advice and management of the BSDL Group.
- The Regional Business Group supports new and existing businesses through the Regional Office Network, offering advice and relevant support. The primary objectives of the Regional Business Group are to encourage enterprise and entrepreneurship, to improve the 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.

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

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

Further information about the structure of the organisation is detailed on page 22.

2018	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	58,804	2,431	56,373
Business and Sector Development	40,175	2,524	37,651
Finance and Operations	15,626	38,741	(23,115)
Regional Business	9,278	-	9,278
International Business	14,826	495	14,331
Human Resources	2,663	10	2,653
Communications	5,187	76	5,111
Strategy	1,533	-	1,533
Board and CEO	558	-	558
NI-CO	14,967	15,006	(39)
<b>Total</b>	<b>163,617</b>	<b>59,283</b>	<b>104,334</b>
<b>Reconciliation to CSoCNE</b>			
Net finance costs			66
Tax on ordinary activities			648
<b>Net expenditure for the financial year</b>			<b>105,048</b>

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

2017	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	51,557	2,545	49,012
Business and Sector Development	57,195	137	57,058
Finance and Operations	18,599	25,735	(7,136)
Regional Business	7,201	644	6,557
International Business	14,603	755	13,848
Human Resources	2,590	3	2,587
Communications	5,340	155	5,185
Strategy	1,598	-	1,598
Board and CEO	590	-	590
NI-CO	10,382	10,209	173
<b>Total</b>	<b>169,655</b>	<b>40,183</b>	<b>129,472</b>
<b>Reconciliation to CSocNE</b>			
Net finance costs			986
Tax on ordinary activities			632
<b>Net expenditure for the financial year</b>			<b>131,090</b>

### 3. EXPENDITURE

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Staff costs</b>				
Salaries and wages	25,511	26,208	24,696	25,456
Social security costs	2,413	2,342	2,333	2,267
Other pension costs	5,052	5,019	4,880	4,945
Recoveries in respect of outward secondments and others	(312)	(360)	(412)	(460)
Staff costs charged to programme	(5,451)	(5,483)	(5,451)	(5,483)
Revenue grants	30,024	27,318	30,024	27,318
Innovation, research and development	35,858	33,311	35,858	33,311
Capital grants	17,431	18,474	17,431	18,474
Skills grants and competitiveness programmes	8,097	8,940	8,097	8,940
International Business support	10,925	9,903	10,925	9,903
Promotion and marketing	6,248	6,909	6,244	6,896
Programme support activities	3,365	4,971	3,365	4,971
Property acquisition and development	2,828	4,439	2,848	4,439
Rentals under operating leases	392	414	392	414
PFI (and other service concession arrangements) service charges	-	-	4,903	4,875
Other administration expenses	3,060	3,136	2,850	3,159
Cost of servicing contracts	15,509	11,735	-	-
<b>Non-cash items:</b>				
Depreciation (note 7)	1,716	1,228	1,243	733
Amortisation (note 9)	614	641	614	641
Asset impairment	339	194	339	194
Auditor's remuneration – notional	94	94	94	94
Other notional costs	227	240	227	240
Reversal of notional costs	(321)	(334)	(321)	(334)
(Profit)/loss on disposal of Financial assets and Property, Plant and Equipment	(112)	(184)	(112)	(184)
Debt and financial asset provision (release) (note 4)	(478)	(543)	(478)	(543)
Share of results of associates (note 11)	4,728	7,074	4,728	7,074
<b>Provisions expense</b>				
Provided in the year	27,650	31,202	27,650	31,202
Provisions not required written back	13	(507)	13	(507)
Provisions utilised in the year	(31,803)	(26,726)	(31,803)	(26,726)
<b>Total operating expenditure</b>	<b>163,617</b>	<b>169,655</b>	<b>151,177</b>	<b>161,309</b>



### 3. EXPENDITURE (CONTINUED)

Included within other administration expenses above were fees of £Nil (2017: £1,000) payable to NIAO in respect of non-audit services and £22,000 (2017: £22,000) of fees payable by subsidiaries to the companies' auditors for audit of the subsidiaries' financial statements. NI-CO also incurred fees of £9,000 (2017: £28,000) for non-audit services, which are included within the 'Cost of servicing contracts' heading above.

Invest NI made grant payments of £Nil (2017: £341,000) and payments of £22,000 (2017: £22,000) in respect of non-audit services to PwC (auditors of NI-CO). PwC also rents a premises from Invest NI on a commercial, arm's length basis. Grant payments of £1,483,000 (2017: £Nil) were made by Invest NI to Deloitte (auditors of BSDL Group).

A breakdown of staff costs into permanent staff and others can be found in the Staff Report within the Accountability Report.

### 4. DEBT AND FINANCIAL ASSET PROVISION RELEASE

	Group and Invest NI	
	2018 £'000	2017 £'000
Increase/(decrease) in provision for shares and convertible loan notes	(779)	1,657
Decrease/(increase) in provision for fixed rate loans	(44)	(2)
Adjustment to fair value on re-measurement of loans and receivables under IAS39	(292)	55
(Decrease)/increase in other bad debts provisions	637	(2,253)
	<b>(478)</b>	<b>(543)</b>

## 5. INCOME

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Income from sale of good and services</b>				
Recoupment of programme expenditure and related costs from client companies and third parties	1,533	2,615	1,533	2,615
Other	740	537	733	499
Property rent	2,319	2,114	1,460	1,269
NI-CO turnover	15,006	10,209	-	-
<b>Other operating income</b>				
Fixed rate loan interest	2,055	1,165	2,055	1,165
Variable rate loan interest	-	1	-	1
Share dividend income	360	26	360	26
Other share income	-	-	-	-
Grant clawback	3,362	1,995	3,362	1,995
Core programme receipts from EU	32,263	16,752	32,263	16,752
Consolidated Fund income *	6	14	6	14
Amount payable to the Consolidated Fund*	(6)	(14)	(6)	(14)
Gain on revaluation of Property, Plant and Equipment and Investment Property	1,645	4,769	-	-
	<b>59,283</b>	<b>40,183</b>	<b>41,766</b>	<b>24,322</b>

\* 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. In 2016, the UK Government announced that, should the draft withdrawal agreement, which will allow the UK to continue to participate in all EU programmes up to 2020, not be ratified, the Government would guarantee certain EU funded projects after the UK has left the EU. Invest NI's funds under the ERDF IGJ programme are included within this guarantee.

## 6. TAXATION

### (i) Tax charge in the year

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Analysis of charge in year</b>				
Current tax:				
UK Corporation Tax on taxable income for the current year	495	420	-	-
Adjustments to tax charge in respect of previous periods	(26)	(146)	-	-
<b>Total current tax</b>	<b>469</b>	<b>274</b>	<b>-</b>	<b>-</b>
<b>Deferred tax:</b>				
Origination and reversal of temporary differences	268	340	-	-
Impact of rate changes	(89)	18	-	-
<b>Total deferred tax</b>	<b>179</b>	<b>358</b>	<b>-</b>	<b>-</b>
<b>Total tax charge</b>	<b>648</b>	<b>632</b>	<b>-</b>	<b>-</b>

### (ii) Factors affecting tax charge

	Group	
	2018 £'000	2017 £'000
<b>Net expenditure before taxation</b>	<b>(104,400)</b>	<b>(130,458)</b>
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2017: 20%)	(19,836)	(26,092)
<b>Tax effects of:</b>		
Add: expenditure not deductible for tax purposes	28,727	32,262
Less: income not subject to tax	(7,936)	(4,864)
Tax losses brought forward	(14)	-
Origination and reversal of temporary differences	1	1
Impact of rate changes	(89)	18
Adjustments in respect of previous periods	(26)	(146)
Exempt amounts	(179)	(547)
<b>Total tax charge</b>	<b>648</b>	<b>632</b>

## 6. TAXATION (CONTINUED)

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

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

### (iii) Deferred tax

#### Invest NI

Invest NI has not recognised deferred tax assets of £805,000 (2017: £1,000,000) in relation to brought forward tax losses at 1 April 2017 of £4,239,000 (1 April 2016: £4,943,000), 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 2017 – asset/(liability)	1,186	(94)	(1,102)	(359)	(369)
Credited/(charged) to CSocNE	(169)	-	41	(51)	(179)
Charge to Other Comprehensive Income	-	-	(53)	-	(53)
<b>At 31 March 2018</b>	<b>1,017</b>	<b>(94)</b>	<b>(1,114)</b>	<b>(410)</b>	<b>(601)</b>

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

	Before tax £'000	Tax charge £'000	After tax £'000
Fair value gains:			
<b>Property, plant and equipment</b>	<b>3,510</b>	<b>(53)</b>	<b>3,457</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land £'000	Property £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost/Valuation:</b>					
At 1 April 2017	39,748	31,648	4,446	538	76,380
Additions*	502	13	1,169	62	1,746
Disposals	(1,211)	-	(182)	-	(1,393)
Revaluation (loss)/gain	3,118	1,774	(102)	2	4,792
Impairments/indexation (note 3)	(339)	-	-	-	(339)
<b>At 31 March 2018</b>	<b>41,818</b>	<b>33,435</b>	<b>5,331</b>	<b>602</b>	<b>81,186</b>
<b>Depreciation:</b>					
At 1 April 2017	-	5,047	2,321	305	7,673
Charge for year (note 3)	-	659	1,026	31	1,716
Revaluation (loss)/gain	-	-	-	-	-
Disposals	-	-	(182)	-	(182)
Indexation	-	-	(64)	1	(63)
<b>At 31 March 2018</b>	<b>-</b>	<b>5,706</b>	<b>3,101</b>	<b>337</b>	<b>9,144</b>
<b>Net Book Value:</b>					
1 April 2017	39,748	26,601	2,125	233	68,707
<b>31 March 2018</b>	<b>41,818</b>	<b>27,729</b>	<b>2,230</b>	<b>265</b>	<b>72,042</b>

\*Invest NI Additions are funded by financing received from DfE

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Invest NI				
	Land £'000	Property £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost/Valuation:</b>					
At 1 April 2017	34,748	12,487	4,261	273	51,769
Additions*	502	8	1,160	28	1,698
Disposals	(1,211)	-	(172)	-	(1,383)
Revaluation (loss)/gain	2,818	420	(102)	2	3,138
Impairments/ indexation (note 3)	(339)	-	-	-	(339)
<b>At 31 March 2018</b>	<b>36,518</b>	<b>12,915</b>	<b>5,147</b>	<b>303</b>	<b>54,883</b>
<b>Depreciation:</b>					
At 1 April 2017	-	4,886	2,224	262	7,372
Charge for year (note 3)	-	250	990	3	1,243
Disposals	-	-	(172)	-	(172)
Indexation (note 3)	-	-	(64)	1	(63)
<b>At 31 March 2018</b>	<b>-</b>	<b>5,136</b>	<b>2,978</b>	<b>266</b>	<b>8,380</b>
<b>Net Book Value:</b>					
1 April 2017	34,748	7,601	2,037	11	44,397
<b>31 March 2018</b>	<b>36,518</b>	<b>7,779</b>	<b>2,169</b>	<b>37</b>	<b>46,503</b>

\*Invest NI Additions are funded by financing received from DfE

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group				
	Land £'000	Property £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost/Valuation:</b>					
At 1 April 2016	39,327	29,672	3,817	506	73,322
Additions*	244	2	669	32	947
Disposals	(1,184)	(771)	(271)	-	(2,226)
Revaluation (loss)/gain	1,555	2,745	231	-	4,531
Impairments/ indexation (note 3)	(194)	-	-	-	(194)
<b>At 31 March 2017</b>	<b>39,748</b>	<b>31,648</b>	<b>4,446</b>	<b>538</b>	<b>76,380</b>
<b>Depreciation:</b>					
At 1 April 2016	-	5,900	1,928	277	8,105
Charge for year (note 3)	-	672	528	28	1,228
Revaluation (loss)/gain	-	(1,252)	-	-	(1,252)
Disposals	-	(273)	(271)	-	(544)
Indexation (note 3)	-	-	136	-	136
<b>At 31 March 2017</b>	<b>-</b>	<b>5,047</b>	<b>2,321</b>	<b>305</b>	<b>7,673</b>
<b>Net Book Value:</b>					
1 April 2016	39,327	23,772	1,889	229	65,217
<b>31 March 2017</b>	<b>39,748</b>	<b>26,601</b>	<b>2,125</b>	<b>233</b>	<b>68,707</b>

\*Invest NI Additions are funded by financing received from DfE

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Invest NI				
	Land £'000	Property £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost/Valuation:</b>					
At 1 April 2016	35,327	12,719	3,648	269	51,963
Additions*	244	2	653	4	903
Disposals	(1,184)	(771)	(271)	-	(2,226)
Revaluation (loss)/gain	555	537	231	-	1,323
impairments/indexation (note 3)	(194)	-	-	-	(194)
<b>At 31 March 2017</b>	<b>34,748</b>	<b>12,487</b>	<b>4,261</b>	<b>273</b>	<b>51,769</b>
<b>Depreciation:</b>					
At 1 April 2016	-	4,920	1,867	260	7,047
Charge for year (note 3)	-	239	492	2	733
Disposals	-	(273)	(271)	-	(544)
Indexation (note 3)	-	-	136	-	136
<b>At 31 March 2017</b>	<b>-</b>	<b>4,886</b>	<b>2,224</b>	<b>262</b>	<b>7,372</b>
<b>Net Book Value:</b>					
1 April 2016	35,327	7,799	1,781	9	44,916
<b>31 March 2017</b>	<b>34,748</b>	<b>7,601</b>	<b>2,037</b>	<b>11</b>	<b>44,397</b>

\*Invest NI Additions are funded by financing received from DfE

IAS 16 requires measurement at fair value. Land and property was re-valued by LPS on 31 March 2018, 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 2018 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000
Land	-	41,818	-	41,818
Buildings	-	27,729	-	27,729

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.



## 8. INVESTMENT PROPERTIES

	Group £'000
<b>At 1 April 2017</b>	<b>6,500</b>
Gain arising on fair value adjustment	300
<b>At 31 March 2018</b>	<b>6,800</b>

The investment property was revalued at 31 March 2018 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 2018 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000
Investment property	-	6,800	-	6,800

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

## 9. INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
<b>Cost/Valuation:</b>				
At 1 April 2017	20,031	1,384	1,753	23,168
Additions	-	741	41	782
Disposals	-	(854)	(9)	(863)
Amount written down/ indexation (note 3)	-	(46)	(36)	(82)
<b>At 31 March 2018</b>	<b>20,031</b>	<b>1,225</b>	<b>1,749</b>	<b>23,005</b>
<b>Amortisation:</b>				
At 1 April 2017	-	878	1,097	1,975
Charge for year (note 3)	-	392	222	614
Disposals	-	(854)	(9)	(863)
Backlog/indexation (note 3)	-	(28)	(28)	(56)
<b>At 31 March 2018</b>	<b>-</b>	<b>388</b>	<b>1,282</b>	<b>1,670</b>
<b>Net book value:</b>				
1 April 2017	20,031	506	656	21,193
<b>31 March 2018</b>	<b>20,031</b>	<b>837</b>	<b>467</b>	<b>21,335</b>

## 9. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
<b>Cost/valuation:</b>			
At 1 April 2017	1,384	1,753	3,137
Additions	741	41	782
Disposals	(854)	(9)	(863)
Indexation (note 3)	(46)	(36)	(82)
<b>At 31 March 2018</b>	<b>1,225</b>	<b>1,749</b>	<b>2,974</b>
<b>Amortisation:</b>			
At 1 April 2017	878	1,097	1,975
Charge for year (note 3)	392	222	614
Disposals	(854)	(9)	(863)
Backlog/indexation (note 3)	(28)	(28)	(56)
<b>At 31 March 2018</b>	<b>388</b>	<b>1,282</b>	<b>1,670</b>
<b>Net book value:</b>			
1 April 2017	506	656	1,162
<b>31 March 2018</b>	<b>837</b>	<b>467</b>	<b>1,304</b>

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2018 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000
Goodwill	-	-	20,031	20,031
Software licences	-	837	-	837
Software development	-	467	-	467

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

## 9. INTANGIBLE ASSETS (CONTINUED)

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
<b>Cost/Valuation:</b>				
At 1 April 2016	20,031	1,292	1,886	23,209
Additions	-	122	-	122
Disposals	-	(108)	(232)	(340)
Amount written down/ indexation (note 3)	-	78	99	177
<b>At 31 March 2017</b>	<b>20,031</b>	<b>1,384</b>	<b>1,753</b>	<b>23,168</b>
<b>Amortisation:</b>				
At 1 April 2016	-	576	979	1,555
Charge for year (note 3)	-	359	282	641
Disposals	-	(108)	(232)	(340)
Backlog/indexation (note 3)	-	51	68	119
<b>At 31 March 2017</b>	<b>-</b>	<b>878</b>	<b>1,097</b>	<b>1,975</b>
<b>Net book value:</b>				
1 April 2016	20,031	716	907	21,654
<b>31 March 2017</b>	<b>20,031</b>	<b>506</b>	<b>656</b>	<b>21,193</b>

## 9. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
<b>Cost/valuation:</b>			
At 1 April 2016	1,292	1,886	3,178
Additions	122	-	122
Disposals	(108)	(232)	(340)
Indexation (note 3)	78	99	177
<b>At 31 March 2017</b>	<b>1,384</b>	<b>1,753</b>	<b>3,137</b>
<b>Amortisation:</b>			
At 1 April 2016	576	979	1,555
Charge for year (note 3)	359	282	641
Disposals	(108)	(232)	(340)
Backlog/indexation (note 3)	51	68	119
<b>At 31 March 2017</b>	<b>878</b>	<b>1,097</b>	<b>1,975</b>
<b>Net book value:</b>			
1 April 2016	716	907	1,623
<b>31 March 2017</b>	<b>506</b>	<b>656</b>	<b>1,162</b>

## 9. INTANGIBLE ASSETS (CONTINUED)

### Impairment tests for goodwill

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

	2018	2017
Bedford Street Developments Limited	4,422	4,422
MRDE Limited	15,609	15,609
<b>Total</b>	<b>20,301</b>	<b>20,301</b>

The recoverable amount of the cash generating units has been determined using value in use. This calculation uses a pre-tax cash flow based on financial projections covering the life of 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	2018	2017
Gross margin	MRDE	63.0%	58.0%
Future rentals (per sq. ft.)	BSDL & MRDE	£20	-
Discount rate	BSDL & MRDE	4.2%	10.0%

In BSDL, the recoverable amount calculated based on value in use exceeds carrying value by £156,000. A decrease in the future rentals of £0.33 or a rise in the discount rate to 4.29% would remove the remaining headroom.

## 10. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2018 £'000	2017 £'000
At 1 April and 31 March	17,593	17,593

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

### Interests in group undertakings

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

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

## 11. INVESTMENTS IN ASSOCIATES

### (i) Investments in associates:

	Group and Invest NI	
	2018 £'000	2017 £'000
<b>Aggregate amount relating to associates:</b>		
Total assets	37,314	29,197
Total liabilities	(157)	(405)
<b>Net investment in associates</b>	<b>37,157</b>	<b>28,792</b>

### (ii) Share of results in associates:

	2018 £'000	2017 £'000
<b>Share of net assets of associates:</b>		
At 1 April	28,792	29,876
At 31 March	37,157	28,792
<b>(Decrease)/Increase</b>	<b>8,365</b>	<b>(1,084)</b>
Distributions from associates	526	3,912
Less additional capital paid in during year	(13,619)	(9,902)
<b>Share of results recorded in Net Expenditure (note 3)</b>	<b>(4,728)</b>	<b>(7,074)</b>

### (iii) Net investment in associates:

	2018 £'000	2017 £'000
NITECH Growth Fund Limited Partnership (NITECH)	744	293
Crescent Capital II	1,456	1,192
NI Growth Loan Fund	14,623	12,763
NI Small Business Loan Fund	3,559	3,772
Crescent Capital III LP	5,641	4,317
Kernel Capital Growth Fund (NI)	4,748	2,580
Techstart NI SME Equity Limited Partnership (Techstart)	6,014	3,650
QUB Equity Limited Partnership	210	111
Ulster Equity Limited Partnership	162	114
<b>Net investment in associates</b>	<b>37,157</b>	<b>28,792</b>

## **11. INVESTMENTS IN ASSOCIATES (CONTINUED)**

### **NITECH**

Invest NI is the limited partner of the NITECH Growth Fund, which terminated on 21 January 2013. The remaining portfolio continues to be monitored by Clarendon Fund Managers, who originally managed NITECH and currently manages a co-investment fund on Invest NI's behalf. One portfolio company was exited during the year, with three active investments remaining. There is no fee payable for this ongoing monitoring.

### **Crescent Capital II**

Invest NI is a limited partner of Crescent Capital II LP, a partnership established in April 2004. The Fund is managed by Crescent Capital II GP Limited. This Fund is fully invested with the Fund Manager now managing the commercial exit strategy for the remaining portfolio investments.

### **NI Growth Loan Fund**

Invest NI is a limited partner of the NI Growth Loan Fund, a partnership established in May 2012. 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 partnership has a term of ten years.

### **NI Small Business Loan Fund**

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

### **Crescent Capital III LP (ERDF \*)**

Invest NI is a limited partner of the Crescent Capital III LP Development Fund, a partnership established in July 2013. The Fund is managed by Crescent Capital III General Partner Limited. The Fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The 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. 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 partnership has a term of ten years.

### **Techstart NI SME Equity Limited Partnership (ERDF \*)**

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



## 11. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

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

### **Ulster Equity Limited Partnership (ERDF \*)**

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

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

The investments made by each of the above limited partnerships are disclosed in their annual financial statements, which are available for public inspection by contacting the Financial Management Team, Invest NI, Bedford Square, Bedford Street, Belfast, BT2 7ES.

## 11. INVESTMENTS IN ASSOCIATES (CONTINUED)

### Reporting date of associates' financial statements

Associate	Statutory accounting reference date	Included in consolidated accounts based on	Accounts drawn up to
NITECH	31 March	Audited accounts	31 March 2014*
Crescent Capital II	31 March	Management accounts	31 December 2017**
NI Growth Loan Fund	31 March	Management accounts	31 December 2017**
NI Small Business Loan Fund	31 March	Management accounts	31 March 2018
Crescent Capital III LP	31 March	Management accounts	31 December 2017**
Kernel Capital	31 December	Management accounts	31 December 2017**
Techstart NI SME Equity	31 March	Management accounts	31 December 2017**
QUB Equity Limited Partnership	31 March	Management accounts	31 December 2017**
Ulster Equity Limited Partnership	31 March	Management accounts	31 December 2017**

\* The NITECH fund has been included based on its valuation as at 31 March 2014, taking into account any changes in the subsequent period to 31 March 2018 that would materially affect the results, to the extent that such information is available. Although a decision to terminate the fund has been taken, delays in implementing the exit strategy have resulted in it still being included in the financial statements this year.

\*\* Taking into account any changes in the subsequent period to 31 March 2018 that would materially affect the results, to the extent that such information is available.

## 12. INVESTMENTS IN OTHER FINANCIAL ASSETS

### (i) Total Investments in Other Financial Assets

	Group and Invest NI					
	Investments in ordinary shares £'000	Investments in preference shares £'000	Fixed rate loans £'000	Investments in convertible loan notes £'000	Variable rate loans £'000	Total £'000
<b>Gross amount:</b>						
At 1 April 2017	13,252	9,305	27,549	759	5,372	56,237
Adjustment to carrying amount of loans and receivables under IAS39	482	622	1,734	-	-	2,838
Additions	7,019	-	3,354	417	-	10,790
Conversions	50	-	(50)	-	-	-
Changes in fair value of available-for-sale assets	255	-	-	-	-	255
Repayments and disposals	(500)	(112)	(1,139)	-	(171)	(1,922)
Amount waived and written off	(513)	(500)	(819)	-	-	(1,832)
<b>At 31 March 2018</b>	<b>20,045</b>	<b>9,315</b>	<b>30,629</b>	<b>1,176</b>	<b>5,201</b>	<b>66,366</b>
<b>Provision:</b>						
At 1 April 2017	5,272	8,488	8,387	14	5,071	27,232
Transferred from other receivables	1,986	-	547	-	-	2,533
Charge for year	1,784	-	412	15	-	2,211
Reversal of provision	(357)	(1,485)	(451)	-	-	(2,293)
Amount waived and written off	(513)	(754)	(824)	-	-	(2,091)
<b>At 31 March 2018</b>	<b>8,172</b>	<b>6,249</b>	<b>8,071</b>	<b>29</b>	<b>5,071</b>	<b>27,592</b>
<b>Net balance:</b>						
1 April 2017	7,980	817	19,162	745	301	29,005
<b>31 March 2018</b>	<b>11,873</b>	<b>3,066</b>	<b>22,558</b>	<b>1,147</b>	<b>130</b>	<b>38,774</b>

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

Co-Fund NI (ERDF\*) was a £28m fund that co-invested in SMEs based in Northern Ireland. Clarendon Fund Managers Limited managed the fund under a six year Management Services Agreement (June 2011-May 2017) and invested in deals which were led by business angels and private investors. The deals ranged from £150,000 to £1m and Invest NI provided £13.3m of funding on the same terms as the private investors.

## 12. INVESTMENTS IN OTHER FINANCIAL ASSETS (CONTINUED)

The overall fund ratio of private to public funding was at a minimum 55:45, with no more than a 50:50 split in any one round.

Co-Fund NI II (ERDF\*) is a £50m fund, also managed by Clarendon Fund Managers Limited under a six year Management Services Agreement (June 2017-May 2023). The fund invests in the same way as Co-Fund NI but the overall fund ratio of private to public funding will be at a minimum 65:35, with no more than a 50:50 split in any one round. The deals range from £150,000 to £1.25m and to date Invest NI has provided £0.8m.

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

	Group and Invest NI					
	Investments in ordinary shares £'000	Investments in preference shares £'000	Fixed rate loans £'000	Investments in convertible loan notes £'000	Variable rate loans £'000	Total £'000
<b>Gross amount:</b>						
At 1 April 2016	11,303	9,943	16,970	1,024	5,466	44,706
Adjustment to carrying amount of loans and receivables under IAS39	52	16	807	(61)	-	814
Additions	2,898	700	11,297	400	-	15,295
Conversions	461	-	-	(461)	-	-
Changes in fair value of available-for-sale assets	28	-	-	-	-	28
Repayments and disposals	(1,328)	(247)	(1,022)	(143)	(94)	(2,834)
Amount waived and written off	(162)	(1,107)	(503)	-	-	(1,772)
<b>At 31 March 2017</b>	<b>13,252</b>	<b>9,305</b>	<b>27,549</b>	<b>759</b>	<b>5,372</b>	<b>56,237</b>
<b>Provision:</b>						
At 1 April 2016	4,456	8,930	8,892	-	5,071	27,349
Charge for year	1,130	700	18	14	-	1,862
Reversal of provision	(150)	(35)	(20)	-	-	(205)
Amount waived and written off	(164)	(1,107)	(503)	-	-	(1,774)
<b>At 31 March 2017</b>	<b>5,272</b>	<b>8,488</b>	<b>8,387</b>	<b>14</b>	<b>5,071</b>	<b>27,232</b>
<b>Net balance:</b>						
1 April 2016	6,847	1,013	8,078	1,024	395	17,357
<b>31 March 2017</b>	<b>7,980</b>	<b>817</b>	<b>19,162</b>	<b>745</b>	<b>301</b>	<b>29,005</b>

## 12. INVESTMENTS IN OTHER FINANCIAL ASSETS (CONTINUED)

### (ii) Investments in preference shares, fixed and variable rate loans repayment analysis (net balance):

	Group and Invest NI			
	2018 Investments in preference shares £'000	2018 Fixed rate loans £'000	2018 Variable rate loans £'000	2018 Total £'000
<b>Amount due:</b>				
Within one year	2,499	791	130	3,420
Within two to five years	415	2,233	-	2,648
Greater than five years	152	19,534	-	19,686
	<b>3,066</b>	<b>22,558</b>	<b>130</b>	<b>25,754</b>
Secured	-	21,896	130	22,026
Unsecured	3,066	662	-	3,728
	<b>3,066</b>	<b>22,558</b>	<b>130</b>	<b>25,754</b>

	Group and Invest NI			
	2017 Investments in preference shares £'000	2017 Fixed rate loans £'000	2017 Variable rate loans £'000	2017 Total £'000
<b>Amount due:</b>				
Within one year	243	695	301	1,239
Within two to five years	381	2,434	-	2,815
Greater than five years	193	16,033	-	16,226
	<b>817</b>	<b>19,162</b>	<b>301</b>	<b>20,280</b>
Secured	-	18,679	301	18,980
Unsecured	817	483	-	1,300
	<b>817</b>	<b>19,162</b>	<b>301</b>	<b>20,280</b>

## 12. INVESTMENTS IN OTHER FINANCIAL ASSETS (CONTINUED)

### Investments in ordinary quoted shares

These financial instruments include investments in the parent companies of inward investment companies that Invest NI is supporting. The fair values of the investments are based on the quoted price of the shares at the year-end.

### Investments in ordinary unquoted shares

These financial assets are held as part of the overall financial assistance to client companies. These instruments do not have a quoted market price in an active market and their fair value cannot be reliably measured as there are a wide range of variables that need to be taken into account when assessing the fair value of an unquoted investment. The range of reasonable fair value estimates for the unquoted shares is likely to be significant and the probabilities of the various estimates may not be able to be reasonably assessed, as such a fair value cannot be determined.

### Investments in preference shares

Invest NI has a large number of investments in both cumulative and non-cumulative unquoted preference shares. For investments with cumulative dividend rights, dividends are paid annually.

In addition, Invest NI has a small number of investments in unquoted preference shares that are convertible into equity.

### Loans and receivables

Invest NI has issued loans and receivables with maturity dates that range between six months and 15 years and have interest rates that range within zero per cent and 12 per cent. The carrying value of the fixed and variable rate loans approximate their fair value as the interest rates are at market rate, which include the credit risk rating of each investment.

### 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 and receivables to clients are fixed and floating charges over property and other assets.

### (iii) Past due and impaired financial assets

As at 31 March 2018, Invest NI has £6,565,000 (2017: £8,745,000) of gross investments in preference shares, £8,150,000 (2017: £9,058,000) fixed rate loans and £5,201,000 (2017: £5,277,000) variable rate loans, which are either past due or considered to be impaired. These investments are included in the financial statements at their anticipated recoverable amounts. Invest NI has continued to work with client companies to achieve a suitable repayment programme.

As at 31 March 2018, Invest NI has a total of £2,749,000 (2017: £559,000) investments in preference shares, which were past due but no provision was provided, on the basis that these are not considered to be impaired.

### 13. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>				
Trade receivables	5,892	7,541	3,607	5,268
Other receivables	5,345	5,076	5,222	5,019
EU receivables	40,559	30,610	40,559	30,610
Amounts due from subsidiaries	-	-	100	66
Prepayments	1,163	1,725	1,157	1,649
<b>Accrued income</b>				
Loan interest	197	5	197	5
Other	246	428	222	361
Deferred tax asset	-	-	-	-
Other tax and social security	-	18	-	3
	<b>53,402</b>	<b>45,403</b>	<b>51,064</b>	<b>42,981</b>
<b>Amounts falling due after more than one year:</b>				
Other receivables	6,117	10,159	6,117	10,159
EU receivables	4,507	4,636	4,507	4,636
	<b>10,624</b>	<b>14,795</b>	<b>10,624</b>	<b>14,795</b>

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

The 2017 figures have been re-presented in line with DoF guidance.

## 14. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance at 1 April	14,077	13,249	1,303	687
Net change in cash and cash equivalent balances	5,545	828	1,514	616
<b>Balance at 31 March</b>	<b>19,622</b>	<b>14,077</b>	<b>2,817</b>	<b>1,303</b>
The following balances at 31 March were held at:				
Commercial banks and cash in hand	19,622	14,077	2,817	1,303
<b>Balance at 31 March</b>	<b>19,622</b>	<b>14,077</b>	<b>2,817</b>	<b>1,303</b>

### Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2017 £'000	Cash flows £'000	Non-cash movements £'000	31 March 2018 £'000
Bank loans (note 16)	17,840	(442)	18	17,416
Financial instrument (note 19)	6,968	-	(992)	5,976
	<b>24,808</b>	<b>(442)</b>	<b>(974)</b>	<b>23,392</b>



## 15. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Amounts due within one year:</b>				
Trade payables and accruals	18,506	12,249	12,494	7,729
Accrued grant payables	25,995	19,230	25,995	19,230
Other taxation and social security	579	-	555	-
Amount owed to subsidiaries	-	-	-	98
Other payables	1,957	1,456	1,956	1,456
Deferred income	269	493	265	438
<b>Amounts due to DfE</b>				
other income surrendered	-	1	-	1
	<b>47,306</b>	<b>33,429</b>	<b>41,265</b>	<b>28,952</b>

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

## 16. BORROWINGS

	Group		Invest NI	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Current</b>				
Bank loans	512	410	-	-
	<b>512</b>	<b>410</b>	-	-
<b>Non-current</b>				
Bank loans	16,904	17,430	-	-
	<b>16,904</b>	<b>17,430</b>	-	-

The fair value of borrowings is not materially different from their carrying value as the impact of discounting is not significant.

For the purposes of IFRS 7, the financial liabilities noted above are classified as other financial liabilities.

The carrying amount of the group's borrowings is denominated in Sterling. The effective interest rate at the reporting date of bank term loans is 1 month LIBOR plus 0.95%.

## 16. BORROWINGS (CONTINUED)

### Maturity of financial liabilities

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

	Group	
	2018 £'000	2017 £'000
<b>Bank loans</b>		
Amounts due in less than one year	512	410
In more than one year but not more than two years	615	511
In more than two years but not more than five years	1,876	2,142
After more than five years	14,413	14,777
	<b>17,416</b>	<b>17,840</b>

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

	Group	
	2018 £'000	2017 £'000
<b>Bank loans</b>		
Less than one year	1,568	1,493
In more than one year but not more than two years	1,642	1,567
In more than two years but not more than five years	4,690	5,082
After more than five years	19,923	21,195
	<b>27,823</b>	<b>29,337</b>

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

## 17. PROVISIONS FOR LIABILITIES AND CHARGES

### (i) Amounts falling due within one year:

	Group and Invest NI			
	Grants £'000	Land & Property £'000	Others £'000	Total £'000
<b>At 1 April 2016</b>	<b>29,714</b>	<b>146</b>	<b>515</b>	<b>30,375</b>
Provided in the year	31,202	-	-	31,202
Provisions not required written back	(489)	-	(18)	(507)
Provisions utilised in the year	(26,130)	(146)	(450)	(26,726)
<b>At 31 March 2017</b>	<b>34,297</b>	<b>-</b>	<b>47</b>	<b>34,344</b>
Provided in the year	27,600	-	50	27,650
Provisions not required written back	13	-	-	13
Provisions utilised in the year	(31,803)	-	-	(31,803)
<b>At 31 March 2018</b>	<b>30,107</b>	<b>-</b>	<b>97</b>	<b>30,204</b>

### (ii) Analysis of expected timing of discounted flows

	Group and Invest NI	
	2018 £'000	2017 £'000
<b>Provisions</b>		
Not later than one year	30,204	34,344
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>30,204</b>	<b>34,344</b>

#### Grants

The majority of grant provisions are due to be paid within one year, hence the effect of discounting is considered to be immaterial. For those beyond one year, it is not possible to estimate with certainty when the liability will crystallise.

#### Other

Included in other provisions are legal fees/statutory interest in respect of a number of legal cases. Information usually disclosed under the requirements of IAS 37 is not provided on the grounds of commercial sensitivity, as to do so may seriously prejudice the outcome of the negotiation and settlement process. The effect of discounting other provisions is considered to be immaterial.

## 18. STATEMENT OF CASH FLOWS

### Adjustments for non-cash transactions

	2018 £'000	2017 £'000
Depreciation (note 3)	1,716	1,228
Amortisation (note 3)	614	641
Loss on disposal of property, plant and equipment	175	414
(Profit) on financial asset disposal	(288)	(598)
Impairment (note 3)	339	194
Debt and financial asset provision (release)	(478)	(539)
Share dividend income recognised under EIR (note 5)	(360)	(26)
Fixed rate loan interest income recognised under EIR (note 5)	(2,055)	(1,165)
Share of results of associates (note 3)	4,728	7,074
Fair value gain on investment property and property, plant and equipment (note 5)	(1,645)	(4,769)
Foreign exchange loss	213	677
<b>Total non-cash transactions</b>	<b>2,959</b>	<b>3,131</b>

## 19. 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 provisions for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings. 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 gross value of the financial assets referred to above.

### *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.

### **Categories of financial instruments**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 'Accounting Policies'. The following tables analyse the group's financial assets and financial liabilities in accordance with the categories of financial instruments under IFRS 7.

**19. FINANCIAL INSTRUMENTS (CONTINUED)**

2018	Available for sale – fair value £'000	Available for sale – cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	-	19,622	-	19,622
Receivables	-	-	64,026	64,026
Investments in ordinary shares	8,997	2,876	-	11,873
Investments in preference shares	-	-	3,066	3,066
Fixed rate loans	-	-	22,558	22,558
Investments in convertible loan notes	1,147	-	-	1,147
Variable rate loans	-	-	130	130
	<b>10,144</b>	<b>22,498</b>	<b>89,780</b>	<b>122,422</b>
<b>Financial liabilities</b>				
Trade payables	7,780	-	-	7,780
Grant payables	25,995	-	-	25,995
Borrowings	-	17,416	-	17,416
Derivative financial instrument	5,976	-	-	5,976
	<b>39,751</b>	<b>17,416</b>	<b>-</b>	<b>57,167</b>

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

2017	Available for sale – fair value £'000	Available for sale – cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	-	14,077	-	14,077
Receivables	-	-	60,198	60,198
Investments in ordinary shares	6,514	1,466	-	7,980
Investments in preference shares	-	-	817	817
Fixed rate loans	-	-	19,162	19,162
Investments in convertible loan notes	745	-	-	745
Variable rate loans	-	-	301	301
	<b>7,259</b>	<b>15,543</b>	<b>80,478</b>	<b>103,280</b>
<b>Financial liabilities</b>				
Trade payables	2,427	-	-	2,427
Grant payables	19,230	-	-	19,230
Borrowings	-	17,840	-	17,840
Derivative financial instrument	6,968	-	-	6,968
	<b>28,625</b>	<b>17,840</b>	<b>-</b>	<b>46,465</b>

The following tables show the interest rate of the group's financial assets:

2018	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	19,622	-	-	19,622
Receivables	-	-	64,026	64,026
Investments in ordinary shares	-	-	11,873	11,873
Investments in preference shares	-	3,066	-	3,066
Fixed rate loans	-	22,558	-	22,558
Investments in convertible loan notes	-	1,147	-	1,147
Variable rate loans	130	-	-	130
	<b>19,752</b>	<b>26,771</b>	<b>75,899</b>	<b>122,422</b>

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

2017	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	14,077	-	-	14,077
Receivables	-	-	60,198	60,198
Investments in ordinary shares	-	-	7,980	7,980
Investments in preference shares	-	817	-	817
Fixed rate loans	-	19,162	-	19,162
Investments in convertible loan notes	-	745	-	745
Variable rate loans	301	-	-	301
	<b>14,378</b>	<b>20,724</b>	<b>68,178</b>	<b>103,280</b>

### Remaining maturity

As at 31 March 2018, 100 per cent (2017: 100 per cent) of trade and grant payables are due within three months of year-end. The maturity is based on the earliest date on which Invest NI can be required to pay.

### Derivative financial instruments

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

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

The group's derivative financial instrument is valued under level 2 in the fair value hierarchy.

The fair value of the group's derivative financial instrument, a liability (designated for hedging) of £5,976,000 (2017: £6,968,000) is obtained from counterparty valuation, and is based on observable market data.

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

	2018 £'000	2017 £'000
At 1 April	6,968	7,068
Fair value adjustment	(992)	(100)
<b>Liability at 31 March</b>	<b>5,976</b>	<b>6,968</b>

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.



## 20. LEASES

### Invest NI as lessee

£392,000 (2017: £414,000) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

Obligations under operating leases comprise:	Group and Invest NI	
	2018 £'000	2017 £'000
<b>Property leases</b>		
Not later than one year	928	918
Later than one year and not later than five years	444	992
Later than five years	-	-
	<b>1,372</b>	<b>1,910</b>

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

### Invest NI as lessor

Net property rental income earned during the year was £1,460,000 (2017: £1,269,000). The group earned rental income of £2,319,000 (2017: £2,114,000). 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:

Obligations under operating leases comprise:	Group	
	2018 £'000	2017 £'000
<b>Property leases</b>		
Not later than one year	1,995	1,860
Later than one year and not later than five years	2,918	4,121
Later than five years	3,786	3,639
	<b>8,699</b>	<b>9,620</b>

## 20. LEASES (CONTINUED)

Obligations under operating leases comprise:	Invest NI	
	2018 £'000	2017 £'000
<b>Property leases</b>		
Not later than one year	1,482	1,381
Later than one year and not later than five years	1,608	2,429
Later than five years	3,786	3,639
	<b>6,876</b>	<b>7,449</b>

## 21. OTHER FINANCIAL COMMITMENTS

Operating commitments comprising unclaimed grants under existing financial assistance offers and agreements at the year-end comprised:

Segmental analysis:	Group and Invest NI	
	2018 £'000	2017 £'000
Business and Sector Development	63,853	99,657
Business Solutions	123,977	110,663
Regional Business	11,885	8,598
International Business	8,641	3,982
	<b>208,356</b>	<b>222,900</b>

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

## 22. 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 which manages the PFI contract; as such the asset now forms part of the Consolidated Statement of Financial Position.

The asset has been revalued by LPS on 31 March 2018 at £24,000,000 (2017: £22,750,000). At the year-end, the total future minimum payments due under this PFI contract are as follows:

	Invest NI	
	2018 £'000	2017 £'000
Within one year	4,780	4,869
In the second to fifth years	19,120	19,476
After five years	36,053	41,553
	<b>59,953</b>	<b>65,898</b>

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

## 23. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

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

## 24. 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:

	2018 £'000	2017 £'000
Payables (amounts due within one year)(note 15):		
Balances with other central government bodies	-	1

In addition, Invest NI has had various transactions with other government departments and their agencies, and other central government bodies. Most of these transactions have been with DoF (including Pension Branch) 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 19. The following payments were made to associates during the year:

	2018 £'000	2017 £'000
QUBIF*	-	18
UIF*	-	18
Invest Growth Fund*	-	238
NI Growth Loan Fund	5,500	3,300
Crescent Capital III LP	1,650	2,250
Kernel Capital	2,850	525
Techstart NI SME Equity	3,269	3,403
QUB Equity Limited Partnership **	275	75
Ulster Equity Limited Partnership	75	75
	<b>13,619</b>	<b>9,902</b>

\*QUBIF, UIF and Invest Growth Fund were dissolved during the prior year.

\*\* Of the £275,000 investment in the QUB Equity Limited Partnership, £200,000 was paid directly to Queen's University Belfast.

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions involving ELT

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

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

ELT Member	Company	Nature of relationship	New financial assistance offered 2018 £'000	Amount paid 2018 £'000	New financial assistance offered 2017 £'000	Amount paid 2017 £'000
Jeremy Fitch	Banah (UK) Limited	(a)	-	11	-	190

The balance owed to the company at 31 March 2018 was £Nil (2017: £Nil).

### Transactions involving Board members

Due to the nature of Invest NI's operations and the composition of its Board members (being from local private and public sector organisations), it is inevitable that transactions will take place with companies and organisations in which Board members may have a beneficial or non-beneficial interest. A beneficial interest is when the Board member is either, directly or through a family connection, a material shareholder or receives a payment from the entity for their services. Further details regarding the Register of Interests are on page 22.

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 overleaf (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 2016-17 for bodies from which Board members resigned or retired during 2016-17, these are not replicated in the 2017-18 financial statements. Similarly, where a Board member retired from Invest NI in 2016-17 no disclosure has been made in respect of this individual for 2017-18. The 2016-17 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2017-18, no comparative information for 2016-17 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.

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2018 £'000	Amount paid 2018 £'000	New financial assistance offered 2017 £'000	Amount paid 2017 £'000
Mark Ennis	CreativeComposites Limited	(a)	1,592	21	8	-
	Intelesens Limited (b)	Non-Executive Director and shareholder (f)	-	1	76	34
	First Derivatives plc	(a)	-	958	-	2,600
	Airtricity Holdings Limited and subsidiaries	Director	-	54	-	20
Rose Mary Stalker	NI Science Park	Non-Executive Director & Chair Remuneration Committee	(d)	(d)	140	457
	Catagen Limited (c)	Shareholder (f)	-	72	-	78
Brian Baird	Modern Democracy Limited (e)	Investor / advisor	117	49	64	60
	James Leckey Design Limited	Non-Executive Chairman	(d)	(d)	110	319
	Repstor Limited (g)	Non-Executive Chairman	51	75	90	7
	Flowlens Limited (h)	Non-Executive Chairman	272	88	227	212
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	31	2	119	20
	Flowforma Limited	Chair and Shareholder	-	-	64	-
	Lithe IT Limited	Chair and Shareholder	24	6	(i)	(i)
Mark Nodder	Wright Composites Limited	Chairman and CEO-Director	-	3	-	16
	Wright En-Drive Limited	Chairman and CEO-Director	-	24	-	141
	Wrightbus Limited	Chairman and CEO-Director	6	242	8	588
	Metallix Limited	Chairman and CEO-Director	-	4	-	2

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### Finance assistant transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2018 £'000	Amount paid 2018 £'000	New financial assistance offered 2017 £'000	Amount paid 2017 £'000
Scott Rutherford	Queen's University Belfast	Director	6,850	4,630	9,058	4,864
Judith Totten	Queen's University Belfast	(a)	6,850	4,630	9,058	4,864
Ken Nelson	Local Economic Development Company (LEDCOM) Limited	Chief Executive	-	-	29	-
	InterTradeIreland	Chairman	-	-	-	100

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

Board member	Company	Nature of relationship	Amount paid 2018 £'000	Amount paid 2017 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	13	12
Scott Rutherford	Queen's University Belfast	Director	483	268
Judith Totten	Queen's University Belfast	(a)	483	268
Ken Nelson	InterTradeIreland	Chairman	50	100
	Local Economic Development Company (LEDCOM) Limited	Chief Executive	7	91
	Northern Regional College	Member of Board of Governors	-	5
Rose Mary Stalker	NI Science Park	Non-Executive Director & Chair Remuneration Committee	(d)	2
Peter McNaney	Northern Ireland Water (j)	Deputy Chair	47	105

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board member	Company	Nature of relationship	Amount invoiced 2018 £'000	Amount invoiced 2017 £'000
Mark Ennis	Intelesens Limited (b)	Non-Executive Director and shareholder (f)	3	4
	Creative Composites Limited	(a)	-	15
Rose Mary Stalker	NI Science Park	Non-Executive Director & Chair Remuneration Committee	(d)	7
Scott Rutherford	Queen's University Belfast	Director	9	12
Judith Totten	Queen's University Belfast	(a)	9	12
Brian Baird	Flowlens Limited (h)	Non-Executive Chairman	-	-
	Repstor Limited (g)	Non-Executive Chairman	-	2
	Modern Democracy Limited (e)	Investor/advisor	2	-
Gerard O'Hare	Belfast Harbour Commissioners	Board member	4	25
Deborah Lange	Belfast Harbour Commissioners	Board member	4	25
Mark Nodder	Wrightbus Limited	Chairman and CEO-Director	10	11
Ken Nelson	InterTradeIreland	Chairman	21	6
Peter McNaney	Belfast Health & Social Care Trust (j)	Chairman	-	(1)



## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2018 £'000	Balance 2017 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	154	1
	First Derivatives plc	(a)	138	100
	Creative Composites Limited	(a)	914	21
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	7	(i)
	Catagen Limited (c)	Shareholder	(f)	18
Scott Rutherford	Queen's University Belfast	Director	1,358	859
Ken Nelson	Local Economic Development Company (LEDCOM) Limited	Chief Executive	-	9
	Northern Regional College	Member of Board of Governors	15	10
	InterTradeIreland	Chairman	7	-
Judith Totten	Queen's University Belfast	(a)	1,358	859
Brian Baird	Repstor Limited (g)	Non-Executive Chairman	-	39
	Flowlens Limited (h)	Non-Executive Chairman	8	48
	Modern Democracy Limited (e)	Investor/Advisor	29	20
Mark Nodder	Wright Composites Limited	Chairman and CEO-Director	-	26
	Wright En-Drive Limited	Chairman and CEO-Director	-	20
	Wrightbus Limited	Chairman and CEO-Director	-	97
	Metallix Limited	Chairman and CEO-Director	-	5
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	23	3
	Lithe IT Limited	Chair and Shareholder	6	(i)

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

There were no loan balances outstanding at 31 March 2018 (2017: £Nil) from any company in which a Board member had a beneficial interest.

### Balance owed from the entity at 31 March

Board member	Company	Nature of relationship	Balance 2018 £'000	Balance 2017 £'000
Mark Ennis	Creative Composites Limited	(a)	-	15
Mark Nodder	Wright Composites Limited	Chairman and CEO-Director	-	5
	Wrightbus Limited	Chairman and CEO-Director	1	-
Scott Rutherford	Queen's University Belfast	Director	-	3
Judith Totten	Queen's University Belfast	(a)	-	3
Ken Nelson	Intertrade Ireland	Chairman	9	-

There were no provisions held against the above balances.

### Investments held in the company at 31 March:

Invest NI held no share investments in any company in which a Board member had a beneficial interest at 31 March 2018. Previously, Invest NI held share investments, which were sold during the year, in the following company in which a Board member had a beneficial interest:

Board member	Company	Nature of relationship
Mark Ennis	Intelesens Limited (b)	Non-Executive Director and Shareholder (f)

Details of the number of shares previously held in the above company can be found in Appendix A. No dividends were received in respect of the above shareholding.

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### KEY

- (a) Connected via family relations.
- (b) NITECH held an investment of £203,000 in Intelesens Limited which was sold during the year. NITECH is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.
- (c) NI Growth Loan Fund has advanced a loan to Catagen Limited. The balance outstanding at 31 March 2018 is £81,000. NI Growth Loan Fund is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.
- (d) The Board member's beneficial relationship with this organisation ceased in 2016-17 therefore no transactions/balances are disclosed for 2017-18.
- (e) Techstart NI SME Equity holds an investment of £350,000 in Modern Democracy Limited. Techstart NI SME Equity is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.
- (f) The Board member ceased to have a beneficial interest in this organisation during 2017-18, therefore disclosure has been made of transactions with the company during 2017-18 but not of balances with the company at either year-end on the grounds that no beneficial relationship existed at that date.
- (g) NI Growth Loan Fund has advanced a loan to Repstor Limited. The balance outstanding at 31 March 2018 is £22,000.
- (h) Crescent Capital III holds an investment of £1,501,000 in Flowlens Limited. Crescent Capital III is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.
- (i) The Board member's relationship with this organisation began during 2017-18 therefore no transactions/balances are disclosed for 2016-17.
- (j) The Board member resigned from Invest NI during the year, therefore disclosure has been made of transactions with companies in which he had a beneficial relationship during the year but not of balances at the year-end as the Board member had no association with Invest NI at 31 March 2018.

## 25. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the year-end which affect the financial statements.

### Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 28 June 2018.

## Appendix A - Share Investments in Client Companies

(i) Invest NI holds shares in the following companies at 31 March:

Company	Type of shares	No of shares 2018	No of shares 2017
AdoreBoard Limited	£0.001 ordinary shares	1,183	474
ACOMCO Limited	£1.00 ordinary shares	33	-
ActionSense Limited	£0.01 ordinary shares	1,875	-
Aerospace Metal Finishers Limited	£1 5.5% non-cumulative redeemable preference shares	250,000	250,000
Airpos Limited	£0.0001 A ordinary shares	370,818	-
Anaeko Limited	£1 A ordinary shares	4,325	-
Anaerobic Advantage Limited	£1 A ordinary shares	1,300,000	1,300,000
Analytics Engines Limited	£0.10 ordinary shares	2,130	2,130
Audit Comply Limited	£0.01 preferred ordinary shares	727,486	247,315
Autism Biotech Limited	£0.01 A ordinary shares	1,250	1,250
Balcas Limited	£1 "C" preferred ordinary shares	1,229,018	1,229,018
Bluechip Technology Holdings Limited	£0.01 ordinary shares	79,608	63,056
Bubblebum Holdings Limited	£1.00 ordinary shares	2,000	2,000
Calnex Solutions Limited	£0.01 ordinary shares	82	-
CartonCare Limited	£0.01 ordinary shares	280,000	280,000
Ciga Healthcare Limited	£1 B ordinary shares	366	-
Cirdan Imaging Limited	£1.00 ordinary shares	250,330	203,514
CTS Corporation	Common stock	4,964	4,964
Datactics Limited	£1 redeemable cumulative preference shares	100,000	100,000
Datactics Limited	£0.01 B ordinary shares	247,274	245,700
Eventmap Limited	£1 4% redeemable cumulative preference shares	16,000	61,000
Farmvet Systems Limited	£0.01 ordinary shares	3,820	-
Fusion Antibodies Limited	Ordinary shares	-	4,200
Fusion Antibodies Limited	£1.00 preferred ordinary shares	-	34,815

## Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No of shares 2018	No of shares 2017
Fusion Antibodies plc	£0.04 ordinary shares	974,450	-
Get Invited Limited	£0.001 ordinary shares	27,200	-
I3 Digital Limited	£18% redeemable cumulative preference shares	37,500	37,500
I3 Digital Limited	£0.01 ordinary shares	477	477
IceMOS Technology Corporation (USA)	Series A1 preferred stock	2,500	2,500
IceMOS Technology Corporation (USA)	Series A2 preferred stock	9,997,500	9,997,500
IceMOS Technology Corporation (USA)	Series B preferred stock	5,000,000	5,000,000
IceMOS Technology Corporation (USA)	Series D preferred stock	1,240,373	1,240,373
Identity Exploration Limited	£1 convertible redeemable preference shares	60,000	60,000
Integumen plc	£0.01 ordinary shares	926,912	-
Intelesens Limited	Preferred A ordinary shares	-	30,087
Intelesens Limited	Preferred B ordinary shares	-	15,044
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
Intu Global Shelter Limited	£0.01 ordinary shares	1,423	-
Itradein.com Ltd	£0.01 ordinary shares	386	386
Jobzgenie Limited	£1 ordinary shares	44	44
Just Live a Little Limited	£1 ordinary shares	2,375	-
Komodo Limited	£0.0001 ordinary shares	5,360	3,430
Kraydel Limited	£0.01 ordinary shares	1,920	-
Liopa Limited	£0.0004 preferred ordinary shares	9,025	-

## Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No of shares 2018	No of shares 2017
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Microsense Solutions Limited	£0.01 ordinary shares	97,209,087	54,810,243
Mobile Report Limited	£0.01 ordinary shares	117,798	103,513
Mobile Report Limited	£0.01 A ordinary shares	12,564	-
MOF Technologies Limited	£0.001 ordinary shares	15,294	-
MSO Group Limited	£0.01 ordinary shares	30,318	30,318
MyCarNeedsA.com Limited	£0.01 ordinary shares	20,829	10,357
Performa Sports Limited	£1 ordinary shares	505	-
Plotinus Limited	£0.01 ordinary shares	16,824	10,707
Provita Eurotech Limited	£1 redeemable non-cumulative preference shares	60,000	60,000
Quizfortune Limited	£0.10 B ordinary shares	1,910	1,910
Replify Limited	£0.0001 ordinary shares	25,853,916	366,666
Re-vana Therapeutics Limited	£0.0001 preferred ordinary shares	28,166	-
Sensumco Limited	£0.01 ordinary shares	206,610	137,166
Shnuggle Limited	£0.01 ordinary shares	13,945	13,945
ShotClip Limited	£0.01 ordinary shares	133,333	-
Silform Technologies Ltd	£0.10 ordinary shares	24,457,609	15,160,615
Simple Zebra Limited	£0.01 ordinary shares	56,000	-
SISAF Limited	£0.01 ordinary shares	417,137	417,137*
Springfarm Architectural Mouldings Limited	£1 redeemable non-cumulative preference shares	171,615	219,540

## Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No of shares 2018	No of shares 2017
Surecert (CDS New Ventures Limited)	£0.01 ordinary shares	5,419	-
Taggled Ltd	£0.01 ordinary shares	22,145	22,145
The Boatyard Distillery Limited	£0.01 ordinary shares	8,928	-
The Skunk Works Surf Company Limited	£0.01 ordinary shares	230	150
The Weatherbies Limited	£1 ordinary shares	32	-
Titan IC Systems	£0.10 ordinary shares	73,741	45,360
Treze Limited	£0.01 ordinary shares	26,025	26,025
Turco Engineering Limited	£1 redeemable non-cumulative preference shares	37,500	50,000
Venn Life Sciences Holdings PLC	£0.011 ordinary shares	38,886	38,886
Woodmarque Arch Joinery Limited	£1 redeemable non-cumulative preference shares	146,008	153,004

\*The 2017 figures for this company have been restated to accurately reflect the shareholdings in place by Invest NI.

## Appendix A - Share Investments in Client Companies (continued)

(ii) Invest NI holds shares in the following companies which are in receivership/liquidation/closure at 31 March:

Company	Type of shares	No of shares 2018	No of shares 2017
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Astute Labs Limited	£0.01 ordinary shares	19,300	-
Axis Three Limited	'A' ordinary shares	-	1,469,986
Axis Three Limited	Ordinary shares	-	81,364
Axis Three Limited	£0.0001 ordinary shares	-	780,000,000
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
CargoBox Limited	£0.01 ordinary shares	4,428	4,428
CNC Components (UK) Limited	£1 redeemable cumulative preference shares	-	220,000
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non-cumulative preference shares	11,600	11,600
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Fin Engineering Group Limited	£1 redeemable non-cumulative preference shares	45,000	45,000
Hartstone Group plc	£0.10 ordinary shares	121,043	121,043
Hydris Systems Limited	Ordinary shares	10,000	10,000
I Love QC Limited	£0.01 ordinary shares	4,929	-
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	200,000	200,000
Intune Networks (Belfast) Limited	B preference shares	3,436,322	3,436,322
Intune Networks (Belfast) Limited	€0.001 "C" ordinary shares	1,855,163	1,855,163
John Henning Limited	£1 "A" redeemable cumulative preference shares	149,000	149,000
Jyrobike Limited	£0.01 ordinary shares	2,924	2,924
Kathrina Fashions Limited	£1 redeemable preference shares	-	25,000



## Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No of shares 2018	No of shares 2017
Modac (NI) Limited	£1 redeemable non-cumulative preference shares	35,000	35,000
Northern Ireland Export Company Limited	£1 redeemable non-cumulative preference shares	102,000	102,000
Northern Ireland Export Company Limited	Ordinary shares	-	98,000
PAM Electronic Limited	Ordinary shares	-	10,000
Phlok Limited	£1 ordinary shares	46	46
Pinewick (Manufacturing) Limited	£1 redeemable cumulative preference shares	-	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preference shares	45,000	45,000
Reflex Mouldings Limited	£1 cumulative redeemable preference shares	-	200,000
Rockstar Data Storage Limited	£0.00001 ordinary shares	44,165,192	-
Sembarc Limited	£0.001 A ordinary shares	3,500	-
Treze Limited	£0.001 A ordinary shares	37,066	-
United Fashion (Strelitz) Limited	£1 "A" redeemable preference shares	250,000	250,000
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
William Taylor (Import/Export) Limited	£1 redeemable non-cumulative preference shares	15,000	15,000
Wraith Intelligentsia Limited	£0.001 ordinary shares	52,500	-



Northern Ireland Audit Office

**Report by the Comptroller  
and Auditor General for  
Northern Ireland**

**Invest Northern Ireland**

**Annual Report  
and Accounts**

**2017-18**

## Report by the Comptroller and Auditor General for Northern Ireland

### Introduction

- 1 Invest Northern Ireland (Invest NI) is a Non-Departmental Public Body which was established in 2002 and received £123.7 million grant-in-aid from the Department for the Economy (DfE) in 2017-18. Invest NI's purpose is to grow the local economy by helping new and existing businesses to compete internationally and by attracting new investment to Northern Ireland.
- 2 I am required under the Industrial Development Act (Northern Ireland) 2002 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.
- 3 Whilst I am content that Invest NI's 2017-18 financial statements give a true and fair view, my report below sets out why I have decided to qualify my regularity audit opinion in relation to expenditure amounting to £2.1 million in 2017-18 which was incurred without the necessary approvals in place for the Skills Growth Programme.

### Qualified opinion due to expenditure incurred without the necessary approvals in place

- 4 On 22 May 2018, the Department of Finance (DoF) decided not to provide retrospective approval for grant expenditure which had been committed to during the period 1 January 2016 to 5 April 2018 for the Skills Growth Programme and as a result any expenditure on grants which were approved during this period is irregular. In 2017-18 Invest NI paid out £2.1 million in relation to grants for the Skills Growth Programme which were committed to by Invest NI during the period in which it did not have approval from DoF. Consequently, I have qualified my opinion on the 2017-18 Invest NI financial statements on the regularity of expenditure incurred on the Skills Growth Programme as this expenditure has been incurred without conforming to the authorities which govern it.

### Audit qualification

- 5 In March 2013, DoF (previously the Department of Finance and Personnel) granted approval for the Skills Growth Programme up to 31 December 2015. The Skills Growth Programme was developed for approximately 300 small companies involved in exporting goods and services or getting ready to export, while larger firms could avail of new, tailored skills growth support.
- 6 When the DoF approval expired on 31 December 2015, neither DfE or Invest NI sought to extend the approval beyond 31 December 2015. This was because at that time Invest NI considered that it had the authority to approve this extension for up to 24 months without the need for further approval from DfE or DoF. This interpretation was incorrect and Invest NI has told me they are taking steps to ensure this cannot recur.
- 7 On 22 March 2018, DfE sought DoF approval to further extend the Skills Growth Programme until 30 September 2018 to allow for the completion of an economic appraisal and the launch of a replacement skills programme and this approval was granted for the period 6 April 2018 until 30 September 2018.

## Report by the Comptroller and Auditor General for Northern Ireland (continued)

- 8 However, at this point it became clear that DoF approval had not been sought for the period for offers issued between 1 January 2016 until 31 December 2017 and that it should have been (no offers were issued between 1 January 2018 and 5 April 2018 and therefore there was no irregular expenditure committed to in that period). DfE requested retrospective approval at this time for the expenditure committed to during 2016 and 2017 but this was declined by DoF who pointed out that the failure to seek approval had arisen through an apparent lack of understanding and misinterpretation in Invest NI of the conditions of approval.
- 9 I am concerned that Invest NI failed to identify the need for DoF approval for the extension to this grant scheme and I asked Invest NI to explain how it would ensure this would not happen again and also how it intends to regularize the position for any future spending on grants which were committed to during the period of DoF non-approval.
- 10 Invest NI told me that this extension was done within the original budget allocation approved by DoF, no additional expenditure was approved or incurred, and no value for money issues have arisen as a result of this extension. The project had commenced as planned within the original timelines and budget, but due to a slower than expected uptake, the timing of the programme was extended by Invest NI with reference to its delegated internal amendments policy. In recognition of the DoF determination that the authority to extend did not fall under Invest NI's delegated amendments policy, Invest NI has told me that it is now carrying out a review and will work with DfE to update relevant internal policies and guidance to ensure clarity going forward. In addition, Invest NI will review the balance of outstanding commitments under the remaining letters of offer and will consider whether the matter can be resolved for future years.

### Conclusion

- 11 I have qualified my regularity audit opinion on the 2017-18 Invest NI financial statements as expenditure amounting to £2.1 million was incurred without the necessary approvals in place for the Skills Growth Programme. I have also qualified my regularity audit opinion on the DfE financial statements because of the same issue.
- 12 Invest NI incurred expenditure of £120k in 2015-16 and £845k in 2016-17 in relation to the Programme, which has been deemed to be irregular as well. In addition, any future expenditure on the Programme which was committed to by Invest NI in the period 1 January 2016 until 31 December 2017 will also be irregular.
- 13 The requirement for expenditure to be approved through DoF (unless there is specific delegated authority) is an important control within public expenditure. In this case it appears that Invest NI misunderstood the authority that it had to extend the approval period for the scheme and this has led to irregular expenditure. It is essential that Invest NI clarifies and updates its procedures to ensure that a similar issue cannot happen again.



**KJ Donnelly**  
**Comptroller and Auditor General**  
28 June 2018

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ISBN 978-0-9926470-4-9



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