Invest Northern Ireland

Invest Northern Ireland
Annual Report & Accounts 2018-19

INVEST NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

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
5 July 2019

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

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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

Despite a year in which our customers faced a myriad of uncertainties including Brexit, global economic conditions and a cautious business environment, their performance can only be described as exceptional.

	Year 1 2017	Year 2 2018	Combined Progress	2017-2021 Outcome
Additional Jobs	10,970	**9,033**	20,003	30-40,000
Increase in Total Sales	£1.7bn	**£1.6bn**	£3.3bn	£3.2-£4.2bn
Increase in External Sales	£1.2bn	**£1.4bn**	£2.6bn	£2.4-£3.1bn
Increase in Export Sales	£0.8bn	**£0.9bn**	£1.7bn	£0.8-£1.2bn
Increase in R&D	£18.9m	*****	*	£160-£200m

* 2018 Research and Development Statistical Bulletin on R&D available in November 2019.

As a result, two years into our Business strategy 2017-21, we are well on track to meeting our four year outcomes.

What does this mean for Northern Ireland – its economy and its businesses?

In the past year Northern Ireland saw economic activity[1] grow at a faster rate than the UK (GDP) as a whole. The unemployment rate is the lowest on record and is lower than the UK, Republic of Ireland and the EU. The employment rate is the highest on record with 860,000 people over the age of 16 in employment, an increase of 14 per cent on 10 years ago[2].

Outside of London, Northern Ireland is the fastest-growing knowledge economy in the UK[3] and Belfast is the No. 1 mid-sized/small city in the world for Business Friendliness[4].

In the past year Northern Ireland saw an above UK average proportion of business start-ups reach at least £1m turnover after three years[5].

These are all positive accolades and testament to the focus on growing our economy in past Government strategies, to efforts to sell Northern Ireland globally, and to supporting local companies to grow.

The confidence in Northern Ireland, our people and business environment as demonstrated by investments by start-ups, indigenous companies and inward investors during the course of 2018-19, gives confidence that we can continue to build on these positive trends.

We still face the ongoing challenge of Brexit. In particular the potential of a hard Brexit which, should it happen, will be very damaging to Northern Ireland businesses and farmers. This is of particular concern to the Invest NI Board.

While some businesses have undoubtedly held back on some strategic investment decisions while they await the outcome of the negotiations around the UK's withdrawal from the EU, others have forged ahead. Total investment (business investment plus Invest NI support) in 2018-19 was the third highest in the last 10 years, and a 39 per cent increase on last year.

International Presence

The continued commitment from the Board to encourage an international outlook within Invest NI has also brought results. Our increased international presence in strategic locations has supported a drive to attract investors to Northern Ireland, and help our local companies to broaden their international reach.

A focus on exports has been central to our strategic direction for some time now but has become even more important in recent years. Exploring new, emerging and further afield markets is even more important as our relationship with local markets looks set to change. It is therefore pleasing to see the outturn against our export targets continues to be positive. However, this does not mean we can relax our focus on this important economic driver.

Northern Ireland's export figures can be impacted by the performance of one large company, such is our reliance on a small number of companies to drive a large proportion of our exports. Currency fluctuations can also play a part in the annual figures. If we look back further, at information collected from companies we are working with, the figures still show growth – 18 per cent over a four year period to 2017. It will be important that we continue to work with local companies of every size to support them to sell outside the UK – with initiatives such as our recently launched Graduate to Export programme, increasing our international team, and providing the right support tools.

We also supported some sizeable inward investment projects during 2018-19, adding to the number of foreign owned businesses operating in Northern Ireland, which now stands at 1,025. These companies are supporting new jobs, improved wage levels and a knowledgeable and skilled workforce across Northern Ireland. They also support our international standing and we have seen Northern Ireland's reputation grow in key sectors, in some cases from a standing start. You only need to look at the household names across the legal services, FinTech and most recently cyber security sectors now operating in Northern Ireland compared to 5-10 years ago to see this.

In the words of one new investor:
"... the talent pool, the current technology sector, salaries, education and universities, and infrastructure. Northern Ireland ticked all the boxes. These factors, combined with the offer of support from government, made it the logical choice."

Chairman's Reflections

When I joined the Invest NI Board as Chairman in January 2012 the organisation was setting a new path following the Independent Review of Economic Policy in Northern Ireland a few years earlier. Under the banner of Transform, the team had identified a vision, and was implementing projects to deliver a change management programme.

In 2015 we took this a step further with the goal of becoming a 'world leading' economic development agency and the next phase of our continuous improvement journey to 2021 is to be 'world leading' in our leadership, people and culture, processes and customer service.

Through Alastair's leadership and the Board's oversight, customer service is now embedded at the heart of the organisation.

This was externally validated when, in 2013, we gained full accreditation against the Customer Service Excellence Standard. We have continued to improve with each annual assessment and were awarded 26 compliance plus ratings in our 2018 assessment, making us the highest rated organisation in Northern Ireland.

Our staff have also experienced the benefits of this change programme with a broad range of health and wellbeing initiatives, leadership and training programmes, and community and charity work. During 2018-19 nearly 1,500 days of staff training were completed, 120 staff took part in volunteering activities with voluntary and charity organisations across Northern Ireland and fundraised over £23,000 for our corporate charity.

Again, our work is being externally assessed and in 2014 we were awarded, and continue to retain, Investors in People Gold. In 2017 I set the organisation a goal to be listed in The Sunday Times 100 Best Companies to Work For by the end of this Business Strategy period in 2021.

It is my view that the results of Transform are evident not just in our customer satisfaction scores and employee engagement levels, but also in the team's ability to continue to deliver for Northern Ireland despite what can be challenging economic conditions.

Next chapter

My tenure as Chair of the Invest NI Board comes to an end this summer. I have been very fortunate to serve with a committed and focussed Board, Chief Executive and Executive Leadership Team ready to help shape and drive the strategic vision for the agency. I have also had the pleasure of working alongside a team of over 600 staff located around the world equally committed to delivering on this vision.

I would like to put on record my thanks to all those Board members that I have served with over the past seven-plus years. The new Chair will inherit a strong Board in Deborah Lange, Mark Nodder, Mark Sweeney, Padraig Canavan, Brian Baird and Judith Totten, who have been all been reappointed for a second term of three years. They will be joined by four new Board members to be recruited when Ken Nelson, Gerard O'Hare, Scott Rutherford and Rose Mary Stalker step down at the end of this calendar year after seven years of service.

I would also like to recognise the dedication, passion and positive impact that Alastair has brought to Invest NI during his 10 years as Chief Executive. Through his leadership we have implemented significant positive change in the organisation and delivered an impressive set of results.

The appointment of a new Chair and CEO will bring fresh change for Invest NI. I am confident that the team will embrace this change with their usual resilience and positivity and I look forward to watching the organisation continue to deliver for Northern Ireland businesses and the economy under this new direction. It is also my hope that we will see a return of the Northern Ireland Assembly and local Ministers to drive forward the investment needed in our infrastructure, health, education and business and help shape the future of Northern Ireland.

Mark Ennis
Chairman
Date: 26 June 2019

[1] NI Composite Economic Index
[2] NISRA – Northern Ireland Labour Market Report
[3] Catalyst Inc – 2018 NI Knowledge Economy Report
[4] fDi Intelligence: Global Cities of the Future 2018-19
[5] ERC – NI Local Growth Dashboard

Chief Executive's Review

Tracking our Performance

Supporting businesses to create additional jobs, grow exports and external sales and increase investment in Research and Development (R&D) are the outcomes against which we will be measured at the end of our Business Strategy in 2021.

As detailed in the Chairman's Statement, we are on track to deliver on our export and external sales targets and are nearly two-thirds of the way to achieving the 30,000 additional jobs outcome.

There are a number of investment commitments during the year that immediately standout as contributing to this success.

The commitment by PA Consulting to create 400 new jobs by 2023 as part of a new digital hub in Belfast; and the 600 person expansion by FinTru across Londonderry and Belfast both represent a significant investment and confidence in Northern Ireland.

The new manufacturing facility to be built by Terex in Campsie as part of a £12m investment is a great boost to both the materials handling sector, and the North West. And the recently announced £57m investment by Seagate – the third largest R&D project we have ever supported – is another great news story for Londonderry. Downpatrick based Finnebrogue also announced its intentions to create up to 125 new jobs following a £20m investment in a state-of-the-art nitrite-free bacon facility.

R&D investment results will be published by NISRA in November 2019. However, given that our companies committed to investments of £255m in the past year, nearly double the previous year, I am confident that we are making good progress towards increasing business expenditure in R&D.

During the year we supported 175 businesses to sell outside Northern Ireland for the first time, and helped nearly 340 existing exporters to reach new markets.

Our support towards growing exports is helping companies win new business in far-flung markets. Edge Innovate, for example, recently won a new export order worth £750,000 in Oman. Kiverco won its first export success in Italy, in a six figure deal, and TriMedica secured four contracts in Switzerland, Germany and Austria, after joining us at the Medica trade fair.

We also continue the drive to attract new investors. Companies choosing to invest here for the first time during 2018-19 included Alchemy with a 250 job project in Londonderry, and 220 jobs in Belfast by US-based cyber security firm, Imperva.

Supporting entrepreneurs to start and grow their export focussed businesses in Northern Ireland is also a core part of our Business Strategy and during the course of the last year we launched an Entrepreneurship Action Plan and appointed an Entrepreneur Champion to help drive forward this agenda.

Supporting our customers

This past twelve months has been dominated by one word – Brexit. It has been the much talked about and debated issue in offices, homes and at the highest political level. It has occupied the minds of businesses, unsure how to prepare for an outcome that was unclear, and it has been the focus of teams right across Invest NI working to ensure we provide the right support to help them.

Since the day following the Referendum result we have worked to understand the needs of our customers, ensuring the specific challenges facing Northern Ireland businesses were in the minds of the most senior politicians and officials involved in the Brexit negotiations.

Over the last 12 months we have ramped up our support, launching an Assessment Tool to help companies assess what areas of the business were most at risk, engaging specialist advisors to provide advice and guidance to companies and launched a Brexit Preparation Grant.

We also held a series of workshops, advice clinics and 1-2-1 advice sessions on key areas such as taxation, logistics and employment, and co-hosted a Practical Advice and Support for Brexit conference.

We continue to provide the best support we can to our customers and are ready to respond in whatever way needed as soon as the exact nature of the withdrawal from the EU is confirmed.

Reflection

As it is well known, I will step down as CEO of Invest NI later this year. I have been very fortunate to lead the organisation at a time of great opportunity. I have seen Northern Ireland businesses achieve great things, welcomed some significant new investors and had the privilege of representing Northern Ireland on the world stage. There have also been periods of challenge, including the economic downturn, the loss of a number of significant manufacturing businesses and most recently the unpredictability of Brexit.

There are a few things in particular that stand out over my 10 years as CEO.

The introduction of the Jobs Fund in 2011 was instrumental in helping local companies during the economic downturn. It ensured that businesses were able to move forward with their plans and directly contributed to £360m of investment and 10,500 jobs, well exceeding the targets initially set. Not only did it create new employment in Northern Ireland, but it also helped nearly 2,000 companies to win new business, reach new markets and grow.

Our Access to Finance portfolio is another example of how we have responded to market failure and put in place support mechanisms to meet the needs of businesses. The portfolio started in 2009 with £32m of funding available. Ten years on we now have £200m of debt and equity funding across seven funds. So far, the portfolio has helped over 1,000 businesses access nearly £257m of loans or investment – much needed finance that has supported companies like Neurovalens, Portadown-based Iota, Axial3D and many more to invest in their business' future.

Some areas of manufacturing have experienced particularly challenging times in the last five to 10 years. The loss of JTI, Michelin and the reduction in employees at Bombardier have all been hard felt. In other areas of manufacturing we continue to see growth and, when the picture is looked at as a whole, the number of people in Northern Ireland employed in manufacturing has increased by 11 per cent over the past 10 years, compared to a 0.3 per cent decrease across the UK.

As we reflect on some of our traditional businesses, over the last 10 years we have seen the birth of new sectors in Northern Ireland. Our legal services sector has blossomed to a point where it now includes two of the top five London law firms. Professional Services firms Deloitte and PwC both recently announced commitments to make Belfast their biggest UK location outside London. Northern Ireland is the top destination globally for FinTech development and in just five years we have become the leading region for US cyber security development projects[1]. For a country of our size, competing for these investments against cities larger that our whole country, these are significant achievements. I feel immensely proud to have played a role, however small, in making this happen.

I am also immensely proud of the work across all teams to improve the experience of our customers – from contacting our Business Support Team, applying for support, and claiming payments against offers. Delivering excellent customer service is well embedded within the organisation and our customer satisfaction is now at 93 per cent (from 62 per cent 10 years ago), with dissatisfaction also at an all-time low of three per cent.

Future

During my ten years as CEO I have seen much change. Change within the organisation, change in business, change in the political landscape, both at home and abroad, and change in our economy.

It is also now the time for change in leadership at Invest NI. After 10 years it is the right time for me to pass the baton on to someone new. At the mid-point of our Business Strategy it is also a good time for someone new to come in, review our activity to date, oversee the final delivery of key objectives and begin to build their vision for the next Business Strategy. I hope whoever is appointed has the same positive experience in the role as CEO and leader of Invest NI and wish them every success.

I cannot conclude my review of both this and the last 10 years without acknowledging the team of people that I have had the pleasure of working with. I have been hugely supported by the passionate, committed and hardworking staff and Executive Leadership Team at Invest NI, the Invest NI Board, past Ministers and colleagues at the Department for the Economy, and industry peers. The words thank you do not seem adequate to fully communicate my appreciation, but it is with these words that I will end my last review of our performance.

Thank you.

Alastair Hamilton
Chief Executive
Date: 26 June 2019

1. Financial Times, fDi Markets

The purpose and activities of the organisation

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

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

We are part of the Department for the Economy (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 11 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 along with a 'high' rated budget risk which will continue to affect the group's business in 2018-19. The strategies adopted by the group to mitigate these risks are also outlined in the table.

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 exports and Foreign Direct Investment (FDI).	There is considerable uncertainty over trade, EU funding, migration and business regulation. Depending on the nature and timing of the exit, there is a risk of an adverse impact on levels of exporting and FDI, resulting in failure to meet key corporate objectives in the short to medium term.	The EU Brexit Response Plan continues to be updated to reflect this risk, with 'No Deal' preparations being ramped up, given that the Withdrawal Agreement did not receive Parliamentary approval and that a new Prime Minister may take a different direction. The 'Get Ready for Brexit' suite of support programmes is in place, along with continuing research into how Invest NI can best support businesses, particularly in a 'No Deal' scenario. Business Continuity planning is ongoing to ensure that Invest NI is prepared for all potential Brexit scenarios.
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.	Invest NI offers a range of training support, including the Skills Growth Programme, which focuses on developing higher skills. 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 and with the Department for Communities (DfC) on its Employer Engagement Board. Working with DfC to target the current economically inactive pool.
Uncertainty over budget allocation affecting Invest NI's ability to honour commitments to customers and deliver corporate objectives.	In the absence of an Executive, a four year budget exercise has not been completed. Budgets have therefore been allocated to Invest NI for the 2019-20 financial year but not beyond. This impacts negatively on our ability to plan going forward. The 2019-20 programme budget includes c£49m from the EU, which will be impacted by Brexit in future years.	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. The opening resource and capital budgets for 2019-20, which are in line with requirements, have now been issued. Budget uncertainty remains into future years as, centrally, budgets are not agreed beyond 2019-20 for resource and 2020-21 for capital. While funds committed under the current ERDF programme are covered by the HMT guarantee, planning is required beyond that to make use of other funding mechanisms, including the UK shared prosperity funds.

Two of the risks presented in 2017-18 are no longer included:

(i) Inadequate control and adherence to Information Management and Governance legislation and good practice – the risk has been removed due to the progress in implementation of the organisation's General Data Protection Regulation (GDPR) Compliance Programme; and

(ii) Failure to maximise the FDI and business growth benefits of a reduced rate of Corporation Tax – removed due to the deferral, in the absence of an Executive, of a decision to devolve the powers to vary the rate of Corporation Tax. To be kept under review pending future developments.

Further information on the group's risk management process through our risk and control framework can be found on page 36.

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.

2018-19 Targets and Achievements

The ambitions of our Business Strategy 2017-2021 set a clear pathway for Invest NI 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; namely:

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

Business Strategy Outcome Targets 2017-2021

Annual performance is reported from a set of Key Performance Indicators (KPIs) of a portfolio of customers with whom we have an account managed relationship. Only by gathering and reporting in this way can we monitor progress towards the key outcomes of our Business Strategy.

The headline KPI results for 2018 indicate a strong performance by this portfolio of customers and represent a positive contribution towards our Business Strategy targets.

KPI	2017 Outcome*	2018 Outcome*
Additional New Jobs Created	10,970	9,033
Total sales growth	£1.7bn	£1.6bn
External sales growth	£1.2bn	£1.4bn
Exports sales growth	£0.8bn	£0.9bn
Business Expenditure on R&D growth	£18.9m	**

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

** Growth figures from 2017's R&D Statistical Bulletin. 2018 figures will be available in late-2019.

Operating Plan 2018-19 Targets

KPI data is gathered and reported upon annually, therefore the activity measure targets of our Operating Plan have been specifically chosen because they will drive the delivery of our Business Strategy outcomes and in-year progress can be monitored and reported upon.

Overall performance of the Operating Plan 2018-19 was excellent, with all activity measures being met or exceeded. Performance against the key measures is set out overleaf. The various trends and factors that influenced our 2018-19 performance are explored in the Chairman's Statement and Chief Executive's Review.

Activity	Target 2017-21	Progress 2018-19	Progress 2017-18
1. Total Assisted Jobs a) Assisted Jobs from **locally-owned** companies b) Assisted Jobs from **externally-owned** companies of which: c) Assisted Jobs from **first time inward investment**	16,000 - 24,000 8,800 - 13,400 7,200 - 10,600 of which: 5,340 - 7,700	5,904 3,146 2,758 of which: 1,320	5,122 2,909 2,213 of which: 1,334
2. Total Investment in Innovation	£64m - £80m	£21m	£19m
3. Total Investment in R&D	£400m - £700m	£255m	£131m
4. Total Investment in Skills	£130m - £170m	£48m	£24m
5. Companies entering New Markets of which: a) Companies selling **outside NI for the first time**	600 - 800 of which: 300 - 400	335 of which: 175	261 of which: 107

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

Internal Audit Service (IAS) has completed a verification exercise of the performance data. IAS is satisfied that the activity outturn for 2018-19 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 towards our Business Strategy outcomes and set annual Operating Plan targets which will ensure that we meet (or exceed) our target outcomes for the 2017-21 period.

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 £96.3m against an allocated budget of £98.6m, a 98 per cent achievement against target.

- Receipts generated in the year, excluding EU programme funding, totalled £29.1m against a target of £25.3m. 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 £104.3m to £84.5m.

The reduction of £19.8m in consolidated net operating expenditure relates to a £11.7m increase in operating income and a £8.1m reduction in operating expenditure.

The increase in total income for the year of £11.7m from £59.3m to £71.0m is mainly as a result of the following movements:

There was an increase of £6.9m 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.

There was an increase in grant clawback income of £6.5m, as compared with last year. The clawback relates to grant amount recovered when there is default on the conditions in the grant offers.

NI-CO turnover has decreased by £1.5m from £15.0m to £13.5m from reduced revenues on contracts.

Finally, there was a gain of £0.8m on the revaluation of Property Plant and Equipment and Investment property in the BSDL group. This compares with a gain of £1.6m for last year, contributing to a £0.8m reduction in the operating income as compared with last year.

Total operating expenditure has decreased by £8.1m from £163.6m to £155.5m. The reduction in operating expenditure can be explained by a number of factors:

Salary costs within Invest NI increased by £1.0m. While general UK salary costs remained at the same level as last year, overseas salary costs increased by £0.6m due to the overseas expansion as agreed in the International Strategy. In addition, secondee expenses increased by £0.2m mainly as a result of staffing of some ICT projects, while recoveries from secondees out reduced by £0.1m following the return of some staff to HQ. The charge relating to movement in holiday pay accrued but not taken resulted in an overall increase of £0.1m in the salary costs.

Other operating expenditure, excluding salaries, decreased by £7.2m from £130.9m to £123.7m. Within this, administration costs reduced by £0.7m to £2.4m. This was mainly attributable to a reduction of £0.5m in exchange rate losses from a loss of £0.2m last year to a gain of £0.3m this year. Expenditure on revenue and capital grants has reduced by £17.9m, while Innovation and Research and Developments grants have increased by £3.4m. The reduction in revenue and capital grants is partly explained by the fact that DfE now funds NI Screen directly rather than through Invest NI. This results in an in-year decrease in expenditure of £8.1m. An increase in multi-year employment letters of offer issued up to June 2014 prior to the change in state aid rules resulted in related additional revenue grant draw down over the subsequent years. As payments under these offers have now been completed, there is a reduction of £6m in employment grants paid in the year as compared to last year.

There was a provisions charge of £5.4m, with a corresponding credit in 2017-18 of £4.1m. This is in respect of grants earned but not yet claimed at year end.

The costs of servicing contracts have decreased by £1.2m from £15.5m to £14.3m, primarily as a result of a decrease in NI-CO operating costs related to its reduced turnover.

There was a reduction in expenditure of £2.4m 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.

Consolidated Statement of Financial Position

Non-current assets including investments at the year-end were £196.5m, an increase of £9.8m on 2017-18. This is principally due to the following factors:

The main movement relates to the investment in associates which has increased by £14.5m from £37.2m to £51.7m reflecting an overall net increase in the total asset and liability position for 2019 compared with 2018.

Trade and other receivables due after more than one year have decreased by £6.1m, largely due to the timing of repayments due from the Carbon Trust Energy Loan Scheme.

Property, plant and equipment decreased by £1.8m from £72.1m to £70.3m mainly as a result of disposals of £2.9m, transfers to assets held for sale of £1.6m, offset by revaluation gains of £2.3m.

There was a £0.8m increase in the value of the Linum Chambers investment property in the BSDL group from £6.8m to £7.6m. This compared with a £0.3m increase last year.

Investments in financial assets increased from £38.8m to £41.6m, mainly as a result of additional share investments through the Co-investment Fund.

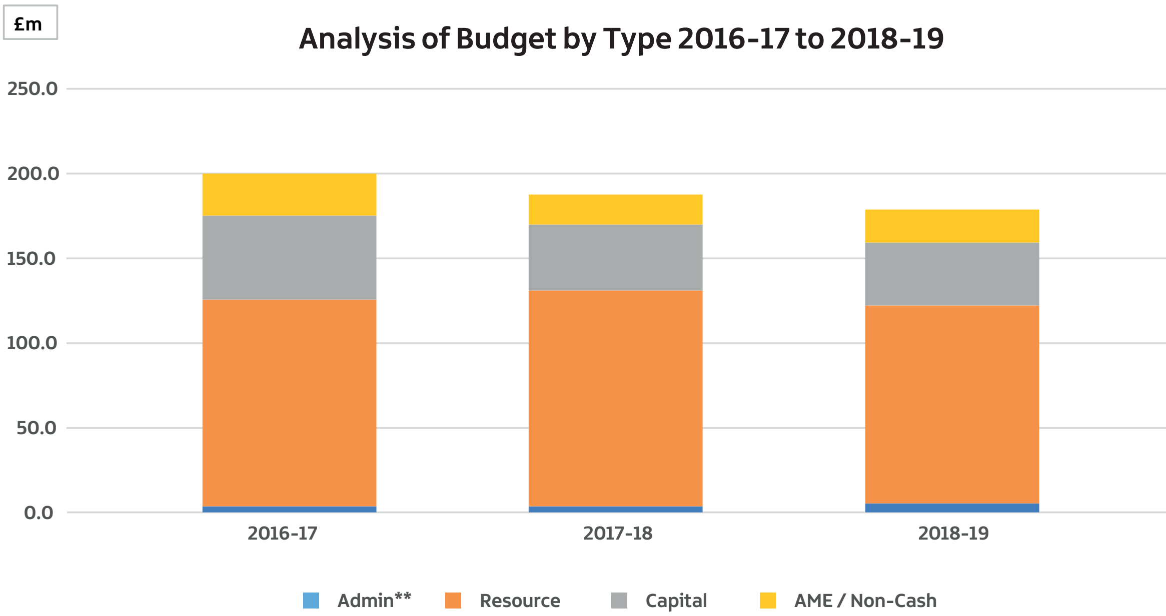
Total current assets at the year-end were £72.0m, compared with £73.0m from the previous year. Trade and other receivables accounted for £4.1m of a decrease, with an increase of £1.5m in cash and cash equivalents, and £1.6m for assets classified as held for sale related to properties that are expected to be sold within one year.

Within trade and other receivables, there was a £10.2m decrease in EU Receivables relating to the timing of receipts by Invest NI from the European Commission. There was a £3.9m increase in Invest NI recoverable trade receivables. Prepayments and accrued income have increased by £2.1m, related to income due not yet invoiced.

Total current liabilities have increased slightly from £78.5m to £78.8m. The main movements relate to trade and other payables which have decreased by £6.8m, including a decrease of £5.7m in Invest NI grant accruals relating to the timing of the receipt of year-end client grant claims. Provisions have increased by £5.3m related to grant provisions.

Total non-current liabilities at the year-end were £22.9m, a decrease of £0.6m on the previous year, mainly as a result of a reduction in group borrowings due in more than one year.

Long Term Expenditure Trends

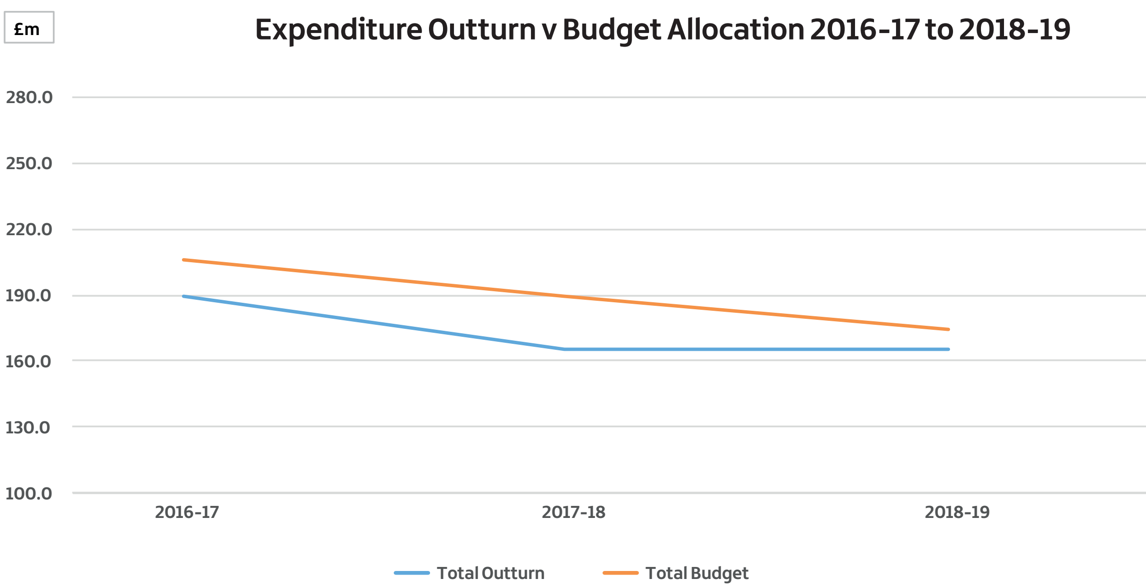


In 2018-19 the BSDL Group was designated as a Non-Departmental Public Body, and was included in the public sector budgetary framework. The budgets shown above and below for 2018-19 are therefore a consolidated budget including Invest NI and the BSDL group.

** In 2018-19 Salaries moved from Admin to Programme. The last three years have been restated on this basis for comparative purposes.

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

From 2018-19 the salaries budget was reclassified from Admin to Programme Resource in line with a revision to the HM Treasury Consolidated Budgeting Guidance. The figures for 2016-17 and 2017-18 have been restated on this basis.



	2018-19 Budget Outturn £'000	2017-18 Budget Outturn £'000	2016-17 Budget Outturn £'000
Total Resource DEL*	**126,544**	**132,315**	**127,764**
Of which:			
Administration	4,688	3,512	3,117
Programme	119,902	126,947	123,514
Non-Cash	1,954	1,856	1,133
Total Capital DEL*	**38,132**	**40,220**	**48,568**
Of which:			
Capital Grant	25,305	28,256	28,219
Direct Capital	3,801	2,767	3,554
Financial Transactions	9,026	9,197	16,795
Total AME**	**7,765**	**(246)**	**13,108**
Total Spending	**172,441**	**172,289**	**189,440**
Total Receipts	**70,594**	**44,726**	**31,134**
Of which:			
Resource Receipts	11,927	8,588	8,569
Capital Receipts	19,303	3,642	3,645
EU Receipts including Recyclables	39,364	32,496	18,920

* 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.

Strategy, Objectives and Future Direction

Over the last year, Invest NI has performed strongly against all key measures in our Business Strategy. We are optimistic that we will continue to deliver for the Northern Ireland economy, within the context of the wider draft Programme for Government. However, as we enter the third year of our four year strategy, it is important to acknowledge that the UK economy is facing a prolonged period of economic uncertainty.

Macroeconomically, while the global economy is currently performing reasonably well, efforts to drive stronger economic growth locally are occurring against a backdrop of heightened global uncertainty. A period of significant expansion has been replaced by weaker growth in many international markets. Trade tensions, financial market vulnerabilities and geopolitical risks may combine to act as a further drag on the global economy over the next year or so. The uncertain international context is likely to mean that UK interest rates remain low for longer. A competitive currency will continue to help exporters too. Many of the foundations for further growth in the local economy remain in place. Helping companies to find and exploit opportunities alongside dealing with prolonged uncertainty will be key features of Invest NI's work in the year ahead.

While Invest NI's performance over the first two years of its current Business Strategy has been strong, looking forward there are a number of significant opportunities and indeed challenges. Perhaps the most significant issue facing Northern Ireland at the moment is the ongoing process of negotiating the UK's withdrawal from the European Union. At the time of writing, the UK is scheduled to leave the European Union by 31 October 2019. While planning in an uncertain economic and political environment is challenging, Invest NI remains committed to working with our customers to ensure they are prepared for whatever exit is finally agreed. Reflecting our commitment to partnership working, we will continue to work with DfE, key stakeholders and sector bodies regionally and nationally to ensure we continue to offer an extensive range of Brexit-related support. This will include advice, finance and upskilling to ensure our customers and the wider Northern Ireland business community are prepared for the new trading environment that will emerge following our withdrawal from the EU. Over the past year Invest NI has, and will continue to invest in the training of our customer-facing staff to ensure they are equipped to support our customers in their preparations for the withdrawal.

Locally, in delivering our Business Strategy, as well as an ongoing focus on the draft Programme for Government, Invest NI is also aligned with the UK Industrial Strategy, which provides a blueprint for driving productivity and economic growth across the UK as well as providing a policy framework against which major public and private sector investment decisions can be made. Central to this strategy are the "Grand Challenges" of Big Data & Artificial Intelligence, Clean Growth, Future of Mobility and Ageing Society. Invest NI will continue to work in partnership with DfE, including the Matrix panel, and UK government departments such as the Department for International Trade and the Department of Business, Energy and Industrial Strategy as well as local councils, universities and other stakeholders to support businesses to access the opportunities set out in the UK Industrial Strategy. Northern Ireland has business and research expertise across many emerging technology areas such as cyber security, financial technology, business and professional services, advanced manufacturing, data analytics, digital and creative industries. We will continue to build on these strengths, encouraging greater adoption of emerging technologies across industry through innovation to deliver greater productivity, develop future skills, and increase export capability. Invest NI is already planning a greater focus on the opportunities emerging from Industry 4.0, the "fourth industrial revolution", which has the potential to transform the economy through greater digitisation, artificial intelligence and machine learning.

As well as working with inward investors and the indigenous business community, Invest NI has also launched its Entrepreneurship Action Plan, placing a renewed focus on Entrepreneurship with the objective of increasing entrepreneurial activity across Northern Ireland. Again, Invest NI will work collaboratively with a range of stakeholders in its delivery, underpinned by a new Entrepreneurship Forum.

Through our role as a Trusted Business Partner, we will continue to work closely with our customers across Northern Ireland, our stakeholders including universities and FE colleges, local councils and government departments locally and nationally to ensure we maximise synergies and deliver real value to the economy. The coming year will see programme delivery of the Belfast Region City Deal begin to gather momentum and Invest NI will work closely with the six partner councils and other stakeholders as the planning and development process takes shape. We will also engage where appropriate as additional City and Growth Deals emerge elsewhere in Northern Ireland.

Invest NI remains committed to concentrating its efforts on those sectors and sub-sectors where Northern Ireland has world-class capability and the greatest potential to exploit global market opportunities. Promoting innovation and enhancing leadership, management and workforce skills will remain core to our activity - indeed such activity, contributing as it will to enhancing productivity and ultimately competitiveness, is likely to become an increasing focus in the coming year and into the future.

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

Consideration of Rural Needs

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

Invest NI has been subject to this legislation since 1 June 2018 and has taken a number of measures in order to comply with its obligations in this regard, including staff training and quarterly monitoring.

The following outlines the actions taken between June 2018 and March 2019:

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Propel/Pre Accelerator Programme	Rural Businesses	The Propel Programme is based out of the Ormeau Baths facility in Belfast due to the entrepreneurial ecosystem that already exists and continues to grow. At present all workshops and mentoring sessions are held in Ormeau Baths where participants can avail of up to 12 months free co-working space. The current programme commencing January 2019 has been amended to respond to participant needs in that it will concentrate activity on sprints. This will minimise time at the Baths and maximise time in the field or working from a home/rural base. To fully benefit from networking and experience gained from other participants on the programme, it is more beneficial to work from the Ormeau Baths. There are no set rural specific indicators as the programme targets participants from Northern Ireland as a whole on a competitive entry basis. Propel has always attracted a good cadre of strong teams from rural areas. The programme's effectiveness is tested via independent interim and final evaluations.
Graduate to Export Programme	Rural Businesses	The DfE report, 'Graduate to Success' (April 2012-2020), outlines a desire to 'provide students with opportunities to develop a portfolio of skills, to include international mobility opportunities'. Research indicates that many SMEs are not inclined to invest in management development training, and market intervention is required in order to encourage business leaders to develop these skills in their business. In recognition of the strategic drivers outlined above, Invest NI's Business Strategy and International Strategy 2017-2021 states that it will renew and re-double emphasis on international trade support for its customers with the greatest growth potential to access the skills required to realise their ambitions. It is hoped therefore that this programme will enhance the economic prospects for rural dwellers as the overall economy improves. The procurement selection process will incorporate appropriate weightings to reflect the necessary expertise /experience required and this will encompass the issue of Rural Needs and other legislative requirements. Break clauses will be included in the training provider contract. An evaluation will be carried out following delivery of each cohort which will consider rural needs. Subsequent cohorts will only be approved based on satisfactory performance against agreed KPIs and with a view to budgetary considerations.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Brexit Preparation Grant	Rural Businesses	There is no evidence of any specific rural needs or disadvantage at this stage, however we will keep this programme of support under review and where any indication of disadvantage emerges we will adapt its delivery accordingly. The current political uncertainty surrounding Brexit makes more specific anticipation of need more difficult. It is not anticipated to cost more in rural areas and even should this prove to be the case the cost will be met.
Productivity Improvement Supply Chain Programme	Rural Businesses	As the spread of customers and referrals demonstrates there are no barriers to delivery in rural areas. The only additional cost for delivery in rural areas may be additional mileage expenses incurred by the team. It is planned that the service will be available to all Invest NI customers and a range of regional locations used throughout Northern Ireland, ensuring accessibility for participants irrespective of location. Metrics for availability and uptake will continue to be monitored, these will be reviewed on an ongoing basis to identify if any corrective action is required.
Collaborative Growth Programme	Rural Businesses	There are no barriers to delivery of this Programme in rural areas as it is open to all SMEs based in Northern Ireland (providing that there are four Northern Ireland based SME signatories to any application for funding, at least one of which must be an Invest NI client company). If a prospective participant in the project is not classed an SME, he/she/they may participate as a stakeholder, providing they have expertise/knowledge/influence that is relevant to the project. Large companies, academic institutions, public sector organisations, voluntary sector organisations and trade bodies across Northern Ireland, including in rural areas, may also participate in a Collaborative Growth Programme project. The Programme provides the same level of funding to all projects, regardless of where in Northern Ireland they are based. We are not aware of any reason why a Collaborative Growth Programme project would cost more to operate in a rural area than in an urban one. Once completed, each Collaborative Growth Programme project is subject to a Post Project Evaluation (typically six months after the project has ended). The Collaborative Growth Programme itself is subject to an interim evaluation at the mid-point of the five year Programme and a full independent economic evaluation and appraisal at the end of the Programme. We continually monitor the spread of projects across Northern Ireland and will continue to work with local councils and colleagues in Invest NI's regional offices to ensure that SMEs across Northern Ireland are aware of the Programme.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Accelerating Growth Programme	Rural Businesses	It is planned that the programme will be delivered in a range of regional locations throughout Northern Ireland, ensuring accessibility for participants irrespective of location. Programme outcomes will be measured for each cohort of the programme. Programme implementation and delivery will be evaluated and reviewed on an ongoing basis for each cohort of the programme in conjunction with Invest NI regional office colleagues. The Accelerating Growth Programme has previously held cohorts regionally throughout Northern Ireland including Belfast, Londonderry, Omagh, Ballymena and Newry. The programme achieved an overall satisfaction level of 92 per cent. Invest NI intends to continue this approach.
Employment Law Advice Service	Rural Businesses	Invest NI receives requests to use the scheme from rural and non-rural based clients. As the advice is delivered via telephone conversation with the client, the location of the client does not affect the quality of the service. There are no barriers to delivery in rural areas as the service is delivered via telephone. The cost to the client is free for the 30 minute contact regardless of location.
Leading Within A Group Programme	Rural Businesses	The programme is open to Invest NI customers who are able to demonstrate that they meet the following criteria: • The applicant business must be located within Northern Ireland and be part of a Group with a parent company based elsewhere. • The applicant can clearly demonstrate their strategic imperative and willingness to grow and improve the performance of the Northern Ireland site. • The applicant can demonstrate their commitment and time available to work with the Executive Coaches, attend workshops and participate in networks. The exact location/s of the workshops will be agreed with the delivery agent once they have been appointed, but workshops held for similar programmes (e.g. Leadership Team Programme) are typically held at various locations throughout Northern Ireland (as well as in Dublin), therefore there are no barriers to delivery in rural areas. In addition, the Executive Coaches who will work directly with the participants will arrange to meet with them at locations that suit the client, including at the client premises, which are likely to include rural areas. We have not set rural specific indicators as we are targeting participant companies from a relatively small pool of potential Invest NI FDI clients and so it would not be appropriate to set targets at a sub-Northern Ireland level. Also we have attracted a good representation of companies from rural areas on to other similar leadership development programmes. Outcomes will be measured through mid-point and post programme reviews, along with an independent evaluation of the programme.

Corporate Responsibility

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

Employee Health, Wellbeing and Engagement

Health and Wellbeing is a key area under our CR agenda and over the last year we have continued to work hard, supporting our staff with improving both their physical and mental health. We are developing a comprehensive Mental Health Strategy with the aim of preventing mental ill-health, reducing stigma and intervening at an earlier stage to expedite recovery. We have offered our staff Wellmind sessions, focusing on improving mental health and becoming more mentally and physically resilient. We have also delivered a wide ranging programme of activities to improve physical health.

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

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

Trusted Business Partner

To help our staff support businesses in a volatile, uncertain, complex and ambiguous business world, we invested in our Customer Engagement Programme to develop both commercial and sector specific skills as well as internal and external relationship management skills, to encourage personal growth and a Trusted Business Partner approach. Over 300 staff have completed this training in the last year, which focussed on key areas including Core Relationship Management Skills, Strategic Consultancy Skills, Account Development Planning and International Sales.

Customer Service Excellence (CSE)

Following this year's CSE assessment we again achieved full compliance against all 57 criteria and in 26 of those criteria the assessor deemed us to be 'Compliance Plus' which maintains our place as the highest accredited organisation in Northern Ireland. This approach will provide us with a sound basis as we prepare for the Best Companies assessment in autumn 2019. By maintaining these standards we continue to demonstrate our commitment to providing better customer service, increased engagement and greater opportunities for staff to get involved in CR activities.

Social and Community

Invest NI has again this year maintained its Business in the Community (BITC) CORE CR Benchmarking Standard, which is held by only a small number of organisations in Northern Ireland. In the last two years we have worked alongside our charity partner, Northern Ireland Chest, Heart and Stroke and fundraised over £23,000. Through our CR volunteering scheme we have worked with a wide range of community and voluntary based organisations as well as our CR partners, BITC, Young Enterprise, Sentinus and Prince's Trust. We also offer a Payroll Giving Scheme that allows staff to make tax-efficient donations to charities of their choice.

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

Environmental Matters

We are strongly committed to undertaking environmentally sound practices in the areas of energy, waste and transport. During the year, 99.6 per cent of waste was recycled or converted into alternative energy sources and we continued to promote our Cycle to Work scheme.

Invest NI has continued to deliver energy and resource efficiency support to businesses to assist them to reduce energy use and minimise their waste. This includes a water efficiency programme that helps businesses to increase their water efficiency and reduce their water costs.

Alastair Hamilton
Accounting Officer
Date: 26 June 2019

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 2019.

Results

The net expenditure for the year is £86,125,000 (2018: £105,048,000).

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	
Judith Totten	

Executive Leadership Team (ELT)

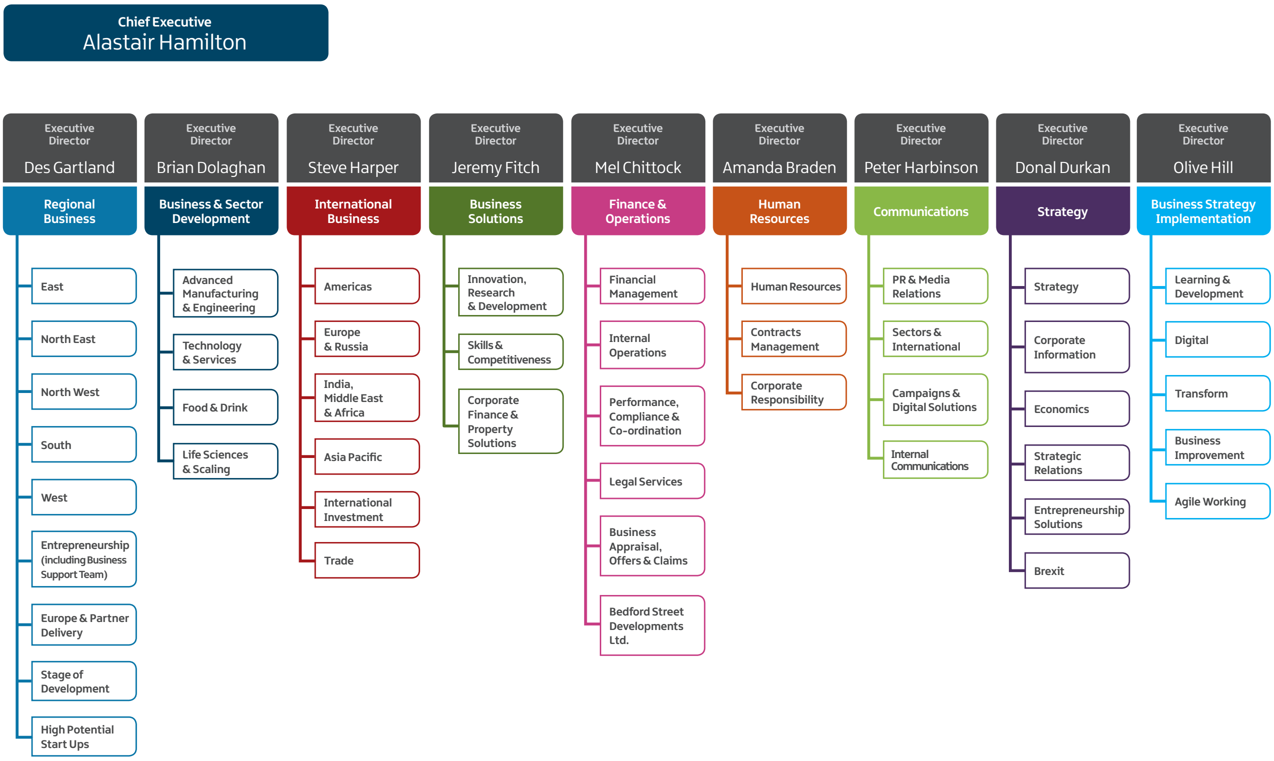
Alastair Hamilton	Chief Executive
Jeremy Fitch*	Executive Director, Business Solutions
Brian Dolaghan*	Executive Director, Business and Sector Development
Mel Chittock	Executive Director, Finance and Operations
Amanda Braden	Executive Director, Human Resources
Des Gartland**	Acting Executive Director, Regional Business
Donal Durkan***	Executive Director, Strategy
Olive Hill***	Executive Director, Business Strategy Implementation
Steve Harper	Executive Director, International Business
Peter Harbinson	Executive Director, Communications

* Tracy Meharg resigned with effect from 7 December 2018 and Jeremy Fitch transferred to the role of Executive Director, Business Solutions from this date. Brian Dolaghan was appointed to the role of Executive Director, Business and Sector Development on 3 December 2018.

** Bill Scott retired on 20 September 2018. Des Gartland was appointed to the role of Acting Executive Director, Regional Business on 3 September 2018.

*** Donal Durkan returned from secondment on 4 April 2018 and Olive Hill transferred to the role of Executive Director, Business Strategy Implementation on this date.

Organisational Structure



Prompt Payment Policy

Invest NI is committed to the prompt payment of invoices for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of delivery of the invoice or of the goods and services, whichever is later. During 2018-19 Invest NI paid approximately 98 per cent of invoices (2017-18: 98 per cent) within this standard.

In 2008 the Finance Minister announced that Northern Ireland Departments had been set a target of ensuring that invoices are paid within ten working days, in order to help local businesses. During 2018-19 Invest NI paid approximately 96 per cent of invoices (2017-18: 95 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

Invest NI promotes a customer centric culture, with the goal of providing a world-class customer experience at the heart of everything we do. Occasionally our customers may feel we fall short of our own standards and our Complaints and Feedback Process affords us the opportunity to identify areas in which we can make improvements, or to address instances when something goes wrong. It also gives us the ability to recognise good experiences through the recording of positive feedback.

The Invest NI Complaints and Feedback Policy was reviewed in November 2018 with a view to making a simpler, more streamlined process. Staff are empowered to deal with problems when they arise as part of their day-to-day interaction with customers, with issues logged as 'negative feedback' so that lessons can be learned. All complaints received via the formal channel are acknowledged within one working day, with a response to be issued within a target of 10 working days. If we are unable to provide a response within this timescale a revised schedule will be clearly communicated to the complainant with the new expected response date advised.

If we are unable to resolve the complaint to our customer's satisfaction at this stage, a review can be requested through the office of the Chief Executive. Should a resolution not be possible at that stage, the complainant may refer the matter to the Northern Ireland Public Services Ombudsman for independent review.

In 2018-19 a total of six (2017-18: seven) complaints were received through this process, two raised informally (pre Policy review) and four categorised as formal. Neither of the two informal complaints recorded could be resolved within the 10 working day timeframe, however new timelines were clearly communicated to our customers. Of the four formal complaints received all responses were issued within the expected 10 working days. 24 cases of negative feedback (2017-18:29) were recorded which did not require a response within the 10 working day target. No requests for Formal Reviews were received.

In November 2018 the office of the Northern Ireland Public Services Ombudsman (NIPSO) confirmed that a complaint that was referred to them in April 2017 would proceed to investigation. Invest NI has provided details of the case to the NIPSO and the outcome of the investigation is expected within quarter one of 2019-20.

The details of all complaints are recorded centrally and analysed to identify trends or themes to drive improvement in our processes and services. Three of the six complaints received in 2018-19 were upheld or partially upheld. Issues identified included lack of engagement regarding customer concerns, excessive requests for information and a lack of a timely response to customer queries. In all cases where the complaint was upheld, further engagement was undertaken to remedy the situation and in two cases an apology was issued. Invest NI's progress against the ten day response target is reported through our Standards of Service.

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

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, Statement of Financial Position and cash flows for the financial year.

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

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

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

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

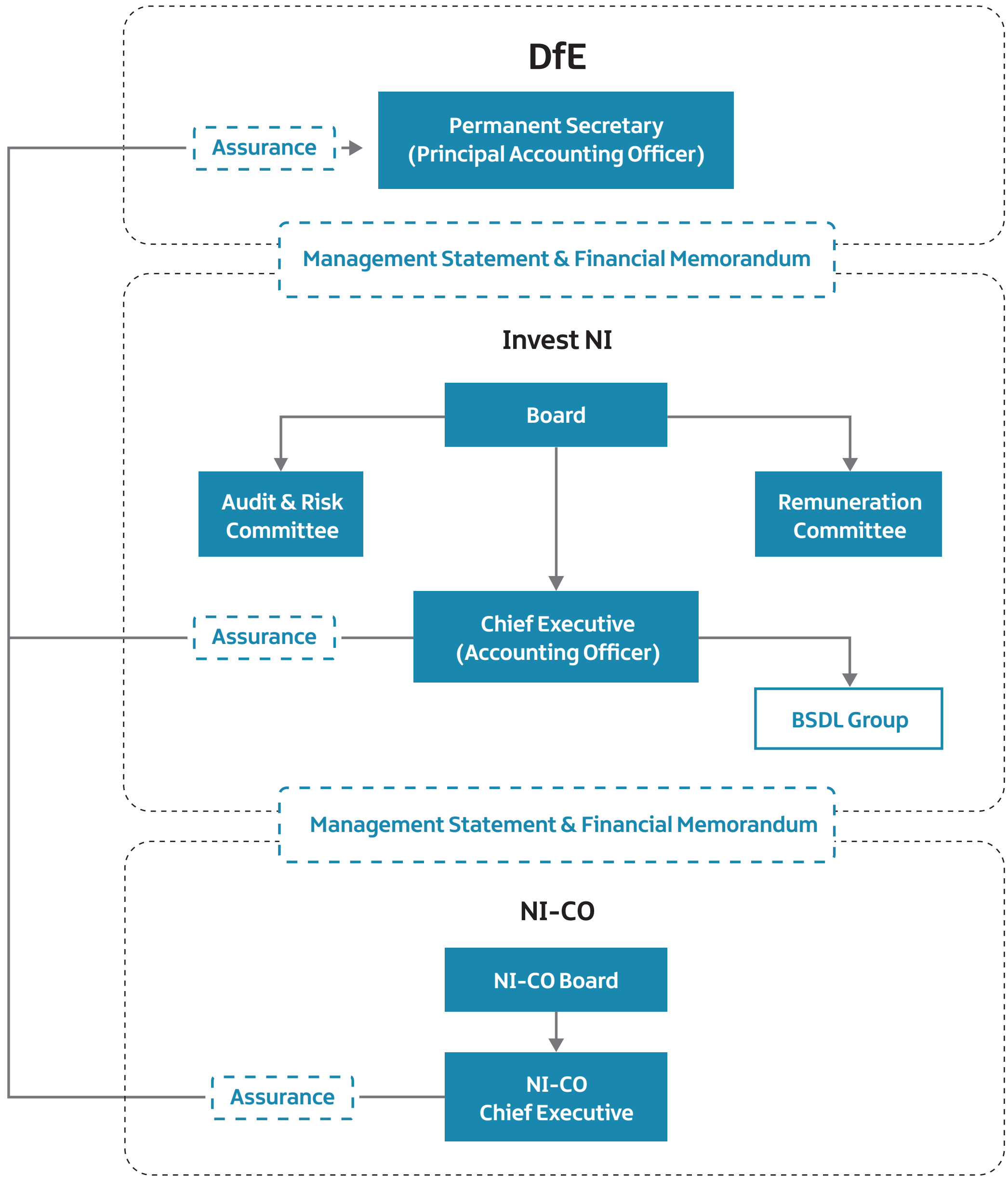
Governance Statement
Year ended 31 March 2019

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 2018-19 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 not fewer than 10 or more than 20 other members. Board members are appointed by DfE in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland. There have been no changes to Board membership throughout 2018-19 and there are currently 11 Board members (including the Chairman).

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

The role of the 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 and 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 125.

Board performance and effectiveness

In 2018-19 the Board met 10 times. Within the Board Operating Framework there is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation, introductions to the senior management team and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. In February 2019 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.

Board attendance 2018-19

Name of Board member	Board meetings attended per Board member (out of a possible 10)	Audit & Risk Committee meetings attended per Committee member (out of a possible 5)	Remuneration Committee meetings attended per Committee member (out of a possible 2)
Mark Ennis	9	N/A	2
Brian Baird	10	N/A	N/A
Padraig Canavan	10	N/A	N/A
Deborah Lange	9	5	2
Ken Nelson	9	N/A	N/A
Gerard O'Hare	7	3	2
Mark Nodder	3	N/A	N/A
Scott Rutherford	5	4	N/A
Rose Mary Stalker	7	5	2
Mark Sweeney	7	N/A	N/A
Judith Totten	6	2	N/A

Board Succession Management

There were no new appointments to the Board during the 2018-19 financial year. A number of Board members have reached the end of their terms and have been serving short-term extensions pending the finalisation of a succession strategy, which has been developed in conjunction with DfE. This strategy is now in place and a recruitment exercise is underway to find a successor for the Chairman, whose final term comes to an end on 30 June 2019. Four further Board Members have been extended until the end of December 2019, with new appointments expected to be made by DfE later this year.

Board Committees

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

- Audit & Risk Committee
- Remuneration Committee

Audit & Risk Committee

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

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

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 2018-19.

The Committee's Terms of Reference include an annual commitment to review its own performance. In March 2019 a self-assessment exercise was conducted, comprising a structured discussion by a quorum of the Committee based on a checklist derived from 'Key questions for an Audit and Risk Assurance Committee to ask' (Annex F of the Audit and Risk Assurance Committee Handbook (NI), which was updated in March 2018). For each of the 11 sections of the checklist, the Committee members were asked to come to a consensus on how effectively the Committee discharges its responsibilities in that area, taking into account the best practice standards outlined in the checklist. Each section was marked on a scale from 1 ('strongly disagree') to 5 ('strongly agree'). In eight of the sections, a mark of 5 ('strongly agree') was awarded, with a mark of 4 ('agree') in the remaining three sections. While the Committee identified some areas for improvement, including a number of items that will be considered for inclusion on future meeting agendas, the results demonstrate that members felt that the Committee was operating effectively and adhering to good or best practice in all areas.

The Committee continues to operate a 'rolling agenda' system that ensures that all major issues are reviewed at least on an annual basis. The rolling agenda will be amended in quarter one of 2020-21, as a result of the self-assessment discussion in March 2019, in order to provide the Committee with an opportunity to discuss particular topics either in greater detail or more frequently. Standing items on the agenda of each regular meeting include a review of the Corporate Risk Register, detailed discussion on key corporate risks, an update on progress against the agreed Internal Audit plan, internal and external audit recommendations and updates on current fraud and whistleblowing investigations. Other topics covered by the Committee in 2018-19 included actions arising from the Board Risk Workshop held in October 2018; GDPR compliance; Procurement practices; Management of External Delivery Organisations (EDOs); Accountability Grids; Business Continuity Planning, including the risk of cyber security attacks; hardcopy file management; EU funding; Data Breach Management Policy; Complaints & Feedback; Programme Evaluation Protocol; Brexit Planning; and Anti-Fraud Policy.

In the Audit & Risk Committee Annual Report for 2018-19 the Chair confirmed that the Committee considered the assurance available was sufficient to support the Board and the Accounting Officer in their decision-taking, their accountability obligations and the overall management of risk. Following each Audit & Risk Committee meeting, the Chair provides a verbal report and update to the full Board, with full written minutes provided by the Committee secretariat.

Remuneration Committee

The Remuneration Committee meets at least annually and is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive. The Committee comprises the Chairman and three other Board members, with meetings attended by the Executive Director, Human Resources. The committee met twice during 2018-19.

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, and Competence Centres.

Executive Committees

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

Internal Audit Committee

The Internal Audit Committee is an executive committee responsible for reviewing internal compliance issues, implementing action plans and audit recommendations, developing internal control systems and providing advice to the Audit & Risk Committee. The Committee met three times during 2018-19 and was chaired by the Executive Director, Finance & Operations. Issues discussed included: reviews of the audit strategy and annual plan; progress against the annual audit plan; reviews of External Delivery Organisations; assurance provided by other bodies; the Memorandum of Understanding between Invest NI and the Group Internal Audit and Fraud Investigation Service; compliance with Public Sector Internal Audit Standards; and IAS external quality assessment. The Committee also includes a number of other Executive Directors, the Finance Director and the Director of Performance, Compliance and Co-ordination, with representatives from IAS also in attendance. The terms of reference were last updated in February 2018.

Executive Leadership Team

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

The ELT meets weekly, with one meeting per month focused on financial and governance matters and three meetings per year focused on operational and 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 2018-19 is outlined in the table below.

Governance Process	Guidance Documents	Incidents Reported in Year
Bribery	Anti-Bribery Compliance Policy and Guidance Manual	None
Public Interest Disclosure	Whistleblowing Policy	One Public Interest Disclosure was received from a member of staff and has been notified to DfE. DfE also passed on a potential whistleblowing notification that was received initially by DoF. In addition, correspondence from a member of the public has been treated as a Public Interest Disclosure and was notified to DfE in April 2019.
Fraud Prevention	Anti-Fraud Policy and Fraud Response Plan	Six cases of suspected fraud were notified to the NIAO in line with the Invest NI Fraud Response Plan.

In addition, three further cases of suspected fraud arose during 2018-19. In two cases, the claims were not substantiated and no further action was required. The third case is being investigated internally to determine if further action and notification is warranted. Three cases had been reported in 2017-18 and, at that point, three cases reported in previous years were still under investigation. All of these cases have subsequently been brought to a conclusion. Progress on outstanding cases is reported to the Audit & Risk Committee and the Internal Audit Committee.

Invest NI's compliance with the Corporate Governance Code

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

Relationship with subsidiary company NI-CO

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

Relationship with BSDL Group

During 2013-14 the acquisition of the BSDL Group was completed, allowing Invest NI to take ownership of the Bedford Street building. The BSDL Board meets regularly and financial reporting for the group is consolidated within the Invest NI annual accounts. The BSDL Group Directors, comprising the Invest NI Executive Directors of Human Resources and Finance and Operations, present the audited BSDL annual financial statements to the Accounting Officer prior to consolidation into the Invest NI annual accounts. The Group Directors receive no remuneration from BSDL. The Invest NI policies and procedures, including all governance arrangements, have been adopted by the BSDL group and during 2018 the companies were classified by HM Treasury as Non Departmental Public Bodies. As such any significant governance issues arising would be reported in the six-monthly assurance statement and brought before the Invest NI Audit & Risk Committee and Board as required. No such issues were identified in 2018-19.

Relationships with Arm's Length Bodies

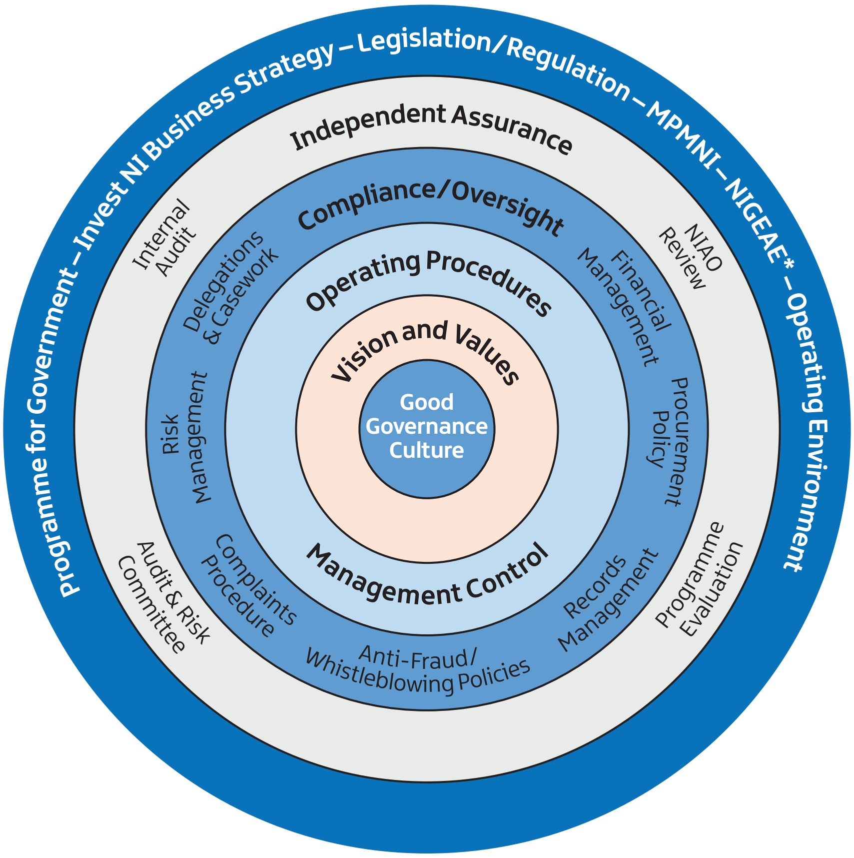
Written contractual or partnership agreements are in place with Arm's Length Bodies (known as EDOs) or Service Providers who deliver specific services or activities on behalf of Invest NI. These agreements also set out the performance and reporting requirements, which in turn are monitored by designated 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 2018-19 can be seen in the Internal Audit section of this statement.

Ministerial directions

There were no ministerial directions received during 2018-19.

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 (NIGEAE).

Risk Management policy

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

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

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

During 2018-19 one new risk was identified and added to the Corporate Risk Register as part of the review process. Three 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 9-11. Invest NI continued to monitor longer term threats through the Emerging Risk Register, which was introduced in September 2015 to analyse developing hazards that were relatively remote but which had the potential to impact on the organisation's business.

In October 2018, the ELT reported back to the Board on a number of risk areas that had been discussed during a Risk Management Workshop held by the Board in February 2018. The purpose of the exercise was to provide the Board with assurance that Invest NI's risk management arrangements are robust, that controls and mitigations for managing risk are appropriate and that mechanisms exist to pick up and report on new and emerging risks. A number of recommendations were made, including additions to the Emerging Risk Register, changes to existing risks on the Corporate Risk Register and provision of specific information at Board 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.

The Business Continuity Plan was initiated on Friday 12th October 2018 due to a decision to close Invest NI HQ to facilitate work to the back-up lighting systems following a weather warning in relation to high winds and potential power outages. HQ staff worked from home and in Invest NI's regional offices, and customer service was unaffected. The building reopened on Monday 15th October 2018.

Business Continuity Plans have also been established in order to ensure the continuation of Invest NI operations in the event of an exit from the EU on a 'no deal' basis.

An update on Business Continuity was provided to the Board in October 2018 and to the Audit & Risk Committee in February 2019.

Data Security

The annual Information Security Audit took place in November 2018 and resulted in Invest NI's continued accreditation to the international security standard ISO 27001. The accreditation confirms that Invest NI protects the confidentiality, integrity and availability of corporate information. A review of Invest NI's Information Security Management System was also carried out by IAS during 2018-19, with no significant issues identified. Security matters are reviewed by an Information Governance Group that met four times during the year. All approved USB devices, Invest NI laptops and mobile data devices are encrypted. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements.

During the year there were a number of losses involving portable data storage devices and incidents relating to unauthorised disclosure of information, the majority of which had a mitigated risk rating of 'low'. Three incidents had a mitigated rating of 'medium' 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. Communications on information security matters were issued on a regular basis throughout the year and all staff have completed mandatory information security training during quarter one of 2019-20.

Prior to the General Data Protection Regulation (GDPR) coming into effect in May 2018, Invest NI undertook a programme of activity to ensure that the main priority requirements of the legislation were met. Work continued in 2018-19 to ensure full compliance. Invest NI's Data Protection Officer attended each regular meeting of the Audit & Risk Committee in 2018-19 to provide assurance on the progress of the GDPR Compliance Programme.

Review of effectiveness

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

Group Assurance Statements on Internal Control

During 2018-19 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 four year (2017-18 to 2020-21) Audit Strategy, which was formulated with due consideration to the key corporate and operational risks to which Invest NI is exposed. The strategy and each annual plan, including the analysis of risks, are reviewed and agreed with the Internal Audit Committee and Invest NI management prior to approval by the Audit & Risk Committee, which approved a three year strategy at its meeting in May 2017, with a one year extension (covering 2020-21) approved in February 2018.

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

The table below provides a summary of the audit activity completed in line with the 2018-19 audit plan.

	Satisfactory	Limited	TBC	N/A[1]
Final Reports	8	0	0	0
Draft Reports	0	0	0	1
Fieldwork	0	0	4	0

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

There were no IAS Audit Reports that received a limited opinion in 2018-19.

Fieldwork is complete for the four reviews identified in the table above for which draft reports have not yet issued. In addition, IAS responded to a number of requests for advice from Invest NI management. One review from prior to 2018-19 is not yet at final report stage. It is at final review stage, which includes the EU Audit Authority quality assurance process.

During 2018-19 work continued on the ongoing programme of EDO inspections and sponsor control reviews. While the reports from the 2018-19 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 previous years' programmes, have progressed to final or draft report stage, with all reports achieving a satisfactory opinion.

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 2018-19 year. IAS's overall audit opinion reflects the positive results from the audit work undertaken in the year.

Skills Growth Programme

The Comptroller & Auditor General provided a qualified opinion on regularity for 2017-18 due to expenditure under the Skills Growth Programme. This followed the decision by DoF not to provide retrospective approval for a two year extension to the programme, meaning that expenditure incurred in 2017-18 under the letters of offers issued during the two year period from January 2016 to December 2017 was deemed to be irregular.

Invest NI has reviewed its processes for monitoring conditions of approval, including dates of expiration of approval, for all programmes. Changes have been made as a result of this review in order to provide assurance that, going forward, no expenditure will be incurred beyond the end of the period for which approval has been given.

DoF Supply subsequently confirmed that any expenditure incurred under the Skills Growth Programme from 1 April 2018 as a result of the commitments made would not be considered irregular going forward.

Accountability Grids

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

A total of 51 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 Departmental responses to NIAO reports and a number of Westminster Public Accounts Committees. A small number of these recommendations have specific relevance for Invest NI and will be considered in the context of business improvement and process change. There are now a total of 373 recommendations on the Accountability Grids.

A summary of the Accountability Grids was reviewed by the Audit & Risk Committee in November 2018, at which point there had been 10 new recommendations added in 2018-19.

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

NIAO Reports

There were no Invest NI specific Value for Money studies published by the NIAO in 2018-19 and there are currently no such examinations planned. Other reports issued by the NIAO are reviewed for relevance to Invest NI operations and actions are taken as appropriate.

Going concern

All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2019-20 has been approved at an opening value of £115m, of which £101.7m relates to Resource funding and £13.3m to Capital funding. Planned activities for 2019-20 have been formulated in light of the requested funding applied to DfE. Therefore, the future financing of any Invest NI liabilities is expected to be met by DfE. In this context, the accounts have been prepared on a going concern basis. Although the 2019-20 budget has been approved, the absence of an Executive in Northern Ireland may affect future decision making, such as in-year monitoring rounds and pay agreements.

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 2018-19.

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 2019

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
	2018-19	2018-19	2017-18	2017-18
	£'000	£	£'000	£
Mark Ennis (Chairman)	43	-	43	-
Ken Nelson	12	-	12	100
Gerard O'Hare	12	-	12	-
Scott Rutherford	12	-	12	-
Rose Mary Stalker	12	-	12	200
Deborah Lange	12	200	12	200
Mark Nodder	12	-	12	-
Mark Sweeney	12	-	12	600
Padraig Canavan	12	-	12	-
Brian Baird	12	-	8	-
Peter McNaney (resigned 1 October 2017)	-	-	6	-
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 for the Chief Executive. The annual pay increases for other members of ELT are paid on the same arrangements that apply to the Senior Civil Service (SCS). The pay remit for the Northern Ireland public sector, including SCS, is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary has set the 2018-19 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 2018-19 has not yet been finalised.

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

Service Contracts

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

All ELT members hold permanent appointments with the organisation that are open-ended. 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 for Northern Ireland can be found at **www.nicscommissioners.org**

Remuneration and pension entitlements

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

	2018-19				2017-18			
	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
Chief Executive:								
Alastair Hamilton	195-200	-	69	265-270	195-200	-	75^	270-275
Executive Directors:								
Mel Chittock	95-100	-	41	130-135	90-95	-	7	95-100
Jeremy Fitch	100-105	-	46	145-150	95-100	-	25	120-125
Amanda Braden	60-65	-	38	100-105	70-75	-	9^	95-100
Bill Scott (until 20 September 2018)	35-40 (70-75 FYE)	-	(111)	(70-75)	70-75	-	(1)	65-70
Peter Harbinson	70-75	-	29	100-105	70-75	-	9	75-80
Olive Hill	75-80	-	27	100-105	70-75	-	4	75-80
Steve Harper	95-100	-	39	130-135	90-95	-	36	125-130
Tracy Meharg (until 7 December 2018)	70-75 (100-105 FYE)	-	10	80-85	100-105	-	5	105-110
Brian Dolaghan (from 3 December 2018) **	25-30 (85-90 FYE)	-	8	35-40	-	-	-	-
Donal Durkan (from 4 April 2018) **	70-75	-	(12)	60-65	-	-	-	-
Des Gartland ***	40-45 (65-70 FYE)	-	73	110-115	-	-	-	-

The salary figures included in the table above reflect what was paid to the individuals during 2018-19, 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.

^ *The 2017-18 Pension Benefits figure for this individual has been restated by Civil Service Pensions.*

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

*** *This individual has been temporarily promoted to the post of Acting Executive Director, Regional Business from 3 September 2018.*

Salary

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

Bonuses

No member of ELT received any bonuses during 2018-19 or the previous year.

Fair Pay Disclosures

The following section is subject to audit

	2018-19	2017-18
	£'000	£'000
Band of Highest Paid Director's Total Remuneration *	195-200	195-200
	£	£
Median Total Remuneration *	31,760	31,446
Ratio	6.2	6.3

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

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

The banded remuneration of the highest paid director in Invest NI in the financial year 2018-19 was £195,000-£200,000 (2017-18, £195,000-200,000). This was 6.2 times (2017-18, 6.3) the median remuneration of the workforce, which was £ 31,760 (2017-18, £31,446).

In 2018-19, no (2017-18, no) employees received remuneration in excess of the highest paid director.

Remuneration ranged from £18,000 to £195,000-200,000 (2017-18, £17,000 to £195,000-200,000).

Pension Entitlements

Pension details of ELT as at 31 March 2019 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Alastair Hamilton	35-40 plus nil lump sum	Nil plus nil lump sum	518	476	(35)
Mel Chittock	30-35 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	668	583	25
Jeremy Fitch	35-40 plus 85-90 lump sum	2.5-5 plus 0-2.5 lump sum	713	617	27
Amanda Braden	10-15 plus nil lump sum	0-2.5 plus nil lump sum	160	123	22
Bill Scott	25-30 plus 110-115 lump sum	0 plus 15-17.5 lump sum	577	643	(94)
Peter Harbinson	25-30 plus nil lump sum	0-2.5 plus nil lump sum	465	419	25
Olive Hill	25-30 plus 80-85 lump sum	0-2.5 plus 2.5-5 lump sum	565	530	24
Steve Harper	5-10 plus nil lump sum	0-2.5 plus nil lump sum	59	30	18
Tracy Meharg	35-40 plus 110-115 lump sum	0-2.5 plus 0-2.5 lump sum	854	778	10
Brian Dolaghan	25-30 plus nil lump sum	0-2.5 plus nil lump sum	489	480	3
Donal Durkan	30-35 plus 95-100 lump sum	0 plus a lump sum of (0-2.5)	691	640	(14)
Des Gartland	15-20 plus 40-45 lump sum	2.5-5 plus 5-7.5 lump sum	323	265	55

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 per cent.

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

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

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 2018 was 2.4 per cent and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019-31 March 2020 are as follows:

Scheme Year 1 April 2019 to 31 March 2020

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - All members From 1 April 2019 to 31 March 2020
From	To	
£0	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001.00 and above		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 8 per cent and 14.75 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution).

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

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in **alpha** is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website **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	Overseas staff £'000	Others* £'000	2018-19 Total £'000	2017-18 Total £'000
Salaries and wages	22,237	3,441	803	26,481	25,511
Social security costs	2,372	-	17	2,389	2,413
Other pension costs	4,968	-	35	5,003	5,052
Sub total	**29,577**	**3,441**	**855**	**33,873**	**32,976**
Less recoveries in respect of outward secondments and others	(178)	-	-	(178)	(312)
Total net costs	**29,399**	**3,441**	**855**	**33,695**	**32,664**

Due to a change in budgeting treatment, from 1 April 2018 all staff costs are included within the 'Programme salaries' budget line.

	Invest NI				
	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2018-19 Total £'000	2017-18 Total £'000
Salaries and wages	21,411	3,441	803	25,655	24,696
Social security costs	2,296	-	17	2,313	2,333
Other pension costs	4,785	-	35	4,820	4,880
Sub total	**28,492**	**3,441**	**855**	**32,788**	**31,909**
Less recoveries in respect of outward secondments and others	(279)	-	-	(279)	(412)
Total net costs	**28,213**	**3,441**	**855**	**32,509**	**31,497**

* Others include Board members, temporary staff/external secondees and employees who are engaged on a fixed term contract. Included within salaries and wages above are costs of £633,000 (2017-18: £428,000) in respect of external secondees and temporary staff.

Pension Costs

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but Invest NI is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations.

The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018-19, employers' contributions of £4,811,000 were payable to the NICS pension schemes (2017-18: £4,873,000) at one of three rates in the range from 20.8 per cent to 26.3 per cent of pensionable pay, based on salary bands.

Work was completed on the 2016 valuation, based on the position as at 31 March 2016. The outcome of this scheme valuation informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7 per cent to 34.2 per cent of pensionable pay, based on salary bands. This change is primarily due to the reduction in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate (as announced at Budget 2018) to 2.4 per cent pa above Consumer Price Index (CPI). The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,000 (2017-18: £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 to 14.75 per cent (2017-18: 8 to 14.75 per cent) of pensionable pay.

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

Employer contributions of £Nil, 0.5 per cent (2017-18: £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 (2017-18: £Nil). Contributions prepaid at that date were £Nil (2017-18: £Nil).

During the year, four individuals (2017-18: two individuals) retired early on ill-health grounds. The accruing superannuation liabilities amounted to £20,000 (2017-18: £1,000).

NI-CO contributed £183,000 (2017-18: £172,000) 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	2018-19 Total	Restated 2017-18 Total
Directly employed	558	8	566	571
Temporary staff/external secondees	-	7	7	4
Board members	-	11	11	11
Overseas staff	-	45	45	38
NI-CO staff	26	-	26	26
Total	**584**	**71**	**655**	**650**

Invest NI	Permanently employed staff	Others	2018-19 Total	Restated 2017-18 Total
Directly employed	558	8	566	571
Temporary staff/external secondees	-	7	7	4
Board members	-	11	11	11
Overseas staff	-	45	45	38
Total	**558**	**71**	**629**	**624**

The prior year figures have been restated to include overseas staff contracted to work on Invest NI's behalf.

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

	2018-19			Restated 2017-18		
Information on people	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board members	8	3	11	8	3	11
Senior civil servants (SCS)*	14	6	20	12	8	20
Number of employees (excluding SCS)	290	346	636	284	340	624
Total	**312**	**355**	**667**	**304**	**351**	**655**

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

The prior year figures have been restated to include overseas staff.

Off-payroll engagements

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

Off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019:

	Total
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on-payroll who have been deemed board members, and/or, senior officials with significant financial responsibility, during the financial year.	21

Reporting of Civil Service and other compensation schemes – exit packages

The following section is subject to audit

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

Consultancy costs and temporary staff

Consultancy costs of £Nil (2017-18: £Nil) were incurred and there was expenditure of £16,000 (2017-18: £10,000) on temporary staff during the year.

Employee-related policies

Invest NI has issued a Joint Declaration of Protection, which is a joint management and union agreement recognising the moral and statutory responsibilities placed on Employers and Trade Unions. Its purpose is to 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 training was also delivered to all staff during 2018-19.

Recruitment and selection training, including awareness of unconscious bias, is provided to all members of recruitment panels. Invest NI gives full and fair consideration to employment applications made by disabled persons, having regard to their particular aptitude and abilities.

It takes appropriate action to facilitate the employment, training, career development and promotion of disabled staff members, including those who have become disabled during the period of their employment with the organisation. It promotes a diverse and inclusive workforce by supporting alterations to the working environment to assist disabled persons.

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

Staff attendance is actively managed, and the organisation's absence rate for the 2018-19 year was 3.84 per cent including long-term sickness (2017-18: 3.88 per cent). In 2017-18 the NI Civil Service's absence rate was 6.0 per cent (the NI Civil Service comparison for the year 2018-19 is not currently available).

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

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

Invest NI recognises its statutory responsibility to provide healthy and safe working conditions and 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:

	Group and Invest NI					
Waiver/ Write off	2019 Losses £'000	2019 No. of cases >£250k*	2019 No. of cases <£250k	2018 Losses £'000	2018 No. of cases >£250k*	2018 No. of cases <£250k
Grants recoverable	5,328	3	23	2,346	4	27
Others including investments and accrued income	13,210	1	27	2,356	-	35

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

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

At the year-end there are 14 cases of potential losses totalling £1,713,000 (2018: 15 cases totalling £17,093,000) that are under management review. Of these cases £390,000 were reported in previous years; £1,323,000 were new cases in 2018-19.

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

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

Fees and charges

This section is subject to audit

			2018-19			2017-18		
Name of service	Financial objective	Performance against objective	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	3,081	**	437	4,059	**	473

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. 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 2019

The Certificate and Report 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 2019 under the Industrial Development Act (Northern Ireland) 2002. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the group's and of Invest Northern Ireland's affairs as at 31 March 2019 and of the group's and Invest Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department for the Economy directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied 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

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

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

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

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

27 June 2019

Consolidated Statement of Comprehensive Net Expenditure – For the year ended 31 March 2019

	Note	2019 £'000	Restated 2018 £'000
Revenue from contracts with customers	6	14,986	16,846
Other operating income	6	55,980	42,437
Total Operating income	**6**	**70,966**	**59,283**
Staff Costs	4	(33,695)	(32,664)
Purchase of goods and services	4	(36,185)	(38,592)
Depreciation and impairment charges	4	(1,728)	(2,669)
(Increase)/decrease in Provisions	4	(5,385)	4,140
Other Operating Expenditure	4	(78,490)	(93,832)
Total operating expenditure	**4**	**(155,483)**	**(163,617)**
Net operating expenditure		**(84,517)**	**(104,334)**
Finance income		35	276
Finance expense		(982)	(342)
Net expenditure for the year before taxation		**(85,464)**	**(104,400)**
Tax	7(i)	(661)	(648)
Net expenditure for the year after taxation		**(86,125)**	**(105,048)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	7(iii)	2,253	3,457
Net gain/(loss) on revaluation of intangible assets	10	19	(26)
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	13	-	255
Total Comprehensive Net Expenditure for the year ended 31 March 2019		**(83,853)**	**(101,362)**

All activities derive from continuing operations.
Notes **1 to 27** form part of these accounts.

Statement of Comprehensive Net Expenditure – Invest NI – For the year ended 31 March 2019

	Note	2019 £'000	Restated 2018 £'000
Revenue from contracts with customers	6	1,200	1,533
Other operating income	6	54,659	40,233
Total Operating income	**6**	**55,859**	**41,766**
Staff Costs	4	(32,509)	(31,497)
Purchase of goods and services	4	(27,089)	(27,792)
Depreciation and impairment charges	4	(1,552)	(2,196)
(Increase)/decrease in Provisions	4	(5,385)	4,140
Other Operating Expenditure	4	(78,482)	(93,832)
Total operating expenditure	**4**	**(145,017)**	**(151,177)**
Net operating expenditure		**(89,158)**	**(109,411)**
Finance income		-	-
Finance expense		-	-
Net expenditure for the year before taxation		**(89,158)**	**(109,411)**
Tax	7(i)	-	-
Net expenditure for the year after taxation		**(89,158)**	**(109,411)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	8	1,217	3,201
Net gain/(loss) on revaluation of intangible assets	10	19	(26)
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	13	-	255
Total Comprehensive Net Expenditure for the year ended 31 March 2019		**(87,922)**	**(105,981)**

All activities derive from continuing operations.
Notes **1 to 27** form part of these accounts.

Consolidated Statement of Financial Position – As at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	8	70,250	72,042
Investment properties	9	7,600	6,800
Intangible assets	10	20,785	21,335
Investments in associates	12	51,741	37,157
Financial assets	13	41,641	38,774
Trade and other receivables	14	4,515	10,624
Total non-current assets		**196,532**	**186,732**
Current assets			
Trade and other receivables	14	49,336	53,402
Cash and cash equivalents	15	21,080	19,622
Assets classified as held for sale	16	1,569	-
Total current assets		**71,985**	**73,024**
Total assets		**268,517**	**259,756**
Current liabilities			
Trade and other payables	17	(40,464)	(47,306)
Borrowings	18	(608)	(512)
Current tax liability		(218)	(466)
Provisions	19	(35,589)	(30,204)
Total current liabilities		**(76,879)**	**(78,488)**
Total assets less current liabilities		**191,638**	**181,268**
Non-current liabilities			
Borrowings	18	(16,329)	(16,904)
Provisions	19	-	-
Derivative financial instruments	21	(5,836)	(5,976)
Deferred tax liability	7(iii)	(734)	(601)
Total non-current liabilities		**(22,899)**	**(23,481)**
Total assets less liabilities		**168,739**	**157,787**
Taxpayers' equity and other reserves			
Revaluation reserve		9,033	7,228
General reserve		159,706	150,559
Total equity		**168,739**	**157,787**

Notes **1 to 27** form part of these accounts.

The financial statements on pages **59 to 132** were approved by the Board on 26 June 2019 and signed on its behalf by:

Alastair Hamilton
Accounting Officer
Date: 26 June 2019

Statement of Financial Position – Invest NI As at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	8	43,592	46,503
Intangible assets	10	851	1,304
Investments in subsidiaries	11	17,593	17,593
Investments in associates	12	51,741	37,157
Financial assets	13	41,641	38,774
Trade and other receivables	14	4,515	10,624
Total non-current assets		**159,933**	**151,955**
Current assets			
Trade and other receivables	14	46,721	51,064
Cash and cash equivalents	15	898	2,817
Assets classified as held for sale	16	1,569	-
Total current assets		**49,188**	**53,881**
Total assets		**209,121**	**205,836**
Current liabilities			
Trade and other payables	17	(32,282)	(41,265)
Provisions	19	(35,589)	(30,204)
Total current liabilities		**(67,871)**	**(71,469)**
Total assets less current liabilities		**141,250**	**134,367**
Non-current liabilities			
Provisions	19	-	-
Total assets less liabilities		**141,250**	**134,367**
Taxpayers' equity and other reserves			
Revaluation reserve		6,669	5,900
General reserve		134,581	128,467
Total equity		**141,250**	**134,367**

Notes **1 to 27** form part of these accounts.
The financial statements on pages **59 to 132** were approved by the Board on 26 June 2019 and signed on its behalf by:

Alastair Hamilton
Accounting Officer
Date: 26 June 2019

Consolidated Statement of Cash Flows Year ended 31 March 2019

	Note	2019 £'000	2019 £'000	Restated 2018 £'000	Restated 2018 £'000
Cash flows from operating activities					
Net expenditure before taxation			(85,464)		(104,400)
Adjustments for other non-cash transactions	20	36,429		30,622	
Finance costs		982		342	
Finance income		(35)		(276)	
Decrease/(increase) in trade and other receivables		10,854		(8,179)	
(Increase)/decrease in trade and other payables		(6,749)		13,884	
Use of provisions		(28,999)		(31,803)	
			12,482		4,590
Net cash (outflow) from operating activities			**(72,982)**		**(99,810)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,552)		(1,746)	
Purchase of intangible assets		(102)		(782)	
Proceeds of disposal of property, plant and equipment		1,602		778	
Repayments from other bodies		4,726		3,424	
Investment in associates		(18,344)		(13,619)	
Investment in financial assets		(6,140)		(5,033)	
Loan interest and dividends received		562		474	
Interest paid		(1,122)		(1,334)	
Corporation tax (paid)/repaid		(702)		8	
Net cash (outflow) from investing activities			**(21,072)**		**(17,830)**
Cash flows from financing activities					
Financing from DfE		96,000		123,616	
Consolidated fund payments to DfE		(9)		(7)	
Repayment of borrowings		(479)		(424)	
Net financing			**95,512**		**123,185**
Net increase in cash and cash equivalents in the year			**1,458**		**5,545**
Cash and cash equivalents at the beginning of the year			**19,622**		**14,077**
Cash and cash equivalents at the end of the year	**15**		**21,080**		**19,622**

A number of headings as reflected in the prior year financial statements have been merged together and there have been some reclassifications to improve presentation.

Notes **1 to 27** form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity – Year ended 31 March 2019

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2017	**131,705**	**3,828**	**135,533**
Changes in Taxpayers' Equity for 2017-18			
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
Balance at 31 March 2018 as previously reported	**150,559**	**7,228**	**157,787**
Impact of adoption of IFRS 9 (note 2)	(1,195)	-	(1,195)
Balance at 1 April 2018	**149,364**	**7,228**	**156,592**
Changes in Taxpayers' Equity for 2018-19			
Other reserves movements including transfers	467	(467)	-
Comprehensive Net Expenditure for the Year	(86,125)	2,272	(83,853)
Grant in aid from DfE:			
Resource	95,808	-	95,808
Capital	192	-	192
Balance at 31 March 2019	**159,706**	**9,033**	**168,739**

Notes **1 to 27** form part of these accounts.

Statement of Changes in Taxpayers' Equity – Invest NI – Year ended 31 March 2019

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2017	**113,976**	**2,756**	**116,732**
Changes in Taxpayers' Equity for 2017-18			
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
Balance at 31 March 2018 as previously reported	**128,467**	**5,900**	**134,367**
Impact of adoption of IFRS 9 (note 2)	(1,195)	-	(1,195)
Balance at 1 April 2018	**127,272**	**5,900**	**133,172**
Changes in Taxpayers' Equity for 2018-19			
Other reserves movements including transfers	467	(467)	-
Comprehensive Net Expenditure for the Year	(89,158)	1,236	(87,922)
Grant in aid from DfE:			
Resource	95,808	-	95,808
Capital	192	-	192
Balance at 31 March 2019	**134,581**	**6,669**	**141,250**

Notes **1 to 27** form part of these accounts.

Notes to the Accounts Year ended 31 March 2019

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 2018-19 *Government Financial Reporting Manual (FReM)* issued by DoF. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

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

Accounting conventions

These financial statements are prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property, intangible assets, 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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives and the *FReM* mandates this option.

Additionally, the group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that applied to the disclosures for 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

i) The classification and measurement of financial assets and financial liabilities, and

ii) Impairment of financial assets.

The group also implemented IFRS 15 Revenue from Contracts with Customers from 1 April 2018. The implementation of IFRS 15 had no material impact on stakeholders' equity, assets or liabilities. The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 2.

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

During the year, the IASB and IFRIC have issued accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date). Management do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

- IFRS 16 Leases (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

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.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

Depreciation

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

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

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

Revaluation of land and buildings

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

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

Investment properties

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

1. ACCOUNTING POLICIES (CONTINUED)

Assets held for sale

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

Intangible assets

Goodwill

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

Acquired intangible assets

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

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 three to six 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.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

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

(i) Classification

From 1 April 2018, the group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Derivative financial instruments

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Impairment of financial assets

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

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

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

(i) Significant increase in credit risk

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

1. ACCOUNTING POLICIES (CONTINUED)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Financial liabilities

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

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

Effective interest rate method

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

Interest income

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

1. ACCOUNTING POLICIES (CONTINUED)

Trade receivables

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

Cash and cash equivalents

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

Trade payables

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

Borrowings

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

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the year-end.

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

Investments in subsidiaries

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

1. ACCOUNTING POLICIES (CONTINUED)

Investments in associates

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

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

Taxation (including Value Added Tax)

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

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

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

Provisions

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

Financing from DfE

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

Income

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Other operating income includes:

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

Grant expenditure

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

Programme expenditure

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

Administration expenditure

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

Pensions

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

All pension contributions are charged to Net Expenditure when incurred.

Employee benefits

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

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. If not recognised as an asset the unitary charge and associated costs under the PFI contract are recognised in Net Expenditure.

Notional charges

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

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

The valuation of property, plant and equipment is a critical accounting estimate. A valuation has been performed at the reporting date by LPS who are third party qualified valuers. The valuation provided is reviewed by management. This has resulted in the property, plant and equipment being held at fair value in the financial statements.

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

The group tests annually whether goodwill has suffered any impairment, in accordance with the group's accounting policies. The recoverable amounts of cash-generating units have been determined based on value in use. These calculations require the use of estimates as detailed in note 10.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern

All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2019-20 has been approved at an opening value of £115m, of which £101.7m relates to Resource funding and £13.3m to Capital funding. Planned activities for 2019-20 have been formulated in light of the requested funding applied to DfE. Therefore, the future financing of any Invest NI liabilities is expected to be met by DfE. In this context, the accounts have been prepared on a going concern basis. Although the 2019-20 budget has been approved, the absence of an Executive in Northern Ireland may affect future decision making, such as in-year monitoring rounds and pay agreements.

2. CHANGES IN ACCOUNTING POLICIES

i) Impact of adoption of IFRS 9

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the group's financial statements. As mandated by the *FReM*, IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the Statement of Financial Position as at 31 March 2018, but are recognised in the opening Statement of Financial Position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

	Note	31 March 2018 £'000	IFRS 9 £'000	1 April 2018 £'000
Fixed rate loans	1	22,558	(864)	21,694
Investments in ordinary shares	2	11,873	(331)	11,542
Total adjustment recognised in opening reserves at 1 April 2018			**(1,195)**	

Note 1

Fixed rate loans continue to be held at amortised cost. The adjustment above reflects a provision for ECLs on Fixed rate loans under the new IFRS 9 impairment model.

Note 2

Investments in ordinary shares are held at FVPL. The adjustment above is required to bring the investments to fair value.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Classification and measurement

		Measurement category	
	Note	Original (IAS 39)	New (IFRS 9)
Non-current financial assets			
Investments in ordinary shares	1	Available-for-sale	FVPL
Investments in preference shares	2	Amortised cost	FVPL
Fixed rate loans	3	Amortised cost	Amortised cost
Convertible loan notes	1	Available-for-sale	FVPL
Variable rate loans	3	Amortised cost	Amortised cost
Receivables	3	Amortised cost	Amortised cost
Current financial assets			
Receivables	3	Amortised cost	Amortised cost
Cash and cash equivalents	4	Available-for-sale	Amortised cost
Current financial liabilities			
Borrowings	3	Amortised cost	Amortised cost
Non-current financial liabilities			
Borrowings	3	Amortised cost	Amortised cost
Derivatives	5	FVPL	FVPL

Note 1

The available-for-sale category no longer exists under IFRS 9. All equity investments are now held at fair value.

Note 2

Preference shares do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. They are therefore measured at fair value.

Note 3

Fixed rate loans, variable rate loans, receivables and borrowings are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are therefore measured at amortised cost.

Note 4

Cash and cash equivalents are initially measured at fair value then subsequently at amortised cost.

Note 5

The fair value of the group's derivative financial instrument is recognised as a financial liability under non-current liabilities on the Statement of Financial Position with fair value movements being reported in the Statement of Comprehensive Net Expenditure under net finance costs.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

ii) Impact of adoption of IFRS 15

The nature of the group's revenue has not resulted in any significant changes in the judgements made in the recognition of revenue. As a result, no additional assets or liabilities have been recognised from the costs to obtain or fulfil a contract with a customer.

All restated balances are as a result of reclassifications within the Statement of Comprehensive Net Expenditure (SoCNE) and have no impact on the opening General reserve within Taxpayers' Equity. The change of headings in the SoCNE has resulted in £2,193,000 reclassified from 'Income from sales of goods and services' to 'Other operating income' for Invest NI (£2,753,000 for the group) for 2018.

3. 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
- Business Strategy Implementation
- 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 operating segment.

Services provided by each segment

- The Business Solutions Group is responsible for providing a wide range of advisory and financial business support. The group works in partnership with the Sector, Regional and International teams to ensure that businesses get the support they need to help them to start, grow, innovate and export.

- The Business and Sector Development Group is made up of four teams that manage client portfolios organised on a sectoral basis. The four teams are Food & Drink; Life Sciences & Scaling; Advanced Engineering & Manufacturing and Technology & Services.

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

- The Finance and Operations Group provides a range of corporate functions to the wider organisation including financial management, EU structured funds management, procurement, corporate risk management, legal advice, equality, information technology, business appraisal, offers and claims management, general governance advice and management of the BSDL Group.

- The Regional Business Group supports new and existing businesses, through the Regional Office Network, offering advice and relevant support. The primary objectives of the Regional Business Group are to encourage enterprise and entrepreneurship, to improve the 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.

- The International Business Group develops relationships to secure new business for Northern Ireland, either through increased exports, new Foreign Direct Investment or collaborations, supporting the internationalisation of the Northern Ireland economy.

- The Human Resources Group manages Human Resources, People Development and Facilities.

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

- The role of the Strategy Group is to lead the development of Invest NI's corporate strategy in response to the NI Executive's economic agenda and DfE's policy objectives. It also leads on the design and development of advice, guidance and support for businesses in the lead up to the UK's exit from the European Union.

- The Business Strategy Implementation Group was established on a temporary 12-month basis to drive the implementation of the Business Strategy and deliver our Transform, Business Improvement and Digital Transformation agendas.

- The 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 26.

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

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

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

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)
Total	**163,617**	**59,283**	**104,334**
Reconciliation to CSoCNE			
Net finance costs			66
Tax on ordinary activities			648
Net expenditure for the financial year			**105,048**

4. EXPENDITURE

	Group		Invest NI	
	2019 £'000	Restated 2018 £'000	2019 £'000	Restated 2018 £'000
Staff costs				
Salaries and wages	26,481	25,511	25,655	24,696
Social security costs	2,389	2,413	2,313	2,333
Other pension costs	5,003	5,052	4,820	4,880
Recoveries in respect of outward secondments and others	(178)	(312)	(279)	(412)
	33,695	**32,664**	**32,509**	**31,497**
Purchase of goods and services				
Programme support	19,119	19,631	19,197	19,647
Rentals under operating leases	417	392	417	392
PFI (and other service concession arrangements) service charges	-	-	5,154	4,903
Other administration expenses	2,381	3,060	2,321	2,850
Cost of servicing contracts	14,270	15,509	-	-
Auditor's remuneration – notional	94	94	94	94
Other notional costs	220	227	220	227
Reversal of notional costs	(314)	(321)	(314)	(321)
	36,185	**38,592**	**27,089**	**27,792**
Depreciation and impairment charges				
Depreciation (note 8)	1,145	1,716	1,066	1,243
Amortisation (note 10)	401	614	401	614
Asset impairment	182	339	85	339
	1,728	**2,669**	**1,552**	**2,196**
Increase/(decrease) in provisions	**5,385**	**(4,140)**	**5,385**	**(4,140)**
Other operating expenditure				
Grants	73,902	89,335	73,902	89,335
Programme support activities	435	351	435	351
Property acquisition and development	739	9	739	9
Loss on disposal of Property, Plant and Equipment	345	175	337	175
(Profit) on disposal of Financial assets	(443)	(288)	(443)	(288)
Financial instruments gains or losses (note 5)	1,222	(478)	1,222	(478)
Share of results of associates (note 12)	2,290	4,728	2,290	4,728
	78,490	**93,832**	**78,482**	**93,832**

4. EXPENDITURE (CONTINUED)

Total operating expenditure	Group		Invest NI	
	2019 £'000	Restated 2018 £'000	2019 £'000	Restated 2018 £'000
Staff costs	**33,695**	**32,664**	**32,509**	**31,497**
Revenue grants	20,137	30,024	20,137	30,024
Innovation, research and development	38,056	34,637	38,056	34,637
Capital grants	9,331	17,431	9,331	17,431
Skills grants and competitiveness programmes	7,510	7,976	7,510	7,976
International Business support	6,969	7,951	6,969	7,951
Promotion and marketing	5,967	6,140	6,047	6,136
Programme support activities	2,643	2,339	2,643	2,339
Property acquisition and development	3,580	2,828	3,580	2,848
Rentals under operating leases	417	392	417	392
PFI (and other service concession arrangements) service charges	-	-	5,154	4,903
Other administration expenses	2,381	3,060	2,321	2,850
Cost of servicing contracts	14,270	15,509	-	-
Depreciation and impairment charges	**1,728**	**2,669**	**1,552**	**2,196**
Auditor's remuneration – notional	94	94	94	94
Other notional costs	220	227	220	227
Reversal of notional costs	(314)	(321)	(314)	(321)
Loss on disposal of Property, Plant and Equipment	345	175	337	175
(Profit) on disposal of Financial assets	(443)	(288)	(443)	(288)
Financial instruments gains or losses (note 5)	1,222	(478)	1,222	(478)
Share of results of associates (note 12)	2,290	4,728	2,290	4,728
Increase/(decrease) in provisions	**5,385**	**(4,140)**	**5,385**	**(4,140)**
Total operating expenditure	**155,483**	**163,617**	**145,017**	**151,177**

Due to a change in budgeting treatment, from 1 April 2018 all staff costs are included within the 'Programme salaries' budget line and there is no longer a distinction between administrative and programme funded staff.

The 2017-18 Statements of Comprehensive Net Expenditure and Note 4 'Expenditure' have been restated to improve comparability.

Included within other administration expenses above were fees of £1,000 (2018: £Nil) payable to NIAO in respect of non-audit services and £23,000 (2018: £22,000) of fees payable by subsidiaries to the companies' auditors for audit of the subsidiaries financial statements. NI-CO also incurred fees of £14,000 (2018: £9,000) for non-audit services, which are included within the 'Cost of servicing contracts' heading above.

4. EXPENDITURE (CONTINUED)

Invest NI made grant payments of £1,048,000 (2018: £Nil) and payments of £81,000 (2018: £22,000) in respect of non-audit services to PwC (auditors of NI-CO). PwC also rented a premises from Invest NI on a commercial, arm's length basis in the previous year. Grant payments of £560,000 (2018: £1,483,000) 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.

5. FINANCIAL INSTRUMENTS GAINS OR LOSSES

	Group and Invest NI	
	2019 £'000	**2018 £'000**
Increase/(decrease) in provision for shares and convertible loan notes	-	(779)
Fair value adjustment on shares and convertible loan notes	(2,735)	-
ECL allowance on fixed rate loans	2,587	(44)
ECL allowance on variable rate loans	121	-
Adjustment to fair value on re-measurement of loans and receivables under IAS39	-	(292)
ECL allowance on trade receivables	1,002	628
ECL allowance on other receivables	82	9
Fair value adjustment on re-measurement of financial assets held at amortised cost	165	-
	1,222	**(478)**

6. INCOME

	Group		Invest NI	
	2019 £'000	Restated 2018 £'000	2019 £'000	Restated 2018 £'000
Revenue from contracts with customers				
Recoupment of programme expenditure and related costs from client companies and third parties	1,200	1,533	1,200	1,533
Other	309	307	-	-
NI-CO turnover	13,477	15,006	-	-
	14,986	**16,846**	**1,200**	**1,533**
Other operating income				
Other	1,694	740	1,694	733
Property rent	1,953	2,012	1,432	1,460
Interest income on financial assets at amortised cost	2,503	2,055	2,503	2,055
Share dividend income	77	360	77	360
Grant clawback	9,810	3,362	9,810	3,362
Core programme receipts from EU	39,143	32,263	39,143	32,263
Consolidated Fund income *	12	6	12	6
Amount payable to the Consolidated Fund*	(12)	(6)	(12)	(6)
Gain on revaluation of Property, Plant and Equipment and Investment Property	800	1,645	-	-
	55,980	**42,437**	**54,659**	**40,233**
Total income	**70,966**	**59,283**	**55,859**	**41,766**

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

All restated balances are as a result of reclassifications within the SoCNE upon adoption of IFRS 15 and have no impact on the opening General reserve within Taxpayers' Equity. For further details see note 2.

The core programme receipts from EU relate to funding under the European Union Investment for Growth and Jobs Programme (IGJ) 2014-2020. The EU draft withdrawal agreement of 25 November 2018, allows the UK to continue to participate in all EU programmes up to 2020.

In July 2018, the UK Government announced an extension of its 2016 guarantee of EU-funded projects after the UK has left the EU. This guarantee includes Invest NI's funds under the IGJ programme and will only be called on in the event that the Withdrawal Agreement is not ratified, in the case of no-deal Brexit.

7. TAXATION

(i) Tax charge in the year

	Group		Invest NI	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Analysis of charge in year				
Current tax:				
UK corporation tax on taxable income for the current year	494	495	-	-
Adjustments to tax charge in respect of previous periods	(40)	(26)	-	-
Total current tax	**454**	**469**	**-**	**-**
Deferred tax:				
Origination and reversal of temporary differences	231	268	-	-
Impact of rate changes	(24)	(89)	-	-
Total deferred tax	**207**	**179**	**-**	**-**
Total tax charge	**661**	**648**	**-**	**-**

(ii) Factors affecting tax charge

	Group	
	2019 £'000	2018 £'000
Net expenditure before taxation	(85,464)	(104,400)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2018: 19%)	(16,238)	(19,836)
Tax effects of:		
Add: expenditure not deductible for tax purposes	27,577	28,727
Less: income not subject to tax	(10,613)	(7,936)
Tax losses brought forward	(5)	(14)
Origination and reversal of temporary differences	6	1
Capital allowances	(1)	-
Impact of rate changes	(57)	(89)
Adjustments in respect of previous periods	(7)	(26)
Exempt amounts	(1)	(179)
Total tax charge	**661**	**648**

7. 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 £846,000 (2018: £805,000) in relation to brought forward tax losses at 1 April 2018 of £4,451,000 (1 April 2017: £4,239,000), 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 2018 – asset/(liability)	1,017	(94)	(1,114)	(410)	(601)
Credited/(charged) to CSoCNE	(23)	-	(48)	(136)	(207)
Charged to Other Comprehensive Income	-	-	74	-	74
At 31 March 2019	**994**	**(94)**	**(1,088)**	**(546)**	**(734)**

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

	Group and Invest NI	
	2019 £'000	2018 £'000
Fair value gains on Property, plant and equipment		
Before tax	2,179	3,510
Tax credit/(charge)	74	(53)
After tax	**2,253**	**3,457**

8. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2018	41,818	33,435	5,331	602	81,186
Additions*	188	1	801	478	1,468
Disposals	(2,804)	(3)	(63)	(57)	(2,927)
Transfer from Intangible assets (note 10)	-	-	220	-	220
Revaluation gain	901	1,240	108	1	2,250
Transfer to Assets held for sale (note 16)	(1,419)	(185)	-	-	(1,604)
Impairment (note 4)	(85)	-	-	-	(85)
At 31 March 2019	**38,599**	**34,488**	**6,397**	**1,024**	**80,508**
Depreciation:					
At 1 April 2018	-	5,706	3,101	337	9,144
Charge for year (note 4)	-	270	827	48	1,145
Transfer from Intangible assets (note 10)	-	-	47	-	47
Revaluation (loss)/gain	-	(14)	85	-	71
Transfer to Assets held for sale (note 16)	-	(35)	-	-	(35)
Disposals	-	(3)	(60)	(51)	(114)
At 31 March 2019	**-**	**5,924**	**4,000**	**334**	**10,258**
Net Book Value:					
1 April 2018	41,818	27,729	2,230	265	72,042
31 March 2019	**38,599**	**28,564**	**2,397**	**690**	**70,250**

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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Invest NI				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2018	36,518	12,915	5,147	303	54,883
Additions*	188	1	790	246	1,225
Disposals	(2,804)	(3)	(52)	(50)	(2,909)
Transfer from Intangible assets (note 10)	-	-	220	-	220
Revaluation (loss)/gain	801	392	108	1	1,302
Transfer to Assets held for sale (note 16)	(1,419)	(185)	-	-	(1,604)
Impairment (note 4)	(85)	-	-	-	(85)
At 31 March 2019	**33,199**	**13,120**	**6,213**	**500**	**53,032**
Depreciation:					
At 1 April 2018	-	5,136	2,978	266	8,380
Charge for year (note 4)	-	258	799	9	1,066
Transfer from Intangible assets (note 10)	-	-	47	-	47
Transfer to Assets held for sale (note 16)	-	(35)	-	-	(35)
Disposals	-	(3)	(50)	(50)	(103)
Revaluation	-	-	85	-	85
At 31 March 2019	**-**	**5,356**	**3,859**	**225**	**9,440**
Net Book Value:					
1 April 2018	36,518	7,779	2,169	37	46,503
31 March 2019	**33,199**	**7,764**	**2,354**	**275**	**43,592**

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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
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 4)	(339)	-	-	-	(339)
At 31 March 2018	**41,818**	**33,435**	**5,331**	**602**	**81,186**
Depreciation:					
At 1 April 2017	-	5,047	2,321	305	7,673
Charge for year (note 4)	-	659	1,026	31	1,716
Revaluation (loss)/gain	-	-	-	-	-
Disposals	-	-	(182)	-	(182)
Indexation	-	-	(64)	1	(63)
At 31 March 2018	**-**	**5,706**	**3,101**	**337**	**9,144**
Net Book Value:					
1 April 2017	39,748	26,601	2,125	233	68,707
31 March 2018	**41,818**	**27,729**	**2,230**	**265**	**72,042**

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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Invest NI				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 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 4)	(339)	-	-	-	(339)
At 31 March 2018	**36,518**	**12,915**	**5,147**	**303**	**54,883**
Depreciation:					
At 1 April 2017	-	4,886	2,224	262	7,372
Charge for year (note 4)	-	250	990	3	1,243
Disposals	-	-	(172)	-	(172)
Indexation (note 4)	-	-	(64)	1	(63)
At 31 March 2018	**-**	**5,136**	**2,978**	**266**	**8,380**
Net Book Value:					
1 April 2017	34,748	7,601	2,037	11	44,397
31 March 2018	**36,518**	**7,779**	**2,169**	**37**	**46,503**

* 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 2019, 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 2019 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'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.

9. INVESTMENT PROPERTIES

	Group £'000
At 1 April 2017	**6,500**
Gain arising on fair value adjustment	300
At 1 April 2018	**6,800**
Gain arising on fair value adjustment (note 6)	800
At 31 March 2019	**7,600**

The investment property was revalued at 31 March 2019 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 2019 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Investment property	-	7,600	-	7,600

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

10. INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
Cost/Valuation:				
At 1 April 2018	20,031	1,225	1,749	23,005
Transfer to Computer equipment	-	(39)	(181)	(220)
Additions	-	102	-	102
Disposals	-	-	-	-
Indexation	-	42	32	74
At 31 March 2019	**20,031**	**1,330**	**1,600**	**22,961**
Amortisation/Impairment:				
At 1 April 2018	-	388	1,282	1,670
Amortisation Charge for year (note 4)	-	237	164	401
Transfer to Computer equipment	-	2	(49)	(47)
Impairment Charge for year (note 4)	97	-	-	97
Indexation	-	38	17	55
At 31 March 2019	**97**	**665**	**1,414**	**2,176**
Net book value:				
1 April 2018	20,031	837	467	21,335
31 March 2019	**19,934**	**665**	**186**	**20,785**

10. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2018	1,225	1,749	2,974
Transfer to Computer equipment	(39)	(181)	(220)
Additions	102	-	102
Disposals	-	-	-
Indexation	42	32	74
At 31 March 2019	**1,330**	**1,600**	**2,930**
Amortisation:			
At 1 April 2018	388	1,282	1,670
Charge for year (note 4)	237	164	401
Transfer to Computer equipment	2	(49)	(47)
Disposals	-	-	-
Indexation	38	17	55
At 31 March 2019	**665**	**1,414**	**2,079**
Net book value:			
1 April 2018	837	467	1,304
31 March 2019	**665**	**186**	**851**

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2019 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Goodwill	-	-	19,934	19,934
Software licences	-	665	-	665
Software development	-	186	-	186

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

10. INTANGIBLE ASSETS (CONTINUED)

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
Cost/Valuation:				
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 4)		(46)	(36)	(82)
At 31 March 2018	**20,031**	**1,225**	**1,749**	**23,005**
Amortisation:				
At 1 April 2017	-	878	1,097	1,975
Charge for year (note 4)	-	392	222	614
Disposals	-	(854)	(9)	(863)
Backlog/indexation (note 4)	-	(28)	(28)	(56)
At 31 March 2018	**-**	**388**	**1,282**	**1,670**
Net book value:				
1 April 2017	20,031	506	656	21,193
31 March 2018	**20,031**	**837**	**467**	**21,335**

10. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2017	1,384	1,753	3,137
Additions	741	41	782
Disposals	(854)	(9)	(863)
Indexation (note 4)	(46)	(36)	(82)
At 31 March 2018	**1,225**	**1,749**	**2,974**
Amortisation:			
At 1 April 2017	878	1,097	1,975
Charge for year (note 4)	392	222	614
Disposals	(854)	(9)	(863)
Backlog/indexation (note 4)	(28)	(28)	(56)
At 31 March 2018	**388**	**1,282**	**1,670**
Net book value:			
1 April 2017	506	656	1,162
31 March 2018	**837**	**467**	**1,304**

10. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

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

	2019 £'000	2018 £'000
Bedford Street Developments Limited	4,325	4,422
MRDE Limited	15,609	15,609
Total	**19,934**	**20,031**

The carrying amount of the Bedford Street Developments Limited CGU has been reduced to its recoverable amount through recognition of an impairment charge against goodwill. This charge is included in Depreciation and impairment charges in the Consolidated Statement of Comprehensive Net Expenditure. The recoverable amount of the CGUs has been determined using value in use. This calculation uses a pre-tax cash flow based on financial projections covering the remaining useful economic life of the properties. Management developed the projections based on past performance and based on current market factors. The key assumptions used for value in use are as follows:

	Cash generating unit	2019	2018
Gross margin	MRDE	63%	63%
Future rentals (per sq. ft.)	BSDL & MRDE	£21	£20
Discount rate	BSDL & MRDE	4.2%	4.2%

The impairment charge of £97,000 arose in the Bedford Street Developments Limited business operation; the charge arose as a result of the useful economic life of the property decreasing by half a year. No class of asset other than goodwill was impaired. As at 31 March 2019 the recoverable amount of the CGU is £4,325,000.

If the discount rate applied to the cash flow projections of the CGU had been 0.5 per cent higher than management's estimate (4.7 per cent rather than 4.2 per cent) the group would have had to recognise an impairment charge of £983,000. The reasonably possible change of 0.5 per cent increase in discount rate represents uncertainty over future interest rates.

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would cause the carrying amount of CGUs to exceed its recoverable amount.

11. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2019 £'000	2018 £'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**

12. INVESTMENTS IN ASSOCIATES

(i) Share of results in associates:

	2019 £'000	2018 £'000
Share of net assets of associates:		
At 1 April	37,157	28,792
At 31 March	51,741	37,157
Increase	**14,584**	**8,365**
Distributions from associates	1,470	526
Less additional capital paid in during year	(18,344)	(13,619)
Share of results recorded in Net Expenditure (note 4)	**(2,290)**	**(4,728)**

(ii) Summarised financial information on a combined basis:

	2019 £'000	2018 £'000
Non-current assets	70,662	55,790
Current assets	12,446	9,218
Current liabilities	(101)	(313)
Non-current liabilities	-	-
Net assets	83,006	64,695
Revenue	3,327	3,270
Profit	2,612	(1,629)
Other comprehensive income	-	-
Total comprehensive income	2,612	(1,629)
Distributions from associates	1,470	526

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

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Net investment in associates:

	2019 £'000	Restated 2018 £'000
NITECH Growth Fund Limited Partnership (NITECH)	102	744
Crescent Capital II	6,157	6,110
NI Growth Loan Fund	20,708	18,020
NI Small Business Loan Fund	2,572	3,503
Crescent Capital III LP	3,188	505
Kernel Capital Growth Fund (NI)	1,246	1,685
Techstart NI SME Equity Limited Partnership (Techstart)	11,910	6,772
QUB Equity Limited Partnership	154	46
Ulster Equity Limited Partnership	-	-
NI Growth Loan Fund II	3,642	-
NI Small Business Loan Fund II	1,581	-
Growth Finance Fund	481	-
Change in accounting estimate	-	(228)
Net investment in associates	**51,741**	**37,157**

Invest NI, when applying the equity method, has determined that using the distribution of income is the best estimate of the share of net assets. This has led to a change in accounting estimate, the impact of which is shown above.

Although a change in accounting estimate does not require retrospective application, the table above has been restated to improve comparability.

As the future benefits are linked to the funds' performance which can be variable, it would be impractical to estimate the future impact of this change in accounting estimate.

NITECH

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

Crescent Capital II

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

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

NI Growth Loan Fund

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

NI Small Business Loan Fund

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

Crescent Capital III LP (ERDF *)

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

Kernel Capital Growth Fund (NI) (ERDF *)

Invest NI is a limited partner in the Kernel Capital Growth Fund, a partnership established in October 2013 and operating in the UK. The fund is managed by Kernel Capital. The fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The partnership has a term of ten years.

Techstart NI SME Equity Limited Partnership (ERDF *)

Invest NI is the limited partner of Techstart which was established in July 2014 and operates in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. 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.

QUB Equity Limited Partnership (ERDF *)

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

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

Ulster Equity Limited Partnership (ERDF *)

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

NI Growth Loan Fund II (ERDF *)

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

NI Small Business Loan Fund II

Invest NI is the limited partner of the NI Small Business Loan Fund II, a partnership established in August 2018 and operating in the UK. The partnership has a term of ten years. The fund is managed by Ulster Community Finance on behalf of Invest NI and delivered in partnership with Enterprise Northern Ireland. Ulster Community Finance is a subsidiary of the social finance organisation Ulster Community Investment Trust. The fund will provide typically unsecured loans to individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development.

Growth Finance Fund

The Growth Finance Fund, established on 30 November 2018 with a ten-year term, is a three-way partnership between Invest NI, British Business Bank and Northern Ireland Local Government Officers Superannuation Committee. This is a £30m fund managed by WhiteRock Capital Partners LLP. Loans are typically between £500,000 and £2m and provided to export focused NI SMEs demonstrating strong growth or growth potential. It operates in the UK.

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

13. FINANCIAL ASSETS

The group holds the following financial assets:

	Group and Invest NI	
	2019 £'000	2018 £'000
Financial assets at amortised cost		
Fixed rate loans	22,380	22,558
Variable rate loans	-	130
Investments in preference shares	-	3,066
Financial assets at fair value through profit or loss (FVPL)		
Investments in ordinary shares	16,462	-
Investments in preference shares	648	-
Convertible loan notes	2,151	-
Available-for-sale financial assets		
Investments in ordinary shares	-	11,873
Convertible loan notes	-	1,147
	41,641	**38,774**

See note 2 for details about the impact from changes in accounting policies as a result of the adoption of IFRS 9.

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

	Group and Invest NI			
	Investments in ordinary shares £'000	Investments in preference shares £'000	Investments in convertible loan notes £'000	Total £'000
At 31 March 2018				
Gross balance	20,045	9,315	1,176	30,536
Provision	(8,172)	(6,249)	(29)	(14,450)
Net balance	**11,873**	**3,066**	**1,147**	**16,086**
Adoption of IFRS 9 (note 2)	(331)	-	-	(331)
Fair value at 1 April 2018	**11,542**	**3,066**	**1,147**	**15,755**
Additions	2,219	-	1,338	3,557
Conversions	79	-	(45)	34
Repayments and disposals	(382)	(2,460)	(25)	(2,867)
Dividend income (note 6)	-	77	-	77
Dividends received	-	(30)	-	(30)
Fair value adjustment (note 5)	3,004	(5)	(264)	2,735
Fair value at 31 March 2019	**16,462**	**648**	**2,151**	**19,261**

13. FINANCIAL ASSETS (CONTINUED)

Financial assets at amortised cost

	Group and Invest NI		
	Fixed rate loans £'000	Variable rate loans £'000	Total £'000
Gross amount			
At 1 April 2018	30,629	5,201	35,830
Additions	2,540	-	2,540
Conversions	(34)	-	(34)
Repayments	(981)	(9)	(990)
Interest received	(497)	-	(497)
Interest income on financial assets at amortised cost (note 6)	2,503	-	2,503
Accrued interest	(93)	-	(93)
Fair value adjustment on re-measurement (note 5)	(165)	-	(165)
Amount written off	(6,168)	(5,071)	(11,239)
At 31 March 2019	**27,734**	**121**	**27,855**
Loss allowance			
At 1 April 2018	8,071	5,071	13,142
Adoption of IFRS 9 (note 2)	864	-	864
ECL allowance (note 5)	2,587	121	2,708
Amount written off	(6,168)	(5,071)	(11,239)
At 31 March 2019	**5,354**	**121**	**5,475**
Net balance			
1 April 2018	22,558	130	22,688
31 March 2019	**22,380**	**-**	**22,380**

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

13. FINANCIAL ASSETS (CONTINUED)

Financial assets at amortised cost

	Group and Invest NI	
	2019 £'000	2018 £'000
Gross carrying amount		
Fixed rate loans	27,734	30,629
Variable rate loans	121	5,201
Investments in preference shares *	-	9,315
	27,855	**45,145**
Loss allowance	(5,475)	(19,391)
	22,380	**25,754**

* Investments in preference shares are no longer included in the amortised cost category. For further details see note 2.

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

	Group and Invest NI	
	2019 £'000	2018 £'000
Investments in ordinary shares *	16,462	-
Investments in preference shares **	648	-
Convertible loan notes *	2,151	-
	19,261	**-**

* Investments in ordinary shares and convertible loans notes were held in the available-for-sale category in the previous year. This category no longer exists.

** Investments in preference shares were included in the amortised cost category in the previous year. See table above.

13. FINANCIAL ASSETS (CONTINUED)

Amounts recognised in Net Expenditure

The amounts recognised in Net Expenditure in relation to financial assets held at FVPL are detailed in note 5.

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

Details about the fair value hierarchy as at 31 March 2019 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Fixed rate loans	-	-	22,380	22,380
Variable rate loans	-	-	-	-
Investments in ordinary shares	342	13,944	2,176	16,462
Investments in preference shares	-	-	648	648
Convertible loan notes	-	2,151	-	2,151
	342	**16,095**	**25,204**	**41,641**

There were no transfers between levels during the year.

13. FINANCIAL ASSETS (CONTINUED)

Specific valuation techniques used to value financial instruments include:

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

In the year to 31 March 2018 a gain of £255,000 was recognised in Other Comprehensive Expenditure on available-for-sale assets. The available-for-sale category no longer exists under IFRS 9 and fair value movements on these assets are included within the 'Financial Instruments gains or losses' category in the Statement of Comprehensive Net Expenditure.

Collateral

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

Co-Fund NI

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

Co-Fund NI (ERDF*) was a £28m fund that co-invested in SMEs based in Northern Ireland. Clarendon Fund Managers Limited managed the fund under a six year Management Services Agreement (June 2011-May 2017) and invested in deals which were led by business angels and private investors. The deals ranged from £150,000 to £1m and Invest NI provided £13.3m of funding on the same terms as the private investors. The overall fund ratio of private to public funding was at a minimum 55:45, with no more than a 50:50 split in any one round.

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

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

14. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year:				
Trade receivables	20,021	20,627	17,553	18,342
Loss allowance (note 21)	(10,012)	(14,735)	(10,012)	(14,735)
	10,009	**5,892**	**7,541**	**3,607**
Other receivables	5,259	5,345	5,070	5,222
EU receivables	30,320	40,559	30,320	40,559
Amounts due from subsidiaries	-	-	101	100
Prepayments	1,302	1,163	1,261	1,157
Accrued income				
Loan interest	245	197	245	197
Other	2,201	246	2,183	222
	49,336	**53,402**	**46,721**	**51,064**
Amounts falling due after more than one year:				
Other receivables	1,929	6,117	1,929	6,117
EU receivables	2,586	4,507	2,586	4,507
	4,515	**10,624**	**4,515**	**10,624**

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

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 21.

15. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance at 1 April	19,622	14,077	2,817	1,303
Net change in cash and cash equivalent balances	1,458	5,545	(1,919)	1,514
Balance at 31 March	**21,080**	**19,622**	**898**	**2,817**
The following balances at 31 March were held at: Commercial banks and cash in hand	21,080	19,622	898	2,817
Balance at 31 March	**21,080**	**19,622**	**898**	**2,817**

Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2018 £'000	Cash flows £'000	Non-cash movements £'000	31 March 2019 £'000
Bank loans (note 18)	17,416	(498)	19	16,937
Financial instrument (note 21)	5,976	-	(140)	5,836
	23,392	**(498)**	**(121)**	**22,773**

16. ASSETS HELD FOR SALE

	2019 £'000	2018 £'000
Land	1,419	
Buildings	150	-
	1,569	**-**

Included within assets held for sale at 31 March 2019 were a number of pieces of land and one building. The sales of these properties are expected to take place within one year. Impairment losses of £8,000 on these assets are included within the asset impairment caption in the Statement of Comprehensive Net Expenditure.

17. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts due within one year:				
Trade payables and accruals	17,085	18,506	8,207	12,494
Accrued grant payables	20,274	25,995	20,274	25,995
Other taxation and social security	561	579	561	555
Amount owed to subsidiaries	-	-	710	-
Other payables	1,898	1,957	1,898	1,956
Deferred income	643	269	629	265
Amounts due to DfE				
other income surrendered	3	-	3	-
	40,464	**47,306**	**32,282**	**41,265**

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

18. BORROWINGS

	Group		Invest NI	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Bank loans	608	512	-	-
	608	**512**	**-**	**-**
Non-current				
Bank loans	16,329	16,904	-	-
	16,329	**16,904**	**-**	**-**

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

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

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

18. BORROWINGS (CONTINUED)

Maturity of financial liabilities

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

	Group	
Bank loans	**2019 £'000**	**2018 £'000**
Amounts due in less than one year	608	512
In more than one year but not more than two years	893	615
In more than two years but not more than five years	1,337	1,876
After more than five years	14,099	14,413
	16,937	**17,416**

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

	Group	
Bank loans	**2019 £'000**	**2018 £'000**
Less than one year	1,642	1,568
In more than one year but not more than two years	1,875	1,642
In more than two years but not more than five years	4,050	4,690
After more than five years	18,724	19,923
	26,291	**27,823**

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

19. 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
At 1 April 2017	**34,297**	**-**	**47**	**34,344**
Provided in the year	27,600	-	50	27,650
Under provision from prior year/ (Provisions not required written back)	13	-	-	13
	27,613	**-**	**50**	**27,663**
Provisions utilised in the year	(31,803)	-	-	(31,803)
At 31 March 2018	**30,107**	**-**	**97**	**30,204**
Provided in the year	31,416	-	-	31,416
Under provision from prior year/ (Provisions not required written back)	3,005	-	(37)	2,968
	34,421	**-**	**(37)**	**34,384**
Provisions utilised in the year	(28,939)	-	(60)	(28,999)
At 31 March 2019	**35,589**	**-**	**-**	**35,589**

(ii) Analysis of expected timing of discounted flows

	Group and Invest NI	
	2019 £'000	2018 £'000
Provisions		
Not later than one year	35,589	30,204
Later than one year and not later than five years	-	-
Later than five years	-	-
	35,589	**30,204**

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.

20. STATEMENT OF CASH FLOWS

Adjustments for non-cash transactions

	2019 £'000	Restated 2018 £'000
Provisions provided for in the year	34,384	27,663
Depreciation (note 4)	1,145	1,716
Amortisation (note 4)	401	614
Loss on disposal of Property, plant and equipment	337	175
(Profit) on Financial asset disposal	(443)	(288)
Impairment (note 4)	182	339
Financial instruments gains or losses (note 5)	1,222	(478)
Share dividend income (note 6)	(77)	(360)
Interest income on financial assets at amortised cost (note 6)	(2,503)	(2,055)
Share of results of associates (note 4)	2,290	4,728
Fair value gain on investment property (note 6)	(800)	(1,645)
Foreign exchange loss	291	213
Total non-cash transactions	**36,429**	**30,622**

The 2018 figures have been restated to include 'Provisions provided for in the year' which were previously included under the 'Use of provisions' heading in the Consolidated Statement of Cash Flows.

21. FINANCIAL INSTRUMENTS

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

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

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

The group's maximum exposure to credit risk is the value of the financial assets referred to in note 13 and receivables in note 14. The group has the following assets that are subject to the expected credit loss model:

- Trade and other receivables
- Fixed and variable rate loans

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

Trade and other receivables – loss allowance

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

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

Reconciliation of loss allowance on trade receivables

	Group and Invest NI £'000
Impairment allowance on trade receivables at 31 March 2018	14,735
Release of loss allowance on write off	(5,725)
ECL allowance on trade receivables (note 5)	1,002
Loss allowance on trade receivables at 31 March 2019	**10,012**

21. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group				
	Current £'000	More than 30 days past due £'000	More than 90 days past due £'000	More than 180 days past due £'000	Total £'000
At 31 March 2018					
Expected loss rate	4.5%	93.3%	92.1%	92.7%	71.4%
Gross carrying amount	4,967	375	76	15,209	20,627
Loss allowance	**222**	**350**	**70**	**14,093**	**14,735**

	Invest NI				
	Current £'000	More than 30 days past due £'000	More than 90 days past due £'000	More than 180 days past due £'000	Total £'000
At 31 March 2018					
Expected loss rate	8.2%	99.2%	92.1%	92.7%	80.3%
Gross carrying amount	2,704	353	76	15,209	18,342
Loss allowance	**222**	**350**	**70**	**14,093**	**14,735**

21. FINANCIAL INSTRUMENTS (CONTINUED)

Fixed and variable rate loans – loss allowance

	Group and Invest NI			
	12-month ECL £'000	Lifetime ECL £'000	Impaired £'000	Total loss allowance £'000
Fixed rate loans (note 13)	3,096	280	1,978	5,354
Variable rate loans (note 13)	-	-	121	121
Loss allowance at 31 March 2019	**3,096**	**280**	**2,099**	**5,475**

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

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

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

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

Significant estimates and judgements

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of loss allowance on financial assets

	Group and Invest NI	
	£'000	**£'000**
Impairment allowance on financial assets under IAS 39 at 31 March 2018:		
Available-for-sale financial assets		
Investments in ordinary shares	8,172	
Convertible loan notes	29	
		8,201
Financial assets at amortised cost		
Fixed rate loans	8,071	
Variable rate loans	5,071	
Investments in preference shares	6,249	
		19,391
Total		**27,592**
Reclassification of loss allowance as fair value adjustment under IFRS 9		
Investments in ordinary shares	(8,172)	
Convertible loan notes	(29)	
Investments in preference shares	(6,249)	
		(14,450)
Additional ECL on fixed rate loans on adoption of IFRS 9 (note 2)		864
Release of loss allowance on write off:		
Fixed rate loans		(6,168)
Variable rate loans		(5,071)
ECL allowance on fixed rate loans (note 5)		2,587
ECL allowance on variable rate loans (note 5)		121
Loss allowance on financial assets at amortised cost under IFRS 9 at 31 March 2019		**5,475**

21. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

The fair value of this interest rate swap is recognised as a financial liability under non-current liabilities in 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 £5,836,000 (2018: £5,976,000) is obtained from counterparty valuation, and is based on observable market data.

21. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2019 £'000	2018 £'000
At 1 April	5,976	6,968
Fair value adjustment	(140)	(992)
Liability at 31 March	**5,836**	**5,976**

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

22. LEASES

Invest NI as lessee

£417,000 (2018: £392,000) 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	
	2019 £'000	2018 £'000
Property leases		
Not later than one year	743	928
Later than one year and not later than five years	1,812	444
Later than five years	353	-
	2,908	**1,372**

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.

22. LEASES (CONTINUED)

Invest NI as lessor

Net property rental income earned during the year was £1,432,000 (2018: £1,460,000). The group earned rental income of £1,953,000 (2018: £2,012,000). 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	
	2019 £'000	2018 £'000
Property leases		
Not later than one year	1,741	1,995
Later than one year and not later than five years	2,051	2,918
Later than five years	3,977	3,786
	7,769	**8,699**

Obligations under operating leases comprise:	Invest NI	
	2019 £'000	2018 £'000
Property leases		
Not later than one year	1,040	1,482
Later than one year and not later than five years	965	1,608
Later than five years	3,977	3,786
	5,982	**6,876**

23. OTHER FINANCIAL COMMITMENTS

	Group and Invest NI	
	2019 £'000	2018 £'000
Commitments in relation to unclaimed grants under financial assistance offers and agreements at the year-end comprised:	**210,837**	**208,356**

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

24. COMMITMENTS UNDER PFI CONTRACT

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

The total amount charged in the Invest NI Statement of Comprehensive Net Expenditure in respect of off balance sheet (SoFP) PFI transactions was £5,154,000 (2017-18: £4,903,000).

The asset has been revalued by LPS on 31 March 2019 at £24,700,000 (2018: £24,000,000). At the year-end, the total future minimum payments due under this PFI contract are as follows:

	Invest NI	
	2019 £'000	2018 £'000
Within one year	4,837	4,780
In the second to fifth years	19,348	19,120
After five years	31,646	36,053
	55,831	**59,953**

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.

25. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

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.

26. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments

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

	2019 £'000	2018 £'000
Payables (amounts due within one year) (note 17):		
Balances with other central government bodies	3	-

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

Transactions with associates

The relationships with associates are detailed in note 12. The following payments were made to associates during the year:

	2019 £'000	2018 £'000
NI Growth Loan Fund	1,889	5,500
Crescent Capital III LP	2,250	1,650
Kernel Capital	1,499	2,850
Techstart NI SME Equity	5,333	3,269
QUB Equity Limited Partnership	325	275
Ulster Equity Limited Partnership	525	75
Small Business Loan Fund II	2,000	-
Growth Finance Fund	555	-
NI Growth Loan Fund II	3,968	-
	18,344	**13,619**

The following distributions were received from associates during the year:

	2019 £'000	2018 £'000
Crescent Capital II LP	247	526
NITECH Growth Fund	298	-
Small Business Loan Fund	925	-
	1,470	**526**

26. 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 2019 £'000	Amount paid 2019 £'000	New financial assistance offered 2018 £'000	Amount paid 2018 £'000
Jeremy Fitch	Banah (UK) Limited	(a)	3	7	-	11

The balance owed to the company at 31 March 2019 was £Nil (2018: £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 26.

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 2017-18 for bodies from which Board members resigned or retired during 2017-18, these are not replicated in the 2018-19 financial statements. Similarly, where a Board member retired from Invest NI in 2017-18 no disclosure has been made in respect of this individual for 2018-19. The 2017-18 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2018-19, no comparative information for 2017-18 has been provided in respect of this individual.

Where a Board member has resigned or 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 or from the body at the year-end are not on the grounds that no beneficial relationship existed at that date.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2019 £'000	Amount paid 2019 £'000	New financial assistance offered 2018 £'000	Amount paid 2018 £'000
Mark Ennis	Creative Composites Limited	(a)	5	1,030	1,592	21
	Intelesens Limited	Non-Executive Director and Shareholder	(b)	(b)	-	1
	First Derivatives plc	(a)	1,288	120	-	958
	Airtricity Holdings Limited and subsidiaries	Director	-	124	-	54
	W & G Baird (c)	Chair	19	24	(d)	(d)
Rose Mary Stalker	Catagen Limited (e)	Shareholder	16	24	-	72
	Mid & East Antrim Council	Chair of Manufacturing Taskforce	-	69	-	-
Brian Baird	Modern Democracy Limited (f)	Investor/ Advisor	516	24	117	49
	Repstor Limited (g)	Non-Executive Chair and Shareholder	55	31	51	75
	Flowlens Limited (h)	Non-Executive Director	225	-	272	88
	Replify Limited (i)	Non-Executive Director	14	30	-	-
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	5	22	31	2
	Lithe IT Limited	Chair and Shareholder	26	15	24	6
Mark Nodder	Wright Composites Limited	Chair and CEO-Director	-	11	-	3
	Wright En-Drive Limited	Chair and CEO-Director	-	-	-	24
	Wrightbus Limited	Chair and CEO-Director	10	77	6	242
	Metallix Limited	Chair and CEO-Director	-	-	-	4

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Financial assistance transactions (continued):

Board member	Company	Nature of relationship	New financial assistance offered 2019 £'000	Amount paid 2019 £'000	New financial assistance offered 2018 £'000	Amount paid 2018 £'000
Scott Rutherford	Queen's University Belfast	Director	572	6,192	6,850	4,630
Judith Totten	Queen's University Belfast	(a)	572	6,192	6,850	4,630

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

Board member	Company	Nature of relationship	Amount paid 2019 £'000	Amount paid 2018 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	15	13
Scott Rutherford	Queen's University Belfast	Director	239	483
Judith Totten	Queen's University Belfast	(a)	239	483
Ken Nelson	InterTradeIreland	Chair	6	50
	Local Economic Development Company (LEDCOM) Limited	Chief Executive	-	7
	Northern Regional College	Member of Board of Governors	25	-
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	8	-
Brian Baird	Repstor Limited (g)	Non-Executive Chair and Shareholder	18	-

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board member	Company	Nature of relationship	Amount invoiced 2019 £'000	Amount invoiced 2018 £'000
Mark Ennis	Intelesens Limited	Non-Executive Director and Shareholder	(b)	3
	Creative Composites Limited	(a)	10	-
	W&G Baird (c)	Chair	9	(d)
Scott Rutherford	Queen's University Belfast	Director	5	9
Judith Totten	Queen's University Belfast	(a)	5	9
Brian Baird	Modern Democracy Limited (f)	Investor/Advisor	9	2
Gerard O'Hare	Belfast Harbour Commissioners	Board member	-	4
Deborah Lange	Belfast Harbour Commissioners	Board member	-	4
Mark Nodder	Wrightbus Limited	Chair and CEO-Director	4	10
Ken Nelson	InterTradeIreland	Chair	16	21
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	7	-

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2019 £'000	Balance 2018 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	-	154
	First Derivatives plc	(a)	213	138
	Creative Composites Limited	(a)	250	914
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	20	7
Scott Rutherford	Queen's University Belfast	Director	453	1,358
Ken Nelson	Northern Regional College	Member of Board of Governors	30	15
	InterTradeIreland	Chair	-	7
Judith Totten	Queen's University Belfast	(a)	453	1,358
Brian Baird	Repstor Limited (g)	Non-Executive Chair and Shareholder	44	-
	Flowlens Limited (h)	Non-Executive Director	-	8
	Modern Democracy Limited (f)	Investor/Advisor	(j)	29
Mark Nodder	Wright Composites Limited	Chair and CEO-Director	5	-
	Wright En-Drive Limited	Chair and CEO-Director	3	-
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	-	23
	Lithe IT Limited	Chair and Shareholder	-	6

There were no loan balances outstanding at 31 March 2019 (2018: £Nil) from any company in which a Board member had a beneficial interest.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed from the entity at 31 March:

Board member	Company	Nature of relationship	Balance 2019 £'000	Balance 2018 £'000
Mark Nodder	Wrightbus Limited	Chair and CEO-Director	-	1
Rose Mary Stalker	Mid & East Antrim Council	Chair of Manufacturing Taskforce	1	-
Ken Nelson	Intertrade Ireland	Chair	-	9

There were no provisions held against the above balances.

Investments held in the company at 31 March:
Invest NI holds share investments in the following companies in which Board members have a beneficial interest:

Board member	Company	Nature of relationship
Brian Baird	Replify Limited (i)	Non-Executive Director

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

KEY

(a) Connected via family relations.

(b) The Board member's beneficial relationship with this organisation ceased in 2017-18 therefore no transactions/ balances are disclosed for 2018-19.

(c) NI Growth Loan Fund has advanced a loan to W&G Baird Limited. The balance outstanding at 31 March 2019 is £197,000. NI Growth Loan Fund is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(d) The Board member's relationship with this organisation began during 2018-19 therefore no transactions/ balances are disclosed for 2017-18.

(e) NI Growth Loan Fund has advanced a loan to Catagen Limited. The balance outstanding at 31 March 2019 is £23,000.

(f) Techstart NI SME Equity holds an investment of £500,000 and Crescent Capital III holds an investment of £600,000 in Modern Democracy Limited. Techstart NI SME Equity and Crescent Capital III are associates of Invest NI. The relationship between Invest NI and these bodies is described in note 12.

(g) NI Growth Loan Fund has advanced a loan to Repstor Limited. The balance outstanding at 31 March 2019 is £5,000.

(h) Crescent Capital III holds an investment of £1,951,000 in Flowlens Limited.

(i) Crescent Capital II holds an investment of £2,040,000 in Replify Limited. Crescent Capital II is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(j) The Board member's relationship with this organisation ceased during 2018-19 therefore transactions with the company are disclosed but not balances at 31 March 2019 on the grounds that no beneficial relationship existed at that date.

27. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

As outlined at note 6, Invest NI's funds under the IGJ programme are included within draft Withdrawal Agreement and the Government Guarantee, and therefore 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 27 June 2019.

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 2019	No. of shares 2018
AdoreBoard Limited	£0.001 ordinary shares	1,183	1,183
ACOMCO Limited	£1.00 ordinary shares	33	33
ActionSense Limited	£0.01 ordinary shares	5,250	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
Airpos Limited	£0.0001 ordinary shares	370,818	-
Anaeko Limited	£1 A ordinary shares	4,325	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	727,486
Autism Biotech Limited	£0.01 A ordinary shares	1,250	1,250
Axial Medical Printing Limited	£0.0001 ordinary shares	1,076	-
Balcas Limited	£1 "C" preferred ordinary shares	-	1,229,018
Bluechip Technology Holdings Limited	£0.01 ordinary shares	79,608	79,608
Bubblebum Holdings Limited	£1.00 ordinary shares	2,000	2,000
Cadshare Technology Limited	£0.01 participating preferred ordinary shares	2,262	-
Calnex Solutions Limited	£0.01 ordinary shares	82	82
CartonCare Limited	£0.01 ordinary shares	280,000	280,000
Ciga Healthcare Limited	£1 B ordinary shares	366	366
Cirdan Imaging Limited	£1.00 ordinary shares	269,060	250,330
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	247,274
Datactics Limited	£0.01 C ordinary shares	24,477	-
Decom Engineering Limited	£1 B ordinary shares	1,200	-
Eventmap Limited	£1 4% redeemable cumulative preference shares	-	16,000
Farmvet Systems Limited	£0.01 ordinary shares	-	3,820

Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No. of shares 2019	No. of shares 2018
Fusion Antibodies plc	£0.04 ordinary shares	974,450	974,450
Get Invited Limited	£0.001 ordinary shares	27,200	27,200
I3 Digital Limited	£1 8% 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	926,912
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
Intu Global Shelter Limited	£0.01 ordinary shares	1,423	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	2,375
Komodo Limited	£0.0001 ordinary shares	5,360	5,360
Kraydel Limited	£0.01 ordinary shares	2,568,645	1,920
Limeforge Limited	£0.00001 A ordinary shares	571,375	-
Liopa Limited	£0.0004 preferred ordinary shares	9,025	9,025
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Makematic Limited	£0.10 A ordinary shares	5,667	-
Microsense Solutions Limited	£0.01 ordinary shares	139,607,930	97,209,087
Mobile Report Limited	£0.01 ordinary shares	117,798	117,798
Mobile Report Limited	£0.01 A ordinary shares	12,564	12,564
MOF Technologies Limited	£0.001 ordinary shares	15,294	15,294

Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No. of shares 2019	No. of shares 2018
MSO Group Limited	£0.01 ordinary shares	30,318	30,318
MyCarNeedsA.com Limited	£0.01 ordinary shares	20,829	20,829
Neurovalens Limited	£0.00001 preferred ordinary shares	489,033	-
Orca Money Limited	£0.01 ordinary shares	13,321	-
Paradox Limited	£0.10 preferred ordinary shares	115	-
Performa Sports Limited	£1 ordinary shares	505	505
Pitchbooking Limited	£0.0001 ordinary shares	84,211	-
Plotinus Limited	£0.01 ordinary shares	16,824	16,824
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	25,853,916
Re-vana Therapeutics Limited	£0.0001 preferred ordinary shares	28,166	28,166
Sensumco Limited	£0.01 ordinary shares	206,610	206,610
Shnuggle Limited	£0.01 ordinary shares	13,945	13,945
ShotClip Limited	£0.01 ordinary shares	133,333	133,333
Silform Technologies Ltd	£0.10 ordinary shares	24,457,609	24,457,609
Simple Zebra Limited	£0.01 ordinary shares	56,000	56,000
SISAF Limited	£0.01 ordinary shares	417,137	417,137
SISAF Limited	A2 ordinary shares	13,170	-
Springfarm Architectural Mouldings Limited	£1 redeemable non-cumulative preference shares	111,615	171,615
Surecert (CDS New Ventures Limited)	£0.01 ordinary shares	5,419	5,419
Taggled Ltd	£0.01 ordinary shares	22,145	22,145
The Boatyard Distillery Limited	£0.01 ordinary shares	16,071	8,928
The Skunk Works Surf Company Limited	£0.01 ordinary shares	230	230
The Weatherbies Limited	£1 ordinary shares	32	32
Titan IC Systems	£0.10 ordinary shares	73,741	73,741
Turco Engineering Limited	£1 redeemable non-cumulative preference shares	26,250	37,500

Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No. of shares 2019	No. of shares 2018
Uleska Limited	£0.01 preferred ordinary shares	940	-
Venn Life Sciences Holdings PLC	£0.011 ordinary shares	38,886	38,886
Woodmarque Arch Joinery Limited	£1 redeemable non-cumulative preference shares	139,012	146,008
Zymplify Limited	£0.0005 Series A preferred shares	4,169	-

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 2019	No. of shares 2018
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
Astute Labs Limited	£0.01 ordinary shares	19,300	19,300
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
CargoBox Limited	£0.01 ordinary shares	4,428	4,428
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
I Love QC Limited	£0.01 ordinary shares	4,929	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
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
Phlok Limited	£1 ordinary shares	46	46
Premier Frame Homes Limited	£1 redeemable cumulative preference shares	45,000	45,000
Rockstar Data Storage Limited	£0.00001 ordinary shares	44,165,192	44,165,192

Appendix A - Share Investments in Client Companies (continued)

Company	Type of shares	No. of shares 2019	No. of shares 2018
Sembarc Limited	£0.001 A ordinary shares	3,500	3,500
ShotClip Limited	£0.01 ordinary shares	133,333	133,333
Treze Limited	£0.01 ordinary shares	26,025	26,025
Treze Limited	£0.001 A ordinary shares	37,066	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	52,500

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