Invest Northern Ireland

Annual Report & Accounts

2020-21

Invest Northern Ireland

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Any enquiries regarding this document should be sent to us at Invest Northern Ireland, Bedford Square, Bedford Street, Belfast, BT2 7ES or email **communications@investni.com**

Invest Northern Ireland

Annual Report & Accounts

for the year ended 31 March 2021

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Performance Report

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

Chair and Chief Executive Introduction

Many words dominated our vocabulary in 2020-21 – pandemic, COVID-19, EU Exit, furlough, lockdown, restrictions, vaccination, sustainability… However, one word in particular reflects Northern Ireland's response to last year's many challenges and that is RESILIENCE.

In times of turmoil, resilience defines those who will emerge the strongest, and Northern Ireland has demonstrated it in abundance.

When COVID-19 first struck we all envisaged the very first lockdown in March 2020 as a short few months followed by a return to normal. The reality turned out to be very different.

The impact of the pandemic and the measures taken to fight it have transformed every layer of society and the economy. The consequences will be with us for a very long time, and certainly whenever 'normal' does return it will look very different to before.

Economic resilience

The prolonged full closure of some businesses and the limited operations of others during lockdown naturally took its toll on the local, national and global economies, albeit some specific sectors experienced growth.

2020-21 was the final year of our four year business plan and we are pleased to report that we have met four of our five targets. These figures are compiled from KPI data we collect from a cohort of over 1,700 businesses we work with.

	2017*	2018*	2019*	2020*	Final Outturn	2017-2021 Business Strategy Targets
Additional Jobs	10,987	9,298	8,886	7,658	36,828	30,000-40,000
All Sales (£bn)	1.7	1.6	1.3	-0.4bn	£4.1bn	£3.2-£4.2bn
External Sales (£bn)	1.3	1.4	1.0	-0.4bn	£3.2bn	£2.4-£3.1bn
Export Sales (£bn)	0.8	0.8	0.4	-0.9	£1.1bn	£0.8-£1.2bn
Increase in Business Expenditure on R&D (£m) **	14.8	10.1	82.9	29.7	137.5	£160m - £200m

* Refers to the year in which the growth was recorded.
** Growth figures taken from the NISRA R&D Statistical Bulletin. As part of the most recent release, business, government and higher education estimates of R&D performance for previous years have been revised to take account of late returns and misreporting.

Invest NI revises performance data on a regular basis to ensure that it reflects implemented projects; for this reason the data above may differ to previously published information. The Cumulative Outcome may differ from the total of the individual year outcomes due to rounding.

It is not surprising that we saw a downturn in outputs in 2020 considering the year that it was. The additional jobs created by our cohort businesses in 2020-21 was 7,658, though it is important to acknowledge that these will have been off-set by job losses as a result of COVID-19. The same cohort of businesses reported a reduction in employment of 8,222.

Northern Ireland (NI) also experienced a drop in sales and exports, again unsurprising with trade channels closed for periods of time and challenges over supply chains. HMRC Trade Statistics 2019-20 showed a decline of 14.4 percent for NI exports, however this was at a lower rate than the other three UK countries: England -15.4, Scotland -21.3, Wales -24.4 percent respectively.

While the final outturn against our target to increase investment in Research & Development fell slightly short, at £137.5m, there have been some positive signs of increased investment by NI companies. Progress towards this target is measured via the annual NISRA report. This is a time lagged measure designed to report the total amount of R&D investment by all companies in NI. The 2020 NISRA report showed that £661.4m was spent by businesses on Research and Development, this represents 72.5% of all R&D expenditure in Northern Ireland. Business expenditure increased by £29.6m, including a small increase in the number of businesses undertaking R&D. The R&D investment figures in 2019 and 2020 are positive increases on previous years, this is a trend that needs to continue and one we will work to support.

Even in the midst of the pandemic and EU Exit uncertainties, local businesses remained committed to survival and growth. While there was a sharp decline in economic activity during the first lockdown, over time more and more businesses were able to adjust and we started to see some initial signs of recovery and growth.

The climb back up from the first deep pause won’t be linear and may be shallow, but as restrictions are eased and more businesses open up, it is hoped that activity and investment will accelerate as the year progresses.

> **"The UK economy should recover to its pre-COVID level by the end of the year."**
>
> **Andrew Bailey**
> Governor of the Bank of England,
> 15 March 2021

The shape of the economy will be different and we have yet to fully understand what kind of economy will return. Spikes in the virus, the emergence of new strains, the impact of tightening and relaxing of restrictions on specific sectors, the shape and demand for travel, online retail versus the high street, and fluctuations in consumer expenditure and business investment are just some of the factors that do, and will, dictate the look and feel of our future economy.

The labour market has also yet to adjust fully and settle. Through 2020-21, the Coronavirus Job Retention Scheme, commonly known as the furlough scheme, and the range of emergency support schemes introduced by the NI Executive, provided much needed support to businesses and their employees. The furlough scheme is estimated to have supported 287,100 jobs in NI. Its ending, in September 2021, did not see the much feared sudden increase in unemployment and, in many sectors, employment growth has been strong.

With many economies now re-open UK businesses are now more optimistic than at any time since 2015, according to the Accenture/ IHS Markit UK Business Outlook. We have also seen increased confidence from NI businesses in our recent Purchasing Managers Index surveys. However, most economic commentators do not expect economic output to return to pre-pandemic levels until late 2022 or 2023. The challenge for us all is to drive rapid growth in new areas to counter the downturn in others, and avoid some of the initial economic impacts becoming permanent.

Business resilience

There has been, and continues to be, a lot of change for business. Internal operations, global selling, customer service, how we worked as teams –all transformed as businesses turned to digital solutions to address the restrictions of COVID-19. It is fair to say this digital adoption will be a positive legacy of the pandemic.

The EU Exit also brought significant change and businesses had little time to prepare and adjust operations. There was initial disruption and fragmentation of supply chains for many businesses sourcing important parts and materials from GB and Europe. Some of the early frictions have been mitigated but challenges still remain. New opportunities are also emerging for NI companies to enter global supply chains and provide a route into EU and GB markets, which we will continue to explore.

Considering this challenging environment, NI businesses demonstrated their resilience and ability to weather the storm. This was first evidenced by the immediate response of many NI businesses to pivot their operations to produce much needed Personal Protective Equipment (PPE) in the initial months of COVID-19 – a process we were pleased to help by facilitating dialogue between businesses and government, and matching the skills and experience of NI businesses to government needs.

As the dust settled, businesses continued to move forward with investment and business growth commitments which saw us make over 3,000 offers of support during 2020-21 – an increase on the previous year. These commitments ranged from job creation, investment in R&D or skills, to exporting to new markets. Our support totalled £106m of assistance which, alongside business, has the potential to generate £582m of investment into the local economy. You can read about some of the projects we supported later in the Performance Overview section of this report.

Our support not only included our established schemes, but also an additional nine, new recovery schemes, designed and launched to help businesses address the challenges of COVID-19 and support recovery. This support provides access to equity investment; help to move sales from high street to online; and grants towards implementing efficiency, productivity and organisational improvements.

As at the end of the 2020-21 financial year, we had issued offers totalling nearly £6m of support to 443 businesses through these schemes. We have not previously worked with around half of these businesses – some are smaller locally-focussed businesses not generally eligible for our assistance; others are in sectors, such as retail, which we are not traditionally able to support. You will find more detail about our work to specifically address the impact of COVID-19 in the Performance Analysis section.

Infrastructure resilience and connectivity

2020-21 saw countless NI businesses transition rapidly to homeworking, home learning and remote business models with a speed that left many global competitors standing.

Northern Ireland's switch to home working has been a largely seamless experience thanks to our digital infrastructure. This has helped businesses maintain operations, maintain staffing levels and retain customers.

> **"Without the correct infrastructure, it would not have been possible for businesses such as FinTrU to adapt to a situation like COVID-19. This robust connectivity and investment in technology will be a very important consideration for any company when investing in a new market."**
>
> **Darragh McCarthy**
> Founder and CEO, FinTrU

Research undertaken by Queen's University on behalf of ourselves and the Department for the Economy (DfE) showed that the use of digital technologies amongst NI SMEs in 2020 was higher than in the rest of the UK. This higher level of adoption was identified as the main reason why many SMEs here have coped slightly better in terms of employment and turnover than their counterparts in the rest of the UK.

We also received feedback from global investors reporting that the infrastructure here, combined with the adaptability of our people, meant the NI operations of these global businesses were more responsive and were able to sustain greater levels of performance than their counterparts in other countries.

Like other businesses, Invest NI also pivoted to digital to ensure we were able to continue to support businesses during these exceptionally testing times. From March 2020 our global operation has functioned digitally and remotely, with 600+ staff supported to work from home, when required to do so, with full access to all our systems and operations. We continued our work to attract new investors by delivering virtual visit programmes; and supported NI companies to promote their products internationally, all without the ability to travel. As restrictions eased, both locally and internationally, we have re-opened some of our offices in a measured way, in line with relevant guidance.

We enhanced our MyINI portal and our customers can now access 38 different programmes and schemes remotely. The portal also enabled us to coordinate simultaneous application processes for 11 COVID schemes. Indeed the user journey for the COVID schemes was a 100 percent digital process – from the information on **nibusinessinfo.co.uk**, to the eligibility checker, to the application form itself. **nibusinessinfo.co.uk** received over 1.2m visits to its COVID pages and our portal hosted nearly 36,000 applications over the course of the year. Thanks to our crisis planning both platforms coped with this surge in activity.

We also switched from providing in-person seminars and events, to live and recorded webinars on key issues including COVID, EU Exit, supporting exporters and attracting investors. During the course of the year we delivered 105 webinars attracting nearly 9,500 attendees and we see this digital delivery continuing and expanding our reach in the future.

People resilience

While we have spoken above of the economic and business impact of the 2020-21 year, we cannot ignore the impact on people: from those that have experienced the devastating loss of a family member or friend at the hands of COVID; to those on the front line trying to save lives; and those in fear of losing their employment. The personal toll of 2020-21 is one that nobody can truly yet assess.

In recognising the importance of our people to the success of our business, we should also acknowledge the value of continued investment in skills. Our people, and the skills they bring to the labour market, are our most valuable resource. It is therefore important we ensure a pipeline of skilled people to support new and continued investment by businesses, something business, academia and government are already actively engaging on.

Investment in training and developing our existing teams, and upskilling to meet new business needs, is also important – through training schemes, conversion courses, and further education.

As our economy recovers and grows we need to remain mindful of the skills ask for both today and tomorrow. We need to take the necessary steps now to anticipate areas of pressure and work collectively to ensure our people resource is available, resilient and ready to meet the challenges ahead.

If we look at our own experience, both the EU Exit and COVID-19 brought change to our service delivery and tested the resilience of our staff.

Our EU Exit team was already up and running and supporting businesses in the run up to the EU Exit. This support was intensified during 2020 to include webinars, online advice clinics and 1-2-1 business advice sessions; along with more regular and involved interaction with local and national government to highlight the specific NI issues raised by businesses.

As part of the national collective effort to respond to COVID, we were asked by the NI Executive to deliver five emergency support schemes to get much needed support to struggling businesses. 120 of our team were redeployed to develop and launch the schemes under guidance of DfE. The resourcing, time and energy that was required by this relatively small team was far beyond initial expectations. As a result, however, as at the end of the financial year over 13,100 applicants had received a total of £100m of much needed financial assistance.

Through the delivery of these schemes, our own COVID recovery schemes, and our support to help businesses prepare for EU Exit we engaged with a further 14,000 businesses than we would normally work with – a real transformation for us and one that will bring future benefits to the economy.

Between COVID, EU Exit and general requests for help, our Business Support Team handled over 35,500 calls to our 0800 numbers and dealt with almost 11,000 email enquiries during 2020-21. This call volume was a 600 percent increase on a standard year and, at its peak, the team was responding to c400 calls a day. We were happy to offer guidance and advice through this time.

This increase in responsibility, customer base and output has naturally stretched our resources. As a senior management team and Board we have been amazed by the resilience and dedication of our team and would like to publically put on record our deepest thanks and appreciation for their continued commitment to deliver for NI businesses.

Conclusion

Northern Ireland has demonstrated what can be achieved when people, government and organisations work together in the face of adversity.

Our focus now is on the future. Recovery is underway and we continue to support businesses to help them plan for their future and equip them to emerge stronger than before.

To do this we will undertake a review of the organisation to ensure it is appropriately structured to maximise our efficiency and effectiveness. Our structure, aims and targets will all be strategically aligned with the Department for the Economy's 10X Economic Vision, and our focus will be to operationally deliver against this vision and future economic realities. This reflects our ambition to build long term economic prosperity and will contribute to the trade, investment and jobs that will support the rebalancing of our economy and underpin the building of a shared future for all.

Following the resignation of our CEO, Kevin Holland, in late 2021, Mel Chittock was appointed as Interim Chief Executive. Mel will lead the organisation through the current challenging economic environment while we undertake the process to recruit a permanent Chief Executive.

We are confident that we, in partnership with our key stakeholders, can create a globally competitive, inclusive and sustainable economy for the good of the whole of Northern Ireland.

Rose Mary Stalker
Chair
Date: 23 February 2022

Mel Chittock
Interim Chief Executive
Date: 23 February 2022

Our 2020-21 Performance

With the shock of COVID-19 and uncertainties around EU Exit, we had expected to see fewer businesses commit to expand and invest last year. However, the number of offers we made and the total investment in the economy were comparable to the previous year.

The number of businesses we engaged with during the year increased by 16 percent. This can be directly attributed to the widening of our support predominantly through our EU Exit support and our COVID-19 recovery schemes.

On the flip side, we did see notable decreases in the amount of assistance offered, down 11 percent, and number of new jobs assisted, down 30 percent. It is fair to reflect that the number of new business plans to create new jobs in the coming years decreased as a result of COVID-19 and of a cautious view on future resourcing needs.

3,019
offers made

1,811
businesses supported

£106m
of assistance

4,217
new jobs assisted

£582m
total investment in NI Economy

£1 = £6

For every £1 provided by Invest NI, £6 is invested

In addition to this is our engagement with 17,000 businesses, directors and self-employed through our delivery of the emergency COVID-19 schemes.

COVID-19: Our Response

As you would expect, responding to COVID-19 dominated our 2020-21 year.

Helping source PPE

We supported government to identify NI businesses that could help meet the urgent and immediate need for ventilators and PPE. We used our knowledge of NI to help identify potential companies that could quickly pivot to producing PPE.

300
offers of help

Providing Information and Guidance

Our free business resource website, nibusinessinfo.co.uk, acted as the main business source for information on all local and national government support, with daily updates. It experienced a surge in traffic with nearly 1.3m visits to COVID-19 related content. Our Business Support PDF which listed all the different support schemes available was download over 50,000 times.

We experienced a 600 percent increase in call volumes to our Business Support helpline during 2020-21. The team received over 35,500 calls, peaking at nearly 400 calls a day. The dedicated COVID-19 scheme mailboxes received over 8,800 email enquiries, 98 percent of which were answered in two working days.

35,531
calls received

8,800
emails received

1.26 million
nibusinessinfo.co.uk visits

NIBUSINESS INFO.CO.UK

Emergency Support

For 10 months of the year, 120 of our staff worked on setting up and delivering five emergency grants schemes for the NI Executive.

This was a mammoth task – agreeing scheme parameters with DfE, designing and building digital application forms and eligibility checkers, developing and updating web copy, guidance notes and FAQs, responding to enquiries, assessing over 22,300* applications and processing over 26,000* individual payment transactions (*as at the end of the financial year). The work has continued to complete all applications and payments within the first few months of the new financial year.

13,155* applicants paid

*as at the end of the financial year

Nearly **£100m*** of grant aid

Recovery Support

While one team focussed on emergency support, another was working at pace to develop and launch a series of new schemes dedicated to COVID-19 recovery. A total of nine schemes were rolled out offering support covering: business and financial planning; equity funding for SMEs; digital selling; energy efficiency; aerospace market diversification; process and organisational innovation; supply chain resilience; and, investment in new productivity improvement technologies.

At the end of the financial year 453 offers had been made and projects initiated which will realise nearly £11m total investment in the NI Economy. The delivery and impact of these schemes has continued into 2021-22.

443 businesses helped*

£5.8m of assistance*

*as at the end of the financial year

> "Rising electricity prices meant we had to look at ways of reducing energy costs in order to stay competitive. Invest NI's COVID-19 Energy Efficiency Capital Grant scheme has enabled us to replace several items of old equipment with a single machine that should result in considerable annual energy, cost and carbon savings. We would encourage other businesses to apply for this scheme, when it is next available, to help reduce energy costs and carbon footprint."

Joseph Mackle
Managing Director,
Mackle Snacks Ltd

Sea Source Processing in Kilkeel experienced a significant fall in turnover as a result of COVID-19. It applied for a Covid-19 Business and Financial Planning Grant to enable it to review its operating model so it could respond to changing market demands and remain competitive. As a result of the review the company has introduced improved IT systems, developed new products and improved processing and production processes.

"Since COVID there has been a significant shift in consumer buying habits towards more online purchasing. Invest NI's COVID-19 Digital Selling Capability Grant gave us access to digital experts who helped us to create a new eCommerce website. With their guidance our new site includes features to ensure a good customer experience – such as gift list and a wide ranging payment options. It also integrates with our point-of-sale system for real-time stock control. While it is still early days we are pleased with performance so far and hope that online sales will continue to grow."

Colin Patterson
Managing Director,
Smyth Patterson

Axial 3D develops software that produces 3D printed models for medical purposes; used by over 250 hospitals and medtech facilities. In the middle of a funding round as COVID hit, the company faced a significant drop in funding investment as investors become more cautious. It applied to the COVID-19 Equity Investment Fund, and following assessment was offered a matched equity investment of £324k. This brought the completed funding round to pre-COVID levels and means the company can continue to implement its 2021–22 development and growth plans.

EU Exit: Our Support

The lead up to the end of the Transition Period certainly tested NI businesses. The lack of clarity on trading arrangements between the EU and the UK, right up to the very last minute, meant many businesses had little or no time to adjust operations.

Unsurprisingly this resulted in some challenges for businesses – adjusting to new processes for moving goods from GB to NI and understanding the implications to their business model, supply chains and logistics.

Our dedicated EU Exit team delivered a range of support to help business assess potential impact, understand the new operating environment and adjust to the changes. This support was available to all NI businesses regardless of size, sector or location.

Our team of Specialist Advisors delivered a range of support, including information seminars, 1-to-1 business advice, workshops, training, FAQs and online features to help businesses prepare for EU Exit. We covered specialist topics including VAT, Excise and the Northern Ireland Protocol, What Rules of Origin means for Northern Ireland Business and Trader Support Service Supplementary Declarations.

1,057
1-to-1 advice sessions

19
online webinars

3,302
attendees at online clinics & workshops

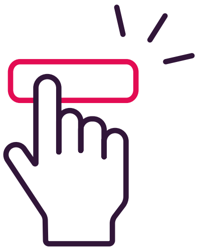
> "The information we received was invaluable and it has really boosted our preparation."

"The 1-2-1 advice was priceless for me."

Immediately before and after the Transition Period ended we operated a dedicated helpline and an email enquiry, which dealt with 250 EU Exit related enquiries. And since January 2021 we have had 274 detailed discussions with businesses on the specific implications for their business.

nibusinessinfo.co.uk provided a central resource for information, guidance and checklists relating to EU Exit. 74 percent of visits to these pages took place during the 2020-21 financial year, heavily concentrated around November 2020 to January 2021.

Throughout the lead up to, during, and since 31 December 2020 our team has liaised with local and national government officials to represent the queries, concerns and specific challenges facing NI businesses.



49,265
visits to EU Exit content

Growing Exports

COVID-19 global travel restrictions brought a new challenge to businesses trying to source new customers in export markets. Even with the challenges of COVID, we met our in-year goals to help more NI companies export and reach new markets.

119
first time exporters supported

254
businesses supported to enter a new market

We also exceeded our 2017-2021 Business Strategy targets, with an outturn of 535 first time exporters against a five-year target of 300-400; and 1,151 companies supported to reach new markets, against a target of 600-800.

We had to look at new ways to support NI businesses to continue exporting. In response, we introduced a virtual approach across all our international markets.

"Our US in-market advisors are providing online sessions with regional industry experts to help with export planning and preparation; virtual meet-the-buyer programs and trade shows; market research and advice; and marketing support."

Peta Conn
Head of Territory, Americas

190 companies supported to attend trade events

Traditional face to face selling essentially stopped overnight in early 2020 and is only slowly starting to take place in certain markets.

During 2020-21 we supported 190 businesses spanning the Technology & Services, Life & Health Sciences, Aerospace & Defense, Materials Handling, Food & Drink and Education sectors to take part in over 40 international trade events including global exhibitions, 'meet the buyer' events and webinars – 90 percent of which were delivered digitally.

5 virtual food & drink 'meet the buyer' events

Major national food and drink events, as well as our supplier showcases, were postponed or cancelled in 2020, making it a challenge for NI food and drink companies to meet and present to potential buyers. In response, our Food & Drink Business Development team developed and hosted five virtual 'meet the buyer' events. In total 53 local food and drink suppliers presented their products to over 150 targeted GB & RoI retail buyers and 30 food writers.

Our team of trade advisors based in over 24 countries around the world also proved an invaluable resource for NI businesses. Located in GB & Europe, Middle East, Asia Pacific and the Americas, the team has a wealth of market-specific knowledge and expertise and provide expert 1:1 advice to businesses looking to enter a new market, or grow existing exports.

Carrickfergus-based lift manufacturer Pollock Lifts already sells its products in GB, RoI and Australia. As it looked to mainland Europe for new opportunities our in-market team in Madrid helped the company research the market and identify local partners capable of stocking, marketing and installing Pollock Lifts in Spain. The company has initially secured four orders estimated to be worth £120,000, with further orders expected.

> **"We are delighted with the trade support we received from Invest NI's team in Madrid; we wouldn't have been able to break into the Spanish market without it. The advisors were professional and helped us with the language barrier, researching potential customers and setting up meetings to pitch our products.**
>
> **With our new found confidence, we're looking forward to building on our success in Spain and growing sales across Europe."**
>
> **Gary McConville**
> Manager,
> Pollock Lifts

In light of travel restrictions preventing many NI exporters from visiting overseas markets and customers, our in-market teams represented their interests at major international trade events. At the height of the pandemic in April 2020, the team in Asia represented six local companies at Asia's most popular environmental technology solutions trade fair, IE Expo. At this event, we promoted Northern Ireland's materials handling proposition to 73,000 delegates.

Attracting Inward Investment

In recent years Northern Ireland has developed a global reputation in areas such as cyber security, fintech and software development which has attracted new investors.

> "The combination of talent, capability and the strong cluster of InsurTech companies that we found when we visited Northern Ireland really impressed us."
>
> **Tomas Revesz**
> Chief Architect & Co-Founder, EverQuote

25 new investors secured

1,213 new to NI jobs

Our business development teams based in our key markets, plus the Inward Investment, Skills, Property and Communications teams based in Northern Ireland, provide a seamless support journey for potential investors. We ensure that a new investor has all the information, contacts, set-up support and PR profile to get their investment in Northern Ireland off to the best start.

Our support helped attract Chicago-headquartered PEAK6 to Northern Ireland to set up a centre of excellence. We provided briefings on what NI had to offer, hosted inward visits by senior management, provided introductions to a wide range of stakeholders, and offered just over £1m of assistance towards the creation of 160 new jobs.

> "The support and insight Invest NI has offered us is so important to our forward-thinking business vision. It's understanding of Northern Ireland's rich talent offering and thriving tech sector, is why we made the decision to invest here."
>
> **Judi Hart**
> Chief Operating Officer, PEAK6

In 2020-21 we offered £21m of assistance to externally owned businesses – both new and existing – which has the potential to realise over 1,700 new jobs in the coming years and £176m of investment in our economy. Over the four years of our Business Strategy we have supported externally owned businesses to create nearly 8,500 new jobs.

Due to travel restrictions the team has used a digital model for inward investment visits, ensuring we are still able to showcase what Northern Ireland has to offer.

> **"Invest NI has worked with us throughout the pandemic, helping us to secure the site at Strabane Business Park and offering support to help us kick start our team with over 40 new roles, most of which will be Production Operatives."**
>
> **Martin Houston**
> Owner,
> Houston Precision Engineering

1,714
new jobs to be created

£176m
investment in the economy

79
externally owned businesses reinvested

Not only do we have good success at attracting new investors, but c70 percent of these new investors go on to reinvest. KPMG is one such example. It established its first office here in 1974 and has continued to reinvest and grow ever since. In 2020-21 we supported the company with a significant £14m expansion of its Belfast operation, which will create 200 new jobs – almost doubling its NI workforce.

Stimulating Innovation

Innovation is wide reaching – from product innovation to scientific breakthroughs. Regardless of the type of business, innovation is vital in order to continue to meet customers' needs or break into new markets.

We offer different types of support to suit wherever a business is on its innovation journey – from our £5,000 innovation voucher scheme, to grant support towards multi-million pound R&D projects.

During 2020-21 we issued 257 Innovation Vouchers to local businesses. The scheme has been so successful over the years that we have committed a further £4.5m to support innovation voucher projects over the next five years.

Saffron Restaurant in Derry City, has applied for several Innovation Vouchers, the most recent in September and October 2020. The company has used this latest voucher to work with Foodovation at North West Regional College to develop three new sauces and ready meals for the retail market.

> "This expertise helped us to develop and launch a new product range, our first step into the retail sector. We have already experienced strong sales and won our first ever Great Taste Award in 2020. [...] Despite the impact of COVID-19, the innovation vouchers have made our business much more resilient. We are very excited about what the future holds."
>
> **Mr Suki Nagra**
> Saffron

257 Innovation Vouchers

£57m of investment in R&D

£16m of investment innovation

420 Innovation Accreditations

Innovation is a continuous process, as Belfast technology start-up Cloudsmith demonstrates. We initially supported the company to launch its first product in 2018 and have offered support towards multiple R&D projects, along with support to help with trademarking and marketing. In 2020-21 we made an offer of support towards another R&D project to help the company to bring its next product to market.

"Invest Northern Ireland has been incredibly supportive of our past R&D projects and we are delighted it continues to help us reach the next stage of our vision as we continue to grow internationally"

Alan Carson
CEO, Cloudsmith

Northern Ireland does lag behind the rest of UK when it comes to business investment in innovation and R&D. To help address this DfE launched a new initiative – Innovate NI – which we deliver in partnership with local councils and further education colleges. The goal is to increase the number of Northern Ireland businesses engaged in innovation. Of the 420 companies accredited in 2020-21, 65 received Platinum, 71 Gold, 130 Silver and 154 Bronze.

Engineering firm, PAC Group has used our support for R&D, marketing and skills to achieve continued success with in the aviation, marine and automotive sectors, staying ahead of its competitors. In 2020-21 not only did the company achieve Platinum Accreditation through Innovate NI, it also received the Queen's Award for Enterprise in Innovation in recognition of its outstanding innovation and commercial success – the only NI company named in the Innovation category.

Crosslé Car Company is the oldest surviving specialist racing car manufacturer in the UK. Based in Holywood, the company used our Technical Development Incentive (TDI) scheme to produce a new, limited edition vehicle. This support enabled the company to access the technology necessary to develop the custom body work for the bespoke racing car.

Initially awarded Gold Innovator status, the company was then awarded Platinum in recognition of its success and completion of each step of the Innovation Framework: ideation, selection, development and commercialisation, and creating value for the company.

"Without the involvement of TDI from the beginning it would have been difficult to get this project started."

Paul McMorran
Owner, Crosslé Car Company

Invest NI's R&D support is part-financed by the European Regional Development Fund (ERDF) under the EU Investment for Growth and Jobs Programme 2014–2020.

Accelerating Regional Growth

In 2020-21 we made over 2,190 offers of support to businesses based outside Belfast, which represents over 70 percent of all offers we made. 63 percent of the new jobs we assisted in 2020-21 were outside Belfast.

Our regional office team is located across Northern Ireland and works in partnership with businesses to understand their ambitions and identify the right support available to help each business reach its full potential.

For example, we have worked with Coleraine-based vet recruitment platform The Vet Service, since it was set-up in 2016. Over the four years we have offered guidance and assistance to help the company develop and promote its services. Last year the company won new contracts in Great Britain, ROI, New Zealand, Australia and Canada and is now creating eight new jobs as a result, which we are also supporting.

Our Western Regional Office team has worked with Axis Technology & Development in Craigavon for the last four years. By understanding the business' goals and ambitions we have offered the company support towards R&D, skills, Technical Development Incentive and job creation. This has all led to its recent export success, winning a £4m export deal to Canada.

Adviser Digital is an early stage consultancy firm. It received support through our New to Export programme and recently secured contracts in the US worth over £200k. The company now needs to scale up to support this growth and we are working with company owner Chris on how best to do this.

> **"We contacted Invest NI as we knew the time was right to start to scale our business. The support from Invest NI's North Eastern regional team has been invaluable in helping us to expand our team with five new staff. Combining this with its skills development support will ensure we have the right structure in place to enable us to focus on further growth in the US and use this success as a springboard into the Canadian market.**
>
> **Going forward I'm delighted to be accepted onto Invest NI's Accelerating for Growth Programme. The Programme will give me access to workshops which will focus on key areas for business success and with the support of a business mentor I will be able to develop an action plan which will help me drive the business forward in key growth sectors and international markets."**
>
> **Chris Wills**
> Owner,
> Adviser Digital

73%
offers outside Belfast

63%
of jobs assisted outside Belfast

12
HPSUs* supported

* High Potential Start-ups

In addition to directly supporting businesses, our teams work closely with local stakeholders, including NI councils, to drive economic activity and help attract new investors to the regions. We have provided expert support and help to the four local **City & Growth Deals**. These are a once in a generational investment, which will see the NI Executive and UK Government contribute over £1.3bn to stimulating economic activity and improving local infrastructure.

We have provided advisory input to both the DfE and the four City & Growth Deals groupings. Drawing on our knowledge of sectors and businesses, we are guiding the councils on how best to shape their ambitions to support economic investment and growth. As each City & Growth Deal progresses we will provide further help to highlight the facilities and offerings to local companies and investors and to ensure Northern Ireland benefits from this significant funding these projects bring.

In 2020-21 we provided £5m of funding (including £3.7m ERDF) to the 11 councils under the Local Economic Development (LED) initiative of the EU Investment for Growth & Jobs Fund 2014-2020. This will help to deliver eight programmes to support the economic needs of each area, including the NI Business Start-Up Programme and the Digital Transformation Programme, both of which are collaborative programmes across all 11 councils. These eight programmes will reach out to c8,000 businesses.

Our free business information resource, **nibusinessinfo.co.uk** is also an important part of our support and is available to any business in Northern Ireland, regardless of sector, focus or size. In 2020-21 the site received 5.4m visits, over 30 percent of which was to our dedicated COVID-19 resource pages. COVID-19 resources also dominated the information people were downloading from the site. Around 9,000 customers received the NIB monthly email newsletter each month.

£5m
LED funding

c.8,000
businesses helped

5.4m
website visits

Supporting Skills Growth

Our people, and the skills they bring to the labour market, are our most valuable resource. Availability of skilled workers is essential for business growth and helps us attract new investors to locate here. Indeed, new investors often cite the quality and experience of our people as one of the main reasons for choosing Northern Ireland over other locations.

> "We looked at various US locations but the calibre of talent made Northern Ireland the perfect fit for us."
>
> **Paul Vienneau**
> Chief Technical Officer,
> Payroc

We work closely with businesses and academia to ensure there is a match between the courses our colleges and universities offer, and the skills businesses not only need now, but will need in the future. We have also initiated attract in/back initiatives, targeted on attracting skills required to support some of our most 'in-demand' sectors, such as financial services and cyber security.

We offer support to companies to upskill and re-skill staff through programmes such as Training Needs Analysis, Skills Growth Programme and Skills Growth for SMEs. Our suite of leaderships programmes focus on creating talented, strategic leaders to drive businesses forward. In 2020-21 we offered support of £28m to help companies invest in their people.

£28m
of skills investment

Fermanagh-based Encirc specialises in glass container design, manufacturing, bottling and logistics solutions for the food and drink sector. We worked with the company to help develop a staff training programme to upskill its team in new innovative processes and use of new technologies. We provided both advice on what skills would best support the company's growth needs, and offered support towards the costs of the new in-house training programme, 'Engage'.

As well as support to help address skills needs within a business itself, through our Collaborative Growth programme we also help fund initiatives to allow businesses to work together to share knowledge and expertise to address sector needs and capitalise on growth opportunities.

In 2019 AquaQ Analytics invested £8.3m to double its Belfast team. It created over half of the 123 jobs in less than a year. To support this rapid growth, the company also invested a further £1m in 2021 in a skills development programme to develop the team's expert knowledge, skillsets and confidence, which we supported through our Skills for Growth programme. The company is also participating in the Girona Collaborative Growth network to develop and pilot Northern Ireland's first clean and secure energy microgrid in Coleraine.

"The support we have received from Invest NI to create the new jobs, along with its continued advice and guidance, has played an integral part in our growth plans. We are excited to be involved in the Girona collaborative growth programme supported by Invest NI, and bring our Big Data expertise to NI's first smart micro-grid energy project."

Jonny Press
Chief Technology Officer,
AquaQ Analytics

Helping entrepreneurs succeed

Starting your own business is both an exciting and daunting time. We provide a number of programmes and advisory channels to help increase the chances of success.

Our start-up financial support is focused on those businesses that intend to sell outside Northern Ireland. It includes funds as part of our Access to Finance portfolio which total more than £170 million to help SMEs with high growth potential.

For locally focussed start-ups our website **nibusinessinfo.co.uk** has a dedicated resource, My New Business, which is a free online service with step-by-step support to starting a business. We also work closely with the councils and Enterprise Agencies which offer support for locally focussed entrepreneurs.

Once up and running we also have programmes to support these early stage businesses. Our Propel Pre-Accelerator programme supports entrepreneurs to accelerate their business, introducing them to a wide network of mentors and investors with some going on to attract early stage seed funding.

Health-tech start-up, PulseAI, uses Artificial Intelligence to transform cardiovascular care. It took part in the Propel Pre-Accelerator programme in 2020 to help develop and grow its Pace Analysis platform. The company went on to secure a place on the 2021 Accelerator programme, which will support it to become investment ready and work towards securing a significant seed round and in scaling its innovative business rapidly in export markets.

Each year our Ignite Accelerator Programme supports 10 start-ups and young established technology companies to secure investment and scale in external and export markets, predominantly the US market.

SideQuest took part in the 2020 Accelerator Programme and has gone on to secure a £470,000 ($650,000) funding investment from US investors. This funding is helping SideQuest to build out its testing platform for virtual reality developers, and creating success for the company in global markets.

£85m
Access to Finance Investment

20
businesses through Propel

10
businesses through Ignite Accelerator

Performance Analysis

The purpose and activities of the organisation

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

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

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

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

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

Key issues and risks

There is no doubt that the COVID-19 pandemic has continued to produce increased uncertainty that will affect the group's operations for some time to come. In early 2020-21, Invest NI took a systematic and proactive approach to identifying and articulating the risks associated with the pandemic, and developed a specific COVID-19 risk register. At the end of 2020, in recognition of the potential for these risks to continue to affect our business for some time to come, this COVID-19 risk register was merged together with the Invest NI Corporate Risk Register. We continue to identify and mitigate all key risks that have the potential to impact on the economy and our ability to contribute towards economic recovery.

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

Five such risks are detailed in the table below along with six further risks that are rated as ‘high’ and that will continue to affect the group’s business in 2021-22.

Risk	Residual Risk Rating
Uncertainty over budget allocation. This is exacerbated by the current period of economic uncertainty together with the annual rather than multi-year budget allocations.	Very high
Risk of insufficient skills availability in labour market to meet demands of local companies. Potentially exacerbated by failure to recognise changes in skills and employment landscape as a result of COVID-19.	Very high
Potential for staff resourcing to be insufficient to execute Corporate Plan and meet Business Strategy objectives.	Very high
Implementing new DfE programmes at pace creating a risk of insufficient controls to ensure appropriate governance standards.	Very high
Threat of severe economic downturn as a result of COVID-19 pandemic.	Very high
Failure to focus on changing company needs in the face of changes in the global or national economic climate.	High
Uncertainty over the UK’s Exit from the EU and the operation of the NI Protocol.	High
Failure to identify, work to and deliver against objectives that appropriately reflect PfG targets.	High
Impact of global events on Foreign Direct Investment (FDI) and exports.	High
Lack of agility in adjusting Invest NI strategy and solutions to address the impact of COVID-19.	High
Reacting to market forces in turbulent times.	High

Further details about these risks, including their potential impact and the strategies adopted by the group to mitigate them, can be found on pages 35-41, while further information on the group’s risk management process through our risk and control framework is at pages 71-72.

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.

2020-21 Targets and Achievements

Our Business Strategy 2017-2021 outlined how we would contribute to the delivery of the outcomes in the NI draft Programme for Government and draft NI Industrial Strategy - Economy 2030. However the economic conditions in which our Business Strategy was conceived have been substantively changed by the dual economic shocks of the COVID-19 pandemic and the end of the Transition Period. We must therefore assess the impact of both factors on Invest NI's performance outturns and the impact of our response to both too.

Business Strategy Outcome Targets 2017-2021

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

Despite the COVID-19 restrictions and the uncertainty leading up to the end of the Transition Period, the business performance of these customers in 2020 has enabled Invest NI to achieve the outcomes in the Business Strategy 2017-2021. In part, this is due to the portfolio containing a lower proportion of non-tradeable services, those companies that rely on face-to-face contact like food and accommodation, arts and recreation and administrative, and support activities which were significantly affected by COVID-19.

KPI	Target Outcome	2017 Outcome	2018 Outcome	2019 Outcome	2020 Outcome	Cumulative Outcome*
Additional New Jobs Created	30,000 - 40,000	10,987	9,298	8,886	7,658	36,828
Total sales growth	£3.2bn - £4.2bn	1.7bn	1.6bn	1.3bn	-0.4bn	£4.1bn
External sales growth	£2.4bn - £3.1bn	1.3bn	1.4bn	1.0bn	-0.4bn	£3.2bn
Exports sales growth	£0.8bn - £1.2bn	0.8bn	0.8bn	0.4bn	-0.9bn	£1.1bn
Business Expenditure on R&D growth **	£160m - £200m	14.8m	10.1m	82.9m	29.7m	137.5m

* Growth figures based on an annual cohort of businesses which have data recorded for consecutive years. The Cumulative Outcome may differ from the total of the individual year outcomes due to rounding.

** Growth figures taken from the NISRA R&D Statistical Bulletin. As part of the most recent release, business, government and higher education estimates of R&D performance for previous years have been revised to take account of late returns and misreporting.

Operating Plan 2020-21 Targets

While KPI data is gathered and reported annually, the activity measures within our Operating Plan are chosen to drive the delivery of our Business Strategy outcomes and their delivery progress can be monitored and tracked in-year.

Overall performance within the Operating Plan 2020-21 was good, with 13 of the 20 activity measures met or exceeded. Performance against the key measures of the Operating Plan 2020-21 are summarised below and various factors which influenced 2020-21 performance are explored in the Chair and CEO Introduction.

Of the 2020-21 outturns that slipped behind target, a number are related to projects to support job creation from external companies and are largely due to project delays on a number of 'New to NI' investments. These investments have not been lost to NI and are proceeding in 2021-22.

The 2020-21 target for Total Investment in Skills was not met due to a delay in companies progressing training plans during the initial lockdown, however the related 4-Year Business Strategy target was achieved.

Logistical issues caused by COVID-19 affected Invest NI's ability to meet other targets due to the delay / postponement of related programmes that could not be facilitated remotely.

Activity	Target 2017-21	Outcome 2017-21	Target 2020-21	Outcome 2020-21
1. Total Assisted Jobs	16,000 - 24,000	20,666	4,000 - 6,000	4,217
a) Assisted Jobs from **locally-owned** companies	8,800 - 13,400	11,955	2,050 - 3,200	2,503
b) Assisted Jobs from **externally-owned** companies	7,200 - 10,600	8,454	1,950 - 2,800	1,714
of which:	of which:	of which:	of which:	of which:
c) Assisted Jobs from **first time inward investment**	5,340 - 7,700	4,458	1,540 - 2,100	1,213
2. Total Investment in Innovation	£64m - £80m	£77m	£15m - £20m	£19m
3. Total Investment in R&D	£400m - £700m	£511m	£50m - £125m	£53m
4. Total Investment in Skills	£130m - £170m	£145m	£34m - £44m	£28m
5. Companies entering New Markets	600 - 800	1,151	200 - 250	256
of which:	of which:	of which:	of which:	of which:
a) Companies selling **outside NI for the first time**	300 - 400	535	75 - 125	119

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

Internal Audit Service (IAS) has completed a verification exercise of the performance data and is satisfied that the activity outturn for 2020-21 reported by Invest NI has been accurately stated, and presents a true and fair view of activity for the period.

COVID-19 Emergency Support 2020-21

During 2020-21, Invest NI supported DfE on nine emergency COVID-19 Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. Our role in each was agreed with DfE and the Department of Finance (DoF) via either a Memorandum of Understanding (MOU) or Delivery Document. Four of the schemes were operated and administered by Land & Property Services (LPS) / DfE, but accounted for by Invest NI. The remaining five schemes were operated, administered and accounted for by Invest NI under the terms of the MOU or Delivery Document.

The purpose of the five schemes operated, administered and accounted for by Invest NI was to deliver cash payments to specific groups of businesses in need as follows:

1. **NI Micro-Business Hardship Fund -** to provide grants to micro businesses and qualifying Social Enterprises that faced cash flow difficulties as a result of COVID-19.
2. **Covid Restrictions Business Support Scheme (CRBSS) Part A –** for businesses required to close / cease trading, but not eligible for DoF’s Local Restrictions Support Scheme.
3. **CRBSS Part B –** for businesses not forced to close, but part of the direct supply chain to a business that is forced to close/cease trading.
4. **Newly Self-Employed Support Scheme (NSESS) –** for the newly self-employed who have been adversely impacted by COVID-19.
5. **Limited Company Directors’ Support Scheme (LCDSS) –** for company directors who have been adversely impacted by COVID-19.

The performance to 31 March 2021 of the schemes operated, administered and accounted for by Invest NI is summarised as follows:

	Application						
COVID-19 Emergency Scheme	**Submitted**	**Being Processed**	**Processed**	**Awaiting Final Decision**	**Rejected**	**Paid**	**Paid £m**
NI Micro-Business Hardship Fund	4,962	2	4,960	0	661	4,299	23.17
CRBSS - Part A	5,926	228	5,698	274	675	4,749	59.52
CRBSS - Part B	2,277	551	1,726	104	389	1,233	6.62
NSESS	3,009	1	3,008	61	495	2,452	8.58
LCDSS	6,177	4,652	1,525	1,098	5	422	1.48
Total	22,351	5,434	16,917	1,537	2,225	13,155	99.37

The four schemes operated and administered by LPS / DfE, but accounted for by Invest NI were the **Small Business Grant Scheme**, the **Tourism & Retail Sectors Grant**, the **Large Tourism & Hospitality Business Support Scheme** and the **Wet Pubs Scheme**.

Invest NI altered our operating model to facilitate the requirement to deliver this emergency support with up to 120 staff working full-time across the year on the various COVID-19 support schemes. During this time we have remained well within our corporate target to manage staff absenteeism levels at a maximum of 3.5 percent on a 12 month rolling average.

Expenditure in relation to the schemes accounted for by Invest NI for the year ending March 2021 was £270.7m, further detail is found in note 3 to the accounts. Budget of £264m was allocated for the emergency schemes. Invest NI worked closely with DfE in relation to the budget outturn for COVID-19 related expenditure with the overspend noted being managed within the wider DfE allocation.

Recovery Programmes Developed in Response to COVID-19

Beyond the goals, objectives and outcomes of our Business Strategy 2017-21, Invest NI introduced new specific programmes to support business recovery from COVID-19. Schemes were developed for different types of businesses across multiple sectors, where the greatest impact can be made towards economic recovery. The schemes were assessed and approved by DfE's 'Viable, but Vulnerable' Working Group as they not only addressed the specific impact of COVID-19, but also focused on the draft PfG commitment of delivering a strong, competitive and regionally-balanced economy, and took account of the significant changes that EU Exit would have on local trading conditions.

These targeted recovery programmes are very different to the emergency ring-fenced schemes introduced by the NI Executive. They are focussed on helping businesses case by case to address specific challenges, or capitalise on new opportunities. They are a range of targeted interventions, with ring-fenced budget allocations, and therefore they were not expected to generate the high volume of applications seen under the emergency schemes.

Scheme	Description	No of Offers	Total Assistance £m
Business & Financial Planning Grant	Help businesses develop robust financial plans and develop a strategic recovery plan.	113	0.83
COVID-19 Equity Investment Fund	Help fill gaps in equity funding caused by private investors no longer supporting early stage businesses.	10	2.25
Digital Selling Capability Grant	Improve online sales by enhancing their website and / or digital marketing strategy to drive online sales.	89	1.04
Energy Efficiency Capital Grant	Support for investment in energy efficiency equipment.	38	0.65
Micro Business E-Commerce Grant	Improve online sales by enhancing their website and / or digital marketing strategy to drive online sales.	200	0.85
Process & Organisation Improvement Grant	Support to change production and delivery methods and adopt new technologies to drive productivity improvements.	3	0.15
	Total	**453**	**5.77**

Other COVID-19 recovery schemes developed and launched in 2020-21 for which there was no in-year offer activity included:

- **Aerospace Customer Diversification -** to identify market opportunities and options to lessen dependency on single sector customers in engineering supply chain.
- **Supply Chain Resilience & Development Framework -** to support to review and reconfigure supply chains.
- **Productive Investment Capital Grant -** to incentivise manufacturing companies experiencing liquidity challenges to bring forward productive investments.

Expenditure in relation to the recovery initiatives for the year ending March 2021 was £7m from a budget allocation of £8m. Invest NI worked closely with DfE in relation to the budget outturn for COVID-19 related programmes, with the underspend offsetting an overspend on the COVID-19 Emergency Support Schemes.

EU Exit Preparation Work

Since June 2016, Invest NI has been supporting businesses extensively to understand and prepare for the implications of EU Exit. This was to assist businesses in preparing for the changes and challenges relating to customs, supply chains, contracts, and contingency plans to ensure competitiveness and sustainability.

This series of supports included an online assessment tool and a series of events / workshops, where businesses can receive advice and guidance on key issues such as customs, tariffs and taxation, supply chain and cross-border data flows. Throughout 2020-21, Invest NI undertook the following:

- 77 EU Exit Business Support Grant applications (formerly Brexit Preparation Grant) with £2.04m worth of support committed.
- 1,337 attendees at 18 1-2-1 Advice Clinics open to all businesses regardless of size, sector or location; with 1,057 1-2-1 advice appointments
- 19 online information webinars to 1,965 attendees, providing in depth advice to businesses on key business issues on subjects such as data, goods movement, VAT, immigration, supply chain and services guidance
- 18 Online Advice Clinics to 1,337 attendees.

Overall feedback from the EU Exit services has been positive, for example, of the attendees surveyed at the Advice Clinics 91 percent rated the overall experience of the event as good and 95 percent agreed that the event was of benefit to them / their company.

A communications campaign began in January 2019 signposting businesses to free advice, advice clinics, webinars, online guides and resources. **nibusinexssinfo.co.uk** received 49,265 customer visits and 90,480 customer page views of all EU Exit related content in 2020-21.

Details of the 2020-21 budget and expenditure allocated against the EU Exit & Salaries, Business Support, Training are as follows:

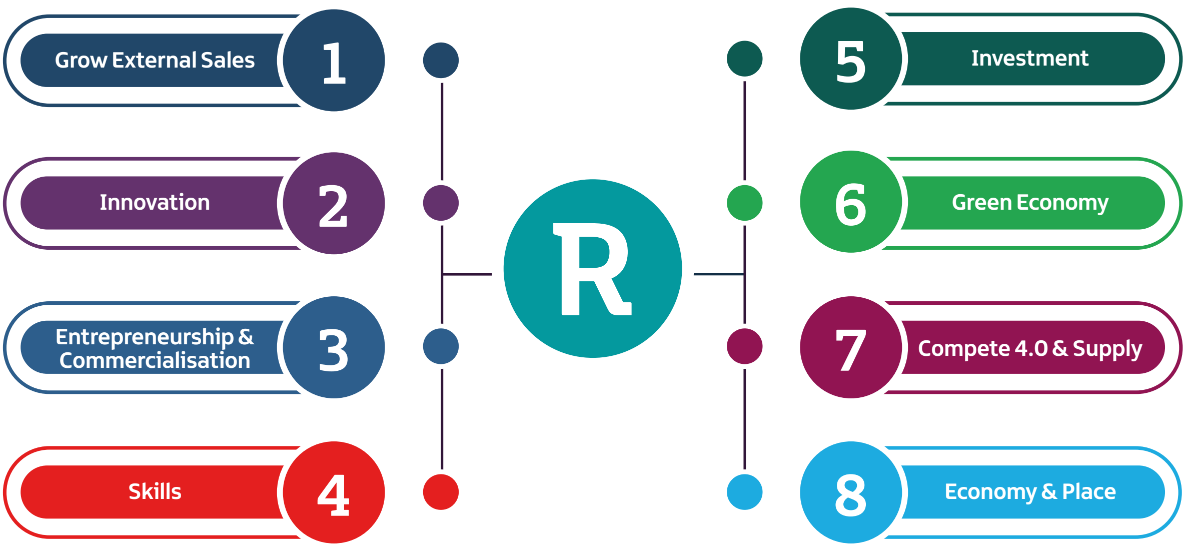
2020-21 EU Exit Budget	£'000
NI Protocol	1,154
EU Exit Resource	1,300
Total Budget	**2,454**

2020-21 EU Exit Expenditure	£'000
EU Exit Business Support Grant	1,159
Programme Activity i.e. 1-2-1 business advice and webinars	329
Communications	516
Salaries	450
Total Expenditure	**2,454**

2021-22 Targets and Goals

NI's economic recovery needed to start quickly and continues to face many challenges. Invest NI has engaged with business and economic development stakeholders to develop a Business Plan to guide our work through this. This Plan has a clear focus on eight economic drivers, which will provide a solid foundation to build a pathway to recovery.

These eight economic drivers have been developed to ensure close alignment with DfE's 'A 10X Economy', 'Rebuilding a Stronger Economy', their Economic Recovery Action Plan, the draft PfG Outcomes framework and ongoing longer term economic policy development:



Given the direct, mostly negative impact so far of COVID-19, the economy and building global competitiveness in NI must be a priority. The Plan focusses on where Invest NI is well placed to respond to the challenges facing the broader economy, and on where we will seek to work collaboratively in response to the challenges. The need to remain agile is also recognised within the Plan in order to support businesses as they adapt to the emerging post-COVID-19 opportunities and challenges, and those presented by the EU Exit.

KPI Risk

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

Risk Profile

Invest NI's role is to transform Northern Ireland into a truly world-leading, internationally competitive economy that provides opportunities for all. In order to deliver this objective, we must embrace a degree of risk to a greater extent than the majority of other public sector bodies.

The Risk Management Strategy and Policy sets outs the organisation's proactive approach to the identification, evaluation and cost effective control of risks, to ensure that they are either eliminated or reduced to an acceptable level. We accept that risk can rarely be eliminated completely but encourage all staff to understand the nature of risk and accept responsibility for risks in their area of authority.

The priorities and funding in the initial Business Plan for 2020-21, focused on year 4 of the 2017-2021 Business Strategy. These were subsequently updated and adapted, given the economic challenge presented by COVID-19 and updated actions and programmes were included in the Business Plan signed off by the Invest NI Board in September 2020. Overall performance against the objectives set out in the four year strategy was to a degree overshadowed by the COVID-19 pandemic, which introduced a level of uncertainty that will continue to affect Invest NI's operations as we look beyond the immediate impact and toward recovery.

In early 2020-21, Invest NI took a systematic and proactive approach to identifying and articulating the risks associated with the pandemic, and developed a specific COVID-19 risk register. At the end of 2020, this COVID-19 risk register was merged together with the Invest NI Corporate Risk Register. We continue to identify and mitigate all key risks that have the potential to impact on the economy and our ability to contribute towards recovery, including those risks associated with the COVID-19 pandemic.

There are a number of key risks that have impacted the organisation during 2020-21 and that have the potential to continue to do so. The following table details those key risks, how they have been mitigated and their potential impact on Invest NI's future plans and performance.

Risk	Potential Impact	Mitigating Actions
Threat of severe economic downturn as a result of COVID-19 pandemic.	Potential for significant economic development downturn with major job losses.	Immediate mitigation measures have comprised several rounds of emergency funding directed at different businesses to ensure short term survival. Plans have been published to address economic impact with DfE Recovery Action Plan and to extend furlough scheme into September 2021, which can help mitigate economic impact. Longer term mitigation requires the continued successful implementation of our business plan and tailored support mechanisms to address business opportunity and selectively assess sectors with pathway to commercial viability and success.
Lack of agility in adjusting Invest NI strategy and solutions to address the impact of COVID-19.	If Invest NI is not sufficiently agile to adjust its strategy and solutions, and fails to demonstrate thought leadership, it could fail to contribute to the economic recovery.	Invest NI has developed a COVID-19 Recovery Plan and associated actions in direct response to the changing economic environment and in active consultation with businesses and stakeholders. An initial set of strategic actions, indicative targets and milestones are included as part of the Business plan for 2021-22. The need for agility is included in the plan, and risks are mitigated by ongoing review. We continue to work closely with DfE in the development and implementation of DfE's Economic Recovery Action Plan which was published on 25 February 2021. Invest NI adapted and re prioritised its resources significantly during 2020-21 and continues to do so during 2021-22.

Risk	Potential Impact	Mitigating Actions
Uncertainty over the UK's Exit from the EU and the operation of the NI Protocol.	The EU Exit transition period ended on 31 December 2020. As businesses adapt to the new NI protocol procedures, there remains a risk of an adverse impact on NI levels of exporting and FDI.	Guidance on the NI Protocol was only agreed shortly before the end of the transition period date. Business had insufficient time to prepare and there remains ongoing issues with new systems and the operation of the Protocol. A number of decisions also remain outstanding. Invest NI continues to: • collaborate closely with DfE to deliver the economic policy responses required to assist businesses to adjust to new economic conditions and identify, develop and implement measures to support business. • develop and deliver relevant messaging (primarily via digital platforms) to ensure that businesses in NI adjust to new trading arrangements and the operation of the Protocol. • work through our suite of supports to ensure that both capacity and training issues continue to be addressed. • work closely with colleagues in DfE / NI Executive and UK Government departments and Committees (including The Department for Business, Energy & Industrial Strategy, HMRC and Northern Ireland Office) to resolve outstanding issues and operational difficulties with the new arrangements. • identify those sectors and business profiles that would benefit from being in NI and deploy a robust 'investment pitch' to attract them. • feed into preparatory analysis on bilateral agreements to support cross border trade in services. • work closely with our partners (including Councils, business organisations and key stakeholders) to influence policy (where necessary) and ensure that all NI businesses are aware of post transition period arrangements.

Risk	Potential Impact	Mitigating Actions
Risk of insufficient skills availability in labour market to meet demands of local companies. Potentially exacerbated by failure to recognise changes in skills and employment landscape as a result of COVID-19.	Insufficient skills availability to meet demand of local companies will (1) impact on productivity of indigenous and established companies; (2) impact on ability to attract new inward investment to NI; and, (3) restrict growth of indigenous and established companies. Failure to recognise changes to the skills and employment landscape will hinder Invest NI's ability to contribute to economic growth.	Collaborative approaches are in place with DfE and Department for Communities for skills and employability support. Invest NI has promoted recently introduced supports from both departments, to the wider business base. Ongoing engagement continues with extensive and intensive businesses, potential new investors, Universities and DfE. Information is supplied to Skills Barometer to allow articulation of demand and a collaborative approach with DfE on the Assured Skills Program to create pipeline of available skills. A collaborative Network is planned for each priority sector.
Uncertainty over budget allocation. This is exacerbated by the current period of economic uncertainty and the one year, rather than multi-year budget allocation.	The ongoing absence of multi-year budgets impacts negatively on our ability to plan and support businesses going forward. The 2020-21 and 2021-22 programme budget includes EU funds, which will be less available following EU Exit in future years. The COVID-19 crisis has also resulted in additional budget uncertainty as customers change direction in light of the business impacts of the pandemic.	We continue to work with DfE on the economic response aligning of our budget requirements behind this. We have engaged with DfE through multi-year budget exercises and submitted future year bids and supporting information to the Department of Finance (DoF). We continue to explore best use of other funding streams and are working collaboratively for future year economic recovery plan bids as well as the potential UK Shared Prosperity Fund.

Risk	Potential Impact	Mitigating Actions
Failure to identify, work to and deliver against objectives that appropriately reflect PfG targets.	To ensure that progress is made against known, specified objectives and targets to deliver PfG goals.	Joint working with DfE has been deepened and extended in a number of areas in recent months. The 8 Recovery Plan drivers in the 2021-22 business plan are focused on economic recovery and will be the focus of the organisation's work in the months ahead. The Executive Leadership Team (ELT) monitors monthly progress against all key targets and can implement remedial actions quickly as appropriate. Quarterly Oversight & Liaison meeting with DfE includes Invest NI performance as a key agenda item. Regular performance reporting is undertaken to The Executive Office (TEO) on progress against PfG targets. Invest NI continues to liaise with the Executive, TEO, DfE and all other relevant stakeholders in the creation of the NI Executive's new PfG.
Potential for staff resourcing to be insufficient to execute Corporate Plan and meet Business Strategy objectives.	If staffing levels are insufficient due to failure to fill vacancies, or the impact on staff health of COVID-19, then staffing levels in critical areas may be insufficient resulting in increased workload for other staff, breakdown of service provision and a negative impact on our ability to execute against Corporate Plan and Business Strategy objectives.	The HR team continues to monitor resourcing gaps and progress on the recruitment plan, flagging up any need for re-setting of priorities, thus enabling ELT to identify and agree priority resourcing for critical areas on a quarterly basis.
Failure to focus on changing company needs in the face of changes in the global or national economic climate.	If Invest NI fails to identify changing customer needs and maximise opportunities, then it may fail to provide the appropriate level and type of support to its companies. This could result in failure to contribute to the economic recovery, failure to meet targets and the impact of current economic difficulties being greater and / or more prolonged for some companies.	Invest NI continues to work to identify the most significant issues facing customers, planning new schemes, or adaption of existing schemes, and liaising with DfE to agree action. Comprehensive training programme for customer-facing staff. New operating manual and consolidated business processes in place. Customer needs identified via regular customer surveys and regular feedback on Client Satisfaction Surveys to Senior Management Team.

Risk	Potential Impact	Mitigating Actions
Implementing new DfE programmes at pace.	If Invest NI is required to implement new programmes on behalf of DfE at pace in response to COVID-19's impact, then controls may be insufficient to ensure appropriate governance standards (including failure to ensure value for money and regularity requirements are met).	Individual risk registers have been developed for each scheme and a Memorandum of Understanding or delivery document with DfE for each scheme has been agreed. Regular meetings of project board take place. Invest NI considers the option to pause each scheme if required or as necessary.
Reacting to market forces in turbulent times.	If Invest NI's approval processes and governance procedures limit our speed and flexibility in developing new programmes, then we cannot be responsive to market forces in turbulent times resulting in us failing to provide businesses and the local economy the urgent support it requires in a timely manner.	New business programmes developed at pace in response to COVID-19's impact will be developed in line with standard product development practices. Where there is risk of processes limiting speed, programme managers will seek to escalate the issue to ELT / Departmental officials. During implementation of the economic recovery plan, where possible, we adapt and flex existing programmes and solutions, to allow us to respond to business needs using tried and tested processes and procedures, rather than establishing brand new schemes. Where any new scheme has to be developed, we work with DfE to ensure approvals are timely. Current scheme approval parameters will also be reviewed and, where necessary, approval will be sought to amend these to provide flexibility which may be required as a COVID-19 recovery response.

Risk	Potential Impact	Mitigating Actions
Impact of global events on Foreign Direct Investment (FDI) and exports.	If the uncertainty generated by COVID-19, the new US administration, the NI protocol and the UK's exit from the EU continues, and travel restrictions as a result of COVID-19 continue, then there is potential for a negative impact on NI exports and FDI. While the FDI project pipeline remains strong, the restrictions on international travel, particularly the inability for potential investors to visit Northern Ireland, could result in projects taking longer to come to fruition.	Invest NI teams in key markets continue to monitor the impact of COVID-19 restrictions, mass global vaccination programmes, the potential positive of the new US administration, the EU Exit and the impact of the NI Protocol. In terms of the Northern Ireland proposition, the narrative focusses on workforce and infrastructure resilience, while opportunities to leverage the reshoring trend in new FDI sectors are also being explored. Although it remains an unlikely outcome, Invest NI will continue to engage with DfE on the potential for ring-fenced exemptions for international investors and inward buyers to be able to travel to Northern Ireland for discovery visits. In the meantime we will continue to fully utilise virtual / digital approaches.

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

The Invest NI Board usually conducts a horizon scanning exercise twice a year in order to ensure that all relevant emerging risks have been captured and appropriately assessed and to make recommendations for risks to be escalated t o the Corporate Risk Register. Due to competing priorities, largely as a result of the pandemic, only one such exercise was carried out in 2020-21 (May 2020), with subsequent reviews held in May 2021 and September 2021.

Business Review

Invest NI Budget outturn

- Throughout 2020-21 Invest NI, in conjunction with DfE and by Ministerial Direction, provided support for businesses affected by COVID-19, through nine emergency grant schemes, with expenditure totalling £270.7m.
- Excluding this emergency grant support, the net DEL budget outturn for the year was £150.0m against an allocated budget of £150.7m, a 99 percent achievement against target.
- Receipts generated in the year, excluding EU programme funding, totalled £12.2m against a target of £11.3m. 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 increased from £327.0m to £397.2m.

The increase of £70.2m in consolidated net operating expenditure relates to a £31.6m decrease in operating income and a £38.6m increase in operating expenditure.

The decrease in total income for the year of £31.6m from £61.9m to £30.3m, is mainly as a result of the following movements:

There was a reduction of £26.2m in receipts from the European Commission as compared to last year. This was as a result of additional COVID-19 budget allocations being received in the year which allowed less EU funding to be utilised in the year. This deferred EU funding will now be available for use in 2021-22.

NI-CO turnover has decreased by £2.0m from £11.0m to £9.0m from reduced revenues on contracts.

A decrease of £2.0m on other income related to a prior year amount of £2.0m funding from the Department for Business, Energy & Industrial Strategy towards a collaborate project which did not continue into 2020-21.

Interest income on financial assets has decreased by £1.1m largely as a result of only one quarter of interest being recorded on a large SUPL loan.

Finally, there was an increase in grant clawback income of £0.4m, as compared with last year. Whilst this can fluctuate year on year, clawback relates to grant amount recovered when there is default on the conditions in the grant offers.

Total operating expenditure has increased by £38.6m from £388.9m to £427.5m.

The increase in total operating expenditure is as a result of an additional £50.7m in respect of the emergency COVID-19 Business Support Schemes, offset by net reductions of £12.1m in other areas. The accrued expenditure on the schemes was £270.7m this year compared to £220m in the prior year. The explanations for the other net decrease in expenditure of £12.1m are included in the analysis below:

Salary costs within Invest NI increased by £2.9m. Within this, gross wages and salaries have increased by £2.4m and a related increase in social security costs and employer contribution to the NICS pension scheme resulted in additional costs of £0.5m. The £2.4m of additional gross salary costs related to UK-based staff of £1.7m and staff based overseas of £0.7m. The UK staff cost uplift was as a result of implementation of the NICS pay award averaging 1.9 percent in Invest NI as well as an increase of average FTE in post from 594 to 599. At the start of the year, activities that were previously delivered under a supplier contract were brought in-house, which added 9 FTE to staff numbers and increases salary costs, but delivers wider savings to the public purse. The net movement in FTE after adjusting for this transfer, was a net decrease of 4 FTE. Further contributing to the salary cost increase was a charge of £0.9m for annual leave due but not taken, as a result of increased activities being undertaken in response to the COVID-19 pandemic. The overseas salary costs increased by £0.7m, due to an increase of average FTE in post from 49 to 55 as we continue to promote Northern Ireland internationally.

Purchases of goods and services has decreased by £7.4m from £34.8m to £27.4m. Within this, the costs of servicing contracts within NI-CO decreased by £1.9m from £9.6m to £7.7m in line with the related reduction in turnover. Expenditure on international activity decreased by £4.2m during the year due to a decrease in travel and trade events as a result of the pandemic. A decrease in unrealised foreign exchange loss of £2.0m was noted on amounts received from the EU. These movements were offset by an increase of £0.9m in administrative costs connected to the COVID-19 schemes and interventions to support the NI business community.

Depreciation and impairment charges have decreased by £1.2m from £3.8m to £2.6m, largely in relation to land and buildings holding value, resulting in lower impairment charges as compared to the prior year.

There was a credit to provisions in respect of grants earned but not yet claimed at year end of £11.0m, which resulted in a reduction in expenditure of £17.3m compared to the prior year charge of £6.4m. This relates mainly to movements in live letters of offers and activities undertaken by companies under those offers, but not yet claimed at year end. Also an increase of £5.0m in claims received and accrued at the year-end contributed to the provisions reduction and a further £4.0m was released for grant provisions no longer required.

Other operating expenditure, excluding salaries, increased by £10.9m from £86.4m to £97.3m. Within this, charges in respect of Financial Instruments increased by £10.0m relating to an increase of £10.4m in relation to an expected credit loss charge required against an SUPL loan, offset by some small releases of prior year charges. Profits on disposal of PPE and financial assets realised during the year netted to £Nil in comparison to profits of £2.2m last year.

The share of results of associates account for a reduction in expenditure of £1.1m, as this year we have recorded a charge of £2.3m compared to £3.4m last year. This is measured as the net change in asset value of associates, accounting for any distributions received less the capital contributions paid by Invest NI in the year.

Consolidated Statement of Financial Position

Non-Current Assets including investments at year end were £211.0m, a decrease of £6.0m on 2019-20. This is principally due to the following factors:

Property, plant and equipment decreased by £2.3m from £80.2m to £77.9m, as a result of disposals of £1.6m, depreciation charged of £1.5m, reclassifications to Intangible assets of £1.6m and a transfer to assets held for sale of £0.2m, offset by additions of £1.3m and revaluation gains of £1.3m.

Intangible assets have increased by £2.6m, as a result of additions of £2.0m and reclassifications from property, plant and equipment of £1.6m offset by an in-year amortisation charge of £1.0m.

Investments in associates decreased by £2.2m from £55.2m to £53.0m reflecting further investment of £10.4m in loan and equity funds offset by a decrease in valuation of £2.2m, and £10.3m of distributions back to Invest NI.

Investments in financial assets decreased from £48.8m to £45.6m, mainly as a result of the expected credit loss provision of £10.4m, offset by further net additions (after accounting for valuation movements and disposals) in the Co-Investment funds of £5.0m and £2.3m of support provided through the COVID-19 Equity Investment Fund.

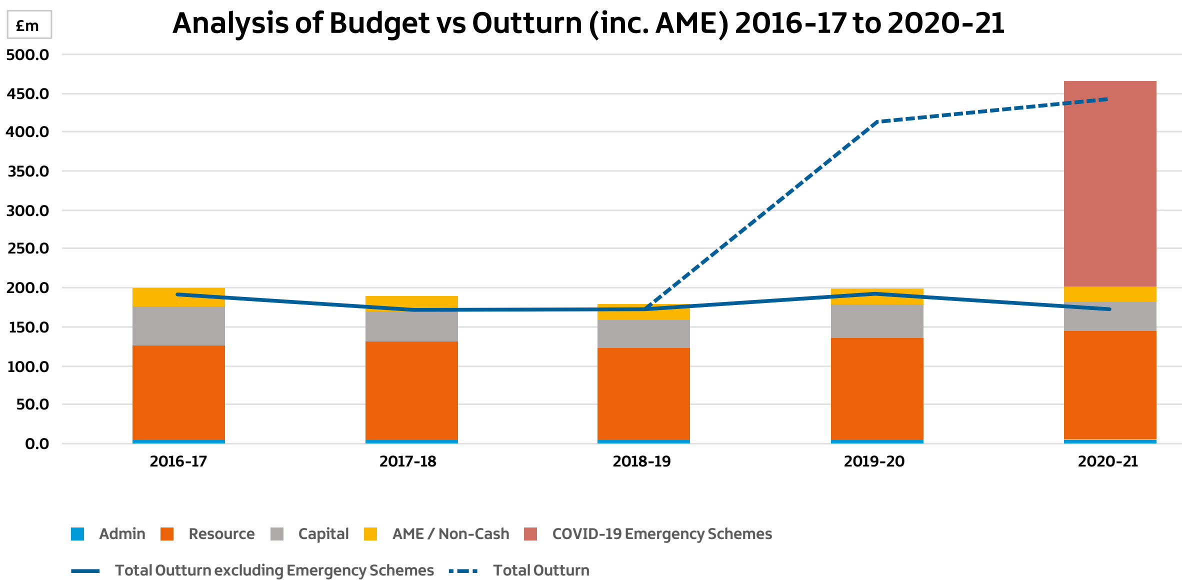
Total current assets have decreased by £7.8m from £72.0m to £64.2m. Included within this movement, trade and other receivables have decreased by £14.5m of which £12.6m is a decrease in EU receivables relating to the timing of receipts from the European Commission. This has been offset by an increase in cash and cash equivalents of £6.6m. Other receivables, including prepayments and accrued income have decreased by £1.6m, related to the timing of invoicing and receipts.

Total current liabilities have decreased by £124.2 from £238.0m to £113.8m. Of this movement, £115.2m relates to a reduction from £152.3m to £37.1m in the amount of the emergency COVID-19 Business Support Schemes that were accrued but unpaid at the year-end. There is a £4.8m increase in grant accruals in relation to the timing of claims submitted by clients at the year end and trade and other payables, deferred income, and tax and other social security have also increased by £2.2m due to the timing of invoices received and payments made at year end. In the prior year, timing of payments resulted in an overdraft in the books, but not at the bank of £4.7m. Provisions have decreased by £11.0m, impacted both by a release of £4m provisions no longer required and the increase of £5.0m in grant accruals not related to COVID-19 schemes as compared to last year.

Total non-current liabilities at the year-end were £20.8m, a decrease of £1.6m on the previous year, as a result of repayment of £0.6m of group borrowings and a decrease of £1.2m in the valuation on the SWAP liability, although this was offset by a £0.3m increase in deferred tax liability.

Total taxpayers' equity has increased by £111.9m from £28.6m to £140.5m. This increase is largely as a result of the timing of grant in aid funding of the COVID-19 Business Support Schemes. Funding is received in year in respect of the grants paid, rather than the total expenditure including accruals. In the current year the accrual was £37.1m while in the prior year we had an accrual of £152.3m, resulting in higher payments and therefore higher funding recorded through the general reserve in 2020-21. Within total equity, the revaluation reserve has increased by £0.8m as a result of valuation uplifts in property, plant and equipment.

Long Term Expenditure Trends



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

Invest NI continued to deliver COVID-19 emergency support schemes, throughout 2020-21, in conjunction with DfE and by Ministerial Direction delivering £270.7m of support to businesses across Northern Ireland. In relation to 2019-20, while the COVID-19 Small Business Grant Scheme, was approved by the Northern Ireland Executive on 26 March 2020, it was not possible at that stage of the year to adjust the 2019-20 Budget Estimates. Therefore while the £220m 2019-20 expenditure was approved by the Finance Minister there was no related budget cover in that year.

	2020-21 Budget Outturn £'000	2019-20 Budget Outturn £'000	2018-19 Budget Outturn £'000	2017-18 Budget Outturn £'000	2016-17 Budget Outturn £'000
Total Resource DEL*	**420,380**	**357,017**	**126,544**	**132,315**	**127,764**
Of which:					
Administration	3,632	4,621	4,688	3,512	3,117
Programme - COVID-19 Business Support Schemes	269,571	220,000	-	-	-
Programme - Other	144,663	130,291	119,902	126,947	123,514
Non-Cash	2,514	2,105	1,954	1,856	1,133
Total Capital DEL*	**32,447**	**42,048**	**38,132**	**40,220**	**48,568**
Of which:					
Capital Grant	19,542	26,446	25,305	28,256	28,219
Direct Capital	5,339	6,257	3,801	2,767	3,554
Financial Transactions	7,566	9,345	9,026	9,197	16,795
Total AME	**(11,004)**	**13,372**	**7,765**	**(246)**	**13,108**
Total Spending	**441,823**	**412,437**	**172,441**	**172,289**	**189,440**
Total Receipts	**33,298**	**72,181**	**70,594**	**44,726**	**31,134**
Of which:					
Resource Receipts	5,849	9,945	11,927	8,588	8,569
Capital Receipts	6,339	14,143	19,303	3,642	3,645
EU Receipts including Recyclables	21,110	48,093	39,364	32,496	18,920

* DEL (Departmental Expenditure Limits)

The Total Comprehensive Net Expenditure for the year is reconciled to the Budget Outturn. There are a range of reconciling items between the Comprehensive Net expenditure in the Annual Accounts and the Budget Outturn, for example investments in loans, shares and associates, and the proceeds from the sale of assets which are classed as expenditure items for budget purposes and Statement of Financial Position items in the accounts. In addition, for budget outturn purposes grant clawback is reported on a net basis.

Aims, Objectives and Future Plans

The unprecedented COVID-19 global pandemic, the significant changes in UK trading relations and the urgent need for a response to climate changes create a very different economic backdrop as we look forward to our future strategy. Facing this, Invest NI developed a Business Plan for 2021-22 strongly focused on economic recovery and re-building. We continue to dynamically adapt the plan through the year as the environment changes.

While uncertainty remains, the global economic recovery is continuing, even as the pandemic resurges. Vaccine access and early policy support are the principal drivers of bounce back ability. The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022[1] (0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook (WEO) Update).

The Omicron variant has recently emerged, signalling further uncertainty. It is likely to be some time before scientists can estimate how effective vaccines are against the new variant, therefore further restrictions may be implemented. Despite an interim OECD Global outlook report confirming the UK is set to enjoy the fastest growth among the world's seven most advanced economies, inflation and supply chain problems could hamper the recovery while the new Omicron variant threatens the wider global outlook and could worsen these problems.

The Ulster Bank PMI echoes these sentiments and notes the headline seasonally adjusted Business Activity Index dipped to 52.2 in October, signalling a modest and slower expansion in private sector output as material shortages and price rises restricted growth. This has been exacerbated by the further cost increases in energy, freight, fuel, staff and materials, with firms passing these costs onto their customers by raising the prices of their goods and services at a record rate. Business sentiment dropped to a nine-month low as optimism linked to hopes of improved demand was dampened by inflation and supply-chain issues. The latest survey's theme of slower growth, higher inflation and supply chain disruption are expected to continue into the New Year.

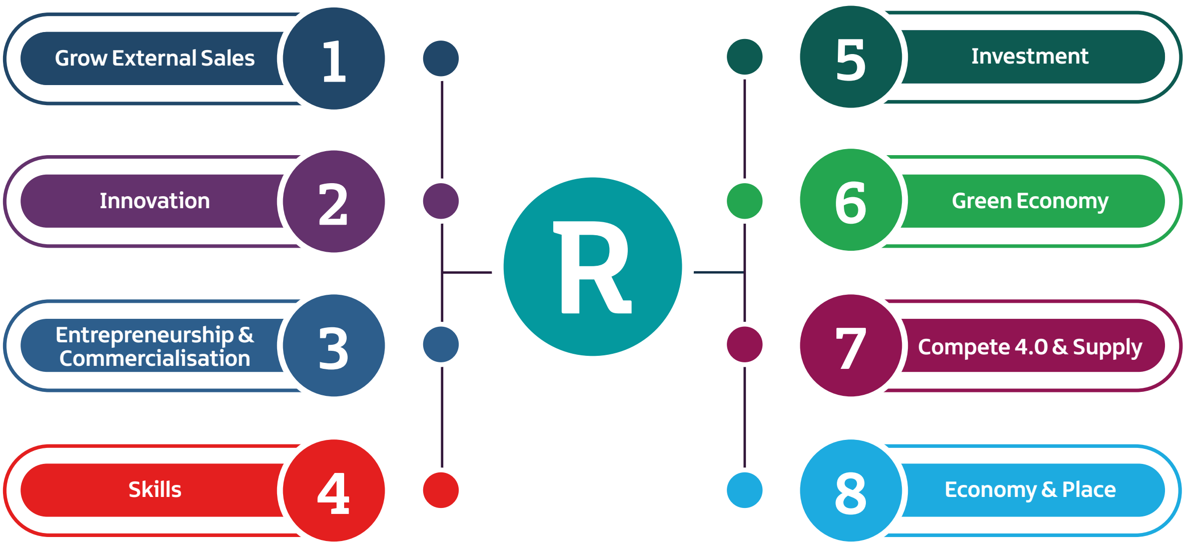
On a more positive note, the UK Economic Outlook produced by PwC (December 2021) states that Northern Ireland has exceeded expectations and is the first region to largely return to pre-COVID-19 levels in Q2 2021.

DfE's ambitious new vision outlined in 'A 10X Economy – Northern Ireland's decade of Innovation' has recognised that, while COVID-19 and EU Exit have brought much change and many challenges in the short-term, they have also presented a unique opportunity for Northern Ireland to re-shape our economy, to drive innovation and enable future transformational growth.

Invest NI's 2021-22 Business Plan is well aligned to the 10X Economy vision and recognises the key role that Invest NI and our economic development partners will play in defining and delivering this ambition. Over the 2021-22 year Invest NI continues to work closely with DfE colleagues building a work-plan that lays the foundations for an ambitious 10X Economy and that ensures our work makes a direct and positive contribution to longer-term sustainable, innovation-led and inclusive growth in external markets.

[1] IMF World Economic Outlook – October 2021

The strategic priority for Invest NI during this 2021-22 year is to help businesses accelerate the pace of their recovery journey, to continue to re-build supply chains, re-develop markets, restore customer confidence and to re-build sales and demand. Our new Business Plan and actions focus on the following eight key economic drivers for recovery:



Invest NI remains fully committed to cementing our existing strong, collaborative working relationships with economic development partners and stakeholders in business, academia and government and across the entire Northern Ireland business support ecosystem. We will ensure that our support contributes directly to the delivery of the economic outcomes outlined within the new draft Programme for Government framework, DfE's new Economic Recovery Action Plan and our longer-term 10X Economy.

We will work closely with the partners and stakeholders of the four NI City & Growth Deals to underpin the UK Government and the NI Executive's Levelling-Up agendas, and its related £1.3bn of investment, to accelerate economic recovery and growth across the whole of NI. During this year we will fully leverage our sectoral, commercial and technical expertise and networks to develop and secure approval for strong, industry-led, commercially-focused projects in high value sectors with significant global growth potential.

We remain committed to concentrating our efforts on those core technologies, sectors, sub-sectors and clusters where Northern Ireland has world-class capability and the greatest potential to exploit emerging global market opportunities.

Uncertainties, risks and opportunities remain around the ongoing and future economic impacts of COVID-19, the outworking of EU Exit, the negotiation of new Trade Agreements and the implications of the NI Protocol. Risks will be mitigated by our ongoing close collaboration with Department for Economy, wider NI Executive colleagues and UK Government, our commitment to expand our international office network, and provide intensified support for businesses to identify and access new market and sales opportunities and our goal to take advantage of the new trading relationships that will emerge over the next year.

Given the ongoing economic uncertainty and market volatility, Invest NI will continue to remain agile and flexible in delivering its Business Plan through 2021-22. We will carefully monitor external market conditions and respond swiftly to address changing business needs, re-deploy and focus resources and activity to exploit new opportunities and ensure maximum economic impact and enable long-term inclusive growth for all.

Equality

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

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

In addition, Invest NI has regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

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

Consideration of Rural Needs

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

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

The following outlines the actions taken between April 2020 and March 2021.

(A) Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	(B) The Rural policy area(s) which the activity relates to	(C) Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service.
Energy Efficiency Capital Grant (EECG)	Jobs or Employment	The Energy and Resource Efficiency Advisory Programme (EREAP) aims to deliver support to Northern Ireland businesses to identify and implement cost savings in the use of energy, water, material and waste through advisory support in Technical Consultancy and Industrial Symbiosis resource matching support. Within this overarching structure of support, Invest NI have developed a new programme, the Energy Efficiency Capital Grant scheme. This was developed as an interim scheme following the closure of the Invest NI funded Carbon Trust Loan Fund in 2018. While we do not have specific statistics for the Energy Efficiency Capital Grant scheme, EREAP obtained a 45.18% rural uptake within its spread of interventions, demonstrating no barriers to delivery in rural areas, which we expect the EECG to emulate. The only additional cost for delivery in rural areas may be additional mileage expenses incurred by the programme team, whilst all procurements ask for contractors to account for this in their pricing.
Market Intelligence Worldwide	Jobs or Employment	The main objective of the proposed activity is to access an export market focused market intelligence platform that has the granular level of detail required for Food and Drink companies, and product launch case studies and trend analysis to inform New Product Development. Food and Drink companies are located across Northern Ireland and are not disproportionately located in Rural areas. However, where businesses in this sector are located in these areas, we would anticipate a positive impact. The delivery of the service to Clients, using the Market Intelligence Worldwide Database, will be online via a digital platform so it does not require attendance at the Client premises or attendance at events. No specific rural needs were therefore identified.

(A) Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	(B) The Rural policy area(s) which the activity relates to	(C) 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.
Procurement of Syndicated Consumer Panel Data	Jobs or Employment	The main objective of the proposed activity is to provide access to syndicated consumer panel data for UK and Ireland for food and drink grocery categories including pet food. Food and Drink companies are located across Northern Ireland and are not disproportionately located in rural areas. However, where businesses in this sector are located in these areas, we would anticipate a positive impact. The delivery of the service to clients, using the Consumer Panel Database, will be online via a digital platform, consequently it does not require attendance at the client premises or attendance at events. No specific rural needs were therefore identified.
Going Dutch Programme	Jobs or Employment	The Going Dutch programme is an Export Capability Development programme for first time exporters. The programme is specifically designed to help companies to develop the skills, knowledge and confidence required to sell into a new export market. The objective of the programme is to help first-time / early stage exporters to achieve their first international sales, specifically in the Dutch market. The programme is promoted throughout Invest NI's Regional Office Network, in order to attract companies from all regions in Northern Ireland. Our client facing teams within Invest NI's Regional Offices, in turn promote the benefits of the programme to their customers, and nominate suitable companies to attend a programme recruitment seminar. Interested companies are screened and selected on the basis of their export readiness / suitability for the programme, regardless of their geographical location.
Northern Ireland Aerospace Customer Diversification Programme	Jobs or Employment	The strategic context for the introduction of this programme is to contribute to the aims and objectives of the wider governmental industrial strategies and Invest NI's business and international strategies, which are inclusive of the whole Northern Ireland community. There is no specifically rural impact on the social or economic needs of people in rural areas.

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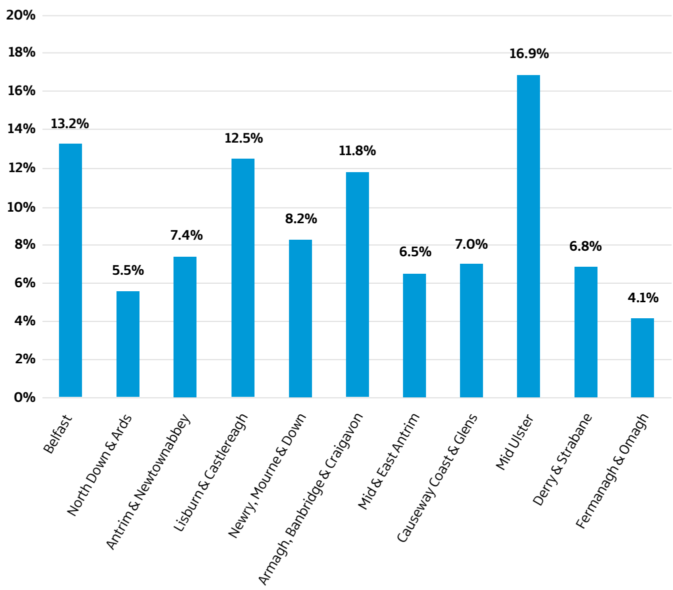
<tr>
<td>Supply Chain Resilience and Development Framework (SCRDF)</td>
<td>Jobs or Employment</td>
<td>The SCRDF service forms a key element of the objective of Invest NI facilitating the development of a Northern Ireland supply chain ecosystem for agreed sectors. We work directly with Invest NI customers to provide a framework to build resilience into their supply chain in response to COVID-19 / EU Exit. We provide a graduated / tailored framework of support including identifying supply chain risks, resilience planning, identifying supply chain opportunities and capability development initially in light of COVID-19 and EU Exit impacts, ultimately creating competitive advantage for those businesses operating in Northern Ireland.

The service is available to all Invest NI customers. Invest NI have historically provided limited supply chain advice through the Operational Excellence Team and there has been a good geographical spread with this with in excess of 1,000 referrals have been received.

The following depicts the geographical spread for these referrals (depicted by Super Council area):



On an on-going basis the SCRDF Service will typically be engaged with over 80 Invest NI customers on a 1-1 basis. Evidence from the Invest NI COVID-19 Customer Survey 2020 has also highlighted that supply chain impact was a significant concern across a wide range of sectors which ensures a broad geographical spread.</td>
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<tr><td>Supply Chain Resilience and Development Framework (SCRDF)

(Continued)</td><td>Jobs or Employment</td><td>The engagement with Invest NI customers will fluctuate over a period of time, however the current geographical spread (% of total by County) of this is:
<table><tr><td>Antrim</td><td>Armagh</td><td>Down</td><td>Fermanagh</td><td>Tyrone</td><td>Londonderry</td></tr><tr><td>33%</td><td>20%</td><td>17%</td><td>9%</td><td>11%</td><td>10%</td></tr></table>
Part of the service involves the delivery of a range of workshops, awareness raising events, where these are not delivered in-house on company premises these will be arranged to be held either on a regional basis, virtually or in a central location (i.e. Belfast International Airport vicinity).

As the spread of customers and referrals demonstrates there are no barriers to delivery in rural areas.</td></tr>
</table>

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. The dramatic work and lifestyle changes in 2020-21 due to COVID-19 have had a significant impact across our CR strategy.

Employee Health, Wellbeing and Engagement

Health and Wellbeing is a key area under our CR agenda and we continue to work hard supporting our staff with improving both their physical and mental health. Our Mental Health Strategy has allowed us, in partnership with Action Mental Health, to offer comprehensive mental health training to all of our staff. Managers have been given "Mental Health Awareness for Line Managers" training whilst all staff have been offered "Bitesize Mental Health Training". To date 232 staff have undergone "Bitesize Mental Health Training" and 193 staff "Mental Health Awareness for Line Managers", which is timely considering the challenges COVID-19 has brought to everyone. These training packages have equipped participants with the knowledge and skills necessary to understand issues around mental health and the importance of becoming more mentally resilient.

It also helps managers identify signs of poor mental health and be able to signpost staff to the appropriate organisation should they need specialist services.

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

COVID-19 Response

Throughout the pandemic we have followed NI Executive advice and opened the offices when restrictions allowed. Staff in HQ, Regional and International Offices are all enabled to work remotely and have been doing so depending on local restrictions throughout the pandemic. Risk Assessments were completed and safety measures introduced in the offices.

Many of our team travel frequently – whether locally or internationally - in the normal course of business but a virtual elimination of this was seen during the 20-21 year as we adapted to client contact through remote connections. This will have significantly reduced our carbon footprint over the period but also changed the interactions with our customer base. We are evaluating how to adopt an optimised model going forward.

Promotion of wellbeing continued throughout the period through newsweekly articles and in June 2020 we undertook a staff survey in order to gauge how our staff adapted to working from home during COVID-19.

In a response to easing of restrictions following the initial lockdown, steps were taken during the summer of 2020 to have the offices reopened while ensuring the health and safety of staff, Facilities Management contractor staff, and visitors.

Desks were reduced per floor to ensure social distancing and an enhanced cleaning regime put in place. PPE is provided and posters, along with associated communications and even a video ensured staff were aware of all the mitigations to ensure their health and safety when in the workplace.

Learning & Development

We adapted our delivery model to ensure we delivered a high level of relevant support to our staff while working remotely. Our focus has been on ensuring our staff are equipped to deliver a high quality of service and at the same time looking after themselves, their colleagues and their staff. To help managers to manage we provided the following training on coaching, motivation and managing teams remotely.

For all staff we offered tips for working from home, maintaining a work life balance, Financial Wellbeing Support and specifically a Pension eLearning module. We supported Corporate Objectives in the delivery of Business Support Schemes by providing bespoke online training about the schemes and wellbeing sessions to help build mental resilience when dealing with difficult conversations.

We also developed a number of infographics to help staff to manage team meetings remotely, prepare for meetings remotely and tips to make virtual meetings successful.

Smart Working

Smart working offers us the opportunity to embrace a new approach to where and how we work in order to be a more agile and flexible organisation and be able to respond quickly to customer need. The preparation for Smart Working in prior years placed Invest NI in a good position for a rapid move to home working in March 2020, while maintaining Invest NI business continuity globally during the COVID-19 pandemic. Work is ongoing to review the ideal post-COVID-19 way of working.

Social & Community

In the last 2 years we have worked alongside our latest charity partner, the Air Ambulance NI and so far have fundraised just over £15,000. Through our CR volunteering scheme we still have the option of working 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. However, fundraising opportunities have been limited this year due to restrictions around the pandemic.

Environmental Matters

We are strongly committed to undertaking environmentally sound practices in the areas of energy, waste and transport. During the pandemic there has been a reduced number of staff in the office and there has been less reliance on printing and photocopying and greater emphasis on online processing. This has reduced our shredding requirements and our waste. However, during the year 98.4% of waste was recycled or converted into an alternative energy source.

In relation to LED lighting we have extended this to all floors and meeting rooms as there were only two floors completed at the time of the last report. LED units consume less power, emit less heat and thereby reduce the requirement for air conditioning and for the disposal of hazardous waste bulbs.

In addition, Invest NI has been guided by Department for the Economy (DfE's) environmental policy and devised initiatives which promoted and enhanced biodiversity throughout the Invest NI land and property estate. Biodiversity has now become integral in our everyday estate management regimens and, where practical, we look for opportunities to incorporate biodiversity into our maintenance and development projects.

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

Invest NI will continue to review its internal/external approaches to environmental matters, and we are cognisant of the objectives in the published NI Executive Strategy 'New Decade New Approach' for adoption of a Zero Carbon Economy, elimination of plastic pollution, adoption of Climate Change Act, and creation of jobs as part of a Green New Deal. Invest NI is fully supportive of the transition towards a Green Economy and welcomes the DfE Economic Recovery Action Plan in which growing the Green Economy is a key theme. Invest NI is also supporting DfE in the development of the new Energy Strategy for Northern Ireland and is contributing through representation on the Government Stakeholder Group and a number of policy working groups for the new Energy Strategy.

Mel Chittock
Accounting Officer
Date: 23 February 2022

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 2021.

Results

The net expenditure for the year is £397,793,000 (2020: £328,954,000).

Results

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

Board members

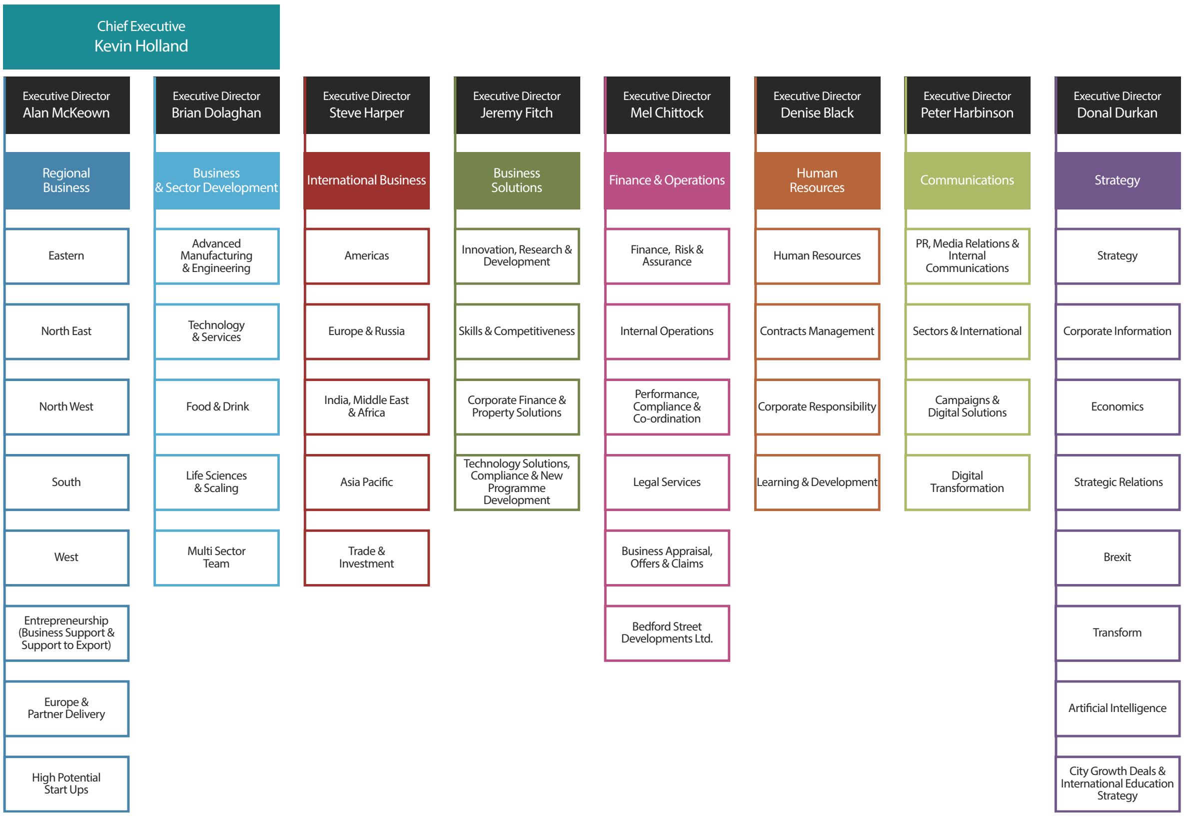
Rose Mary Stalker	Chair
Deborah Lange	Deputy Chair
Mark Nodder	
Mark Sweeney	
Padraig Canavan	
Brian Baird	(Retired 31 March 2021)
Judith Totten	
Colin Coffey	
Kieran Kennedy	
Kevin Kingston	
Marie-Therese McGivern	
Michael McQuillan	

Executive Leadership Team

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

* Donal Durkan was appointed to the role of Executive Director, Outcomes Value and Impact on a fixed term basis from 1 October 2020. Alongside this role, he continues to maintain responsibility for the Strategy Group.

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 2020-21 Invest NI paid approximately 98 percent of invoices (2019-20: 98 percent) 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 2020-21 Invest NI paid approximately 96 percent of invoices (2019-20: 96 percent) within the ten working day target.

Register of Interests

The Chair, 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 Chair's Office, Invest NI, Bedford Square, Bedford Street, Belfast, BT2 7ES.

Personal Data Related Incidents

During the year there was one Personal Data Related Incident that was required to be reported to the Information Commissioner's Office (ICO) for review. Further information on data security is provided in the Governance Statement.

Estate Management Strategy

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

Invest NI Complaints and Feedback Process

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

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

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

In 2020-21 four complaints were received which related to our normal programmes and interaction with customers (2019-20: 8). Of these complaints 100 percent were responded to within our target of 10 working days.

During the COVID-19 pandemic Invest NI also managed the emergency COVID-19 related employment support schemes on behalf of the Department for the Economy. These schemes generated 41 complaints, the majority of which related to delays in payment and eligibility criteria. Of these complaints 95 percent were responded to within our target of 10 working days. When we were unable to reply within this timeframe, for example due to the complexity of investigation or because we were waiting for further information, our customers were kept fully advised of the revised schedules.

A total of 7 cases of negative feedback (2019-20: 27) were recorded that did not require a response within the 10 working day target. However, due to the COVID-19 pandemic, no Customer Service Survey was conducted during the year, which may have impacted on these figures.

Three requests for a Formal Review were received, two of which related to COVID-19 related schemes, of which one was upheld and one partially upheld. The other non-COVID-19 Scheme related review was not upheld.

The details of all complaints are recorded centrally, and this information is then analysed to identify trends or themes to drive improvement in our processes and services. Issues identified included manner of the Client Executive, timescales in claims payments or claims processes, alleged disclosure of personal information (which was not upheld) and EU Exit preparations.

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

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

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

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

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

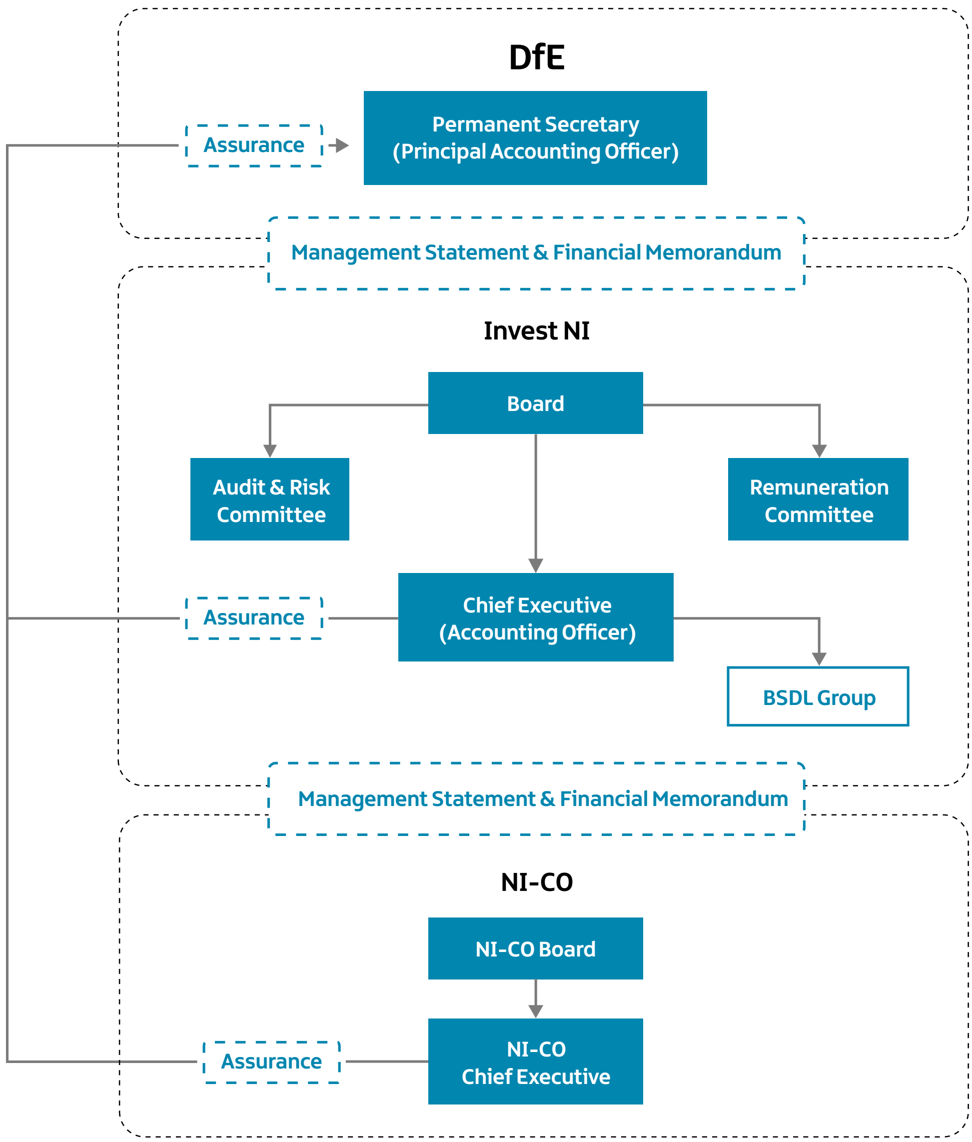
Governance Statement Year ended 31 March 2021

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 2020-21 and up to the date of approval of the Annual Report and Accounts, and accords with DoF guidance.

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

Invest NI's Governance Framework



Responsibilities of the Board and Chair

Invest NI has a Board comprising a Chair and not fewer than 10 or more than 20 other members. Board members are appointed by DfE in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland. Five new Board Members took up their roles on 1 April 2020 and the Board for 2020-21 comprised of 12 members (including the Chair). Brian Baird retired on 31 March 2021; as a result, there are currently 11 members (including the Chair).

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

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

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

Conflicts of interests

Board members are asked to declare any conflict of interest related to meeting agendas or casework panels they may be attending. On the identification of any conflict of interest, either the relevant Board member(s) would be excluded from the discussions/decision-making related to the conflicted area of business or, in the case of casework panels, an alternative Board member would be selected. Further details regarding Related Party Transactions are in Note 25.

Board performance and effectiveness

In 2020-21 the Board met 10 times, with some meetings held remotely due to COVID-19 restrictions. Within the Board Operating Framework there is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation; introductions to the senior management team; and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. Induction training held in April and May 2020 for new Board members also served as refresher training for existing members.

In February 2021 the Board met remotely for its annual strategy session. The focus this year was the development of a 2021-22 Business Plan to assist economic recovery from the COVID-19 pandemic, and to position Northern Ireland companies to improve their capability to compete globally.

In December 2020, the Board held a workshop at which it received a briefing from DfE senior management on a number of topics, including the engagement between the Department and Invest NI throughout the pandemic, and preparations for the UK's exit from the EU. The session also included an update from the ELT on a number of key corporate initiatives.

The session provided input into the economic recovery framework in the Business Plan focused on 8 key drivers, the alignment of the Plan with the DfE vision for economic recovery, and the response measures to support businesses through the EU Exit. Further, there was a discussion at the session on how Invest NI will structure its resources to deliver the actions and outcomes as set out in the Business Plan.

Board attendance 2020-21

Name of Board member	Board meetings attended per Board member (out of a possible 10)	Audit & Risk Committee (ARC) meetings attended per Committee member (out of a possible 4)	Remuneration Committee meetings attended per Committee member (out of a possible 2)
Rose Mary Stalker	10	N/A	2
Deborah Lange	10	5	2
Mark Nodder	10	5	N/A
Mark Sweeney	9	N/A	N/A
Padraig Canavan	10	N/A	N/A
Brian Baird	10	N/A	N/A
Judith Totten	10	5	N/A
Colin Coffey	10	5	N/A
Kieran Kennedy	10	N/A	N/A
Kevin Kingston	10	5	N/A
Marie-Therese McGivern	9	N/A	2
Michael McQuillan	10	N/A	2

Board Succession Management

The terms for three Board members came to an end on 31 March 2020 and, as part of a succession strategy agreed with DfE, the Department carried out a recruitment exercise that resulted in five Board members (Colin Coffey, Kieran Kennedy, Kevin Kingston, Marie-Therese McGivern and Michael McQuillan) taking up their positions from 1 April 2020.

Board Committees

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

- Audit & Risk Committee
- Remuneration Committee

Audit & Risk Committee

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

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

During 2020-21, the Committee comprised the Chair (Deborah Lange) plus four other Board members. Kevin Kingston and Colin Coffey were appointed in April 2020 to replace two Board members (Scott Rutherford and Gerard O'Hare), whose terms came to an end in March 2020. Meetings are also attended by the Chief Executive; Executive Director of Finance & Operations; the Director of Finance, Risk and Assurance Division; Risk Manager; the Director of Performance, Compliance and Co-ordination Division; and representatives from DfE, Northern Ireland Audit Office (NIAO), and Internal Audit Service (IAS). The Committee met five times during 2020-21.

While the Committee's Terms of Reference includes an annual commitment to review its own performance, the 2020-21 exercise was postponed to enable the two new members the opportunity to work through a complete cycle of the Rolling Agenda. The most recent exercise was conducted in January 2020, comprising a questionnaire and discussion session 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).

The final report (produced in May 2020), which identified some minor areas for improvement, demonstrates that members felt that the Committee was operating effectively and adhering to good or best practice in all areas. The next self-assessment exercise is due to commence in late 2021.

The Committee continues to operate a 'Rolling Agenda' system that ensures that all major issues are reviewed at least on an annual basis. The latest revision to the rolling agenda includes a number of changes to the management assurance provided to the Committee, including a regular review of outstanding Internal Audit recommendations. The update was reviewed and approved by the ARC at its February 2021 meeting. Standing items on the agenda of each regular meeting include a review of the Corporate Risk Register, detailed discussion on key corporate risks, an update on progress against the agreed Internal Audit plan, internal and external audit recommendations and updates on current fraud and whistleblowing investigations. Other topics covered by the Committee in 2020-21 included GDPR compliance; Procurement practices; Management of External Delivery Organisations (EDOs); Business Continuity Planning, including the risk of Cyber Security attacks; PPE Action Plan and Internal Test Drilling; Complaints & Feedback; COVID-19 Response Planning and a COVID-specific Risk Register; Hardship Fund Risk Register; Casework Approvals; update to IAS Charter; review of Overseas Offices; Remote Working Information Security Risks; NI-CO; review of Outstanding Internal Audit Recommendations; review of Core Policies; and review of the Anti-Fraud Policy and Fraud Response Plan.

Throughout 2020-21, ARC members provided additional oversight and direction to two separate pieces of work: (i) a review of concerns raised about an External Delivery Organisation; and (ii) a review of lessons learned regarding a project supported under the Sustainable Use of Poultry Litter (SUPL) scheme. The ARC will also oversee the implementation of recommendations arising from these two reviews.

In the Audit & Risk Committee Annual Report for 2020-21 the Chair confirmed that the Committee considered the assurance available was sufficient to support the Board and the Accounting Officer in their decision-taking, their accountability obligations and the overall management of risk. Following each Audit & Risk Committee meeting, the Chair provides a verbal report and update to the full Board, with full written minutes provided by the Committee secretariat.

Remuneration Committee

The Remuneration Committee meets at least annually and is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive.

The Committee comprises the Chair and three other Board members, with meetings attended by the Executive Director, Human Resources. The committee met twice during 2020-21.

Board Working Groups

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

The topics currently covered by Board Working Groups include: Sub-regional; Access to Finance; Competence Centres; Skills; Export; and Digital Innovation.

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 2020-21 and was chaired by the Executive Director, Finance & Operations. Issues discussed included: reviews of the audit strategy and annual plan; progress against the annual audit plan; reviews of External Delivery Organisations; assurance provided by other bodies; and updates on current fraud investigations. The Committee also includes a number of other Executive Directors, the Director of Finance, Risk and Assurance Division and the Director of Performance, Compliance and Co-ordination Division, with representatives from IAS also in attendance. The terms of reference were last updated in May 2019.

Executive Leadership Team

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

Due to the intensive demands created by the impact of the global pandemic on local businesses, the ELT met virtually on average seven times per month compared to three times per month in previous years. The focus included areas such as crisis management including delivery of emergency business support schemes, operations, strategic direction and financial and governance matters. ELT also 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

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

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

Invest NI maintains a register of all outside appointments or interests held by its staff. All employees are required to complete an annual return ('Register of Interests: Declaration by Member of Staff') or submit a nil return where appropriate. Employees have an absolute duty to declare any changes to their circumstances, including new interests, which could bring about a conflict of interest or the perception of a conflict. Agreements must be documented between individuals and their line manager before appointments are taken up, with the register then updated accordingly.

The Invest NI gifts and hospitality procedures are based on the fundamental principle that, in general, all gifts should be refused and no member of staff should receive anything that might reasonably be seen to compromise personal judgement or integrity. All offers of gifts and hospitality, whether accepted or refused, must be recorded on a central register for review and monitoring.

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

Bribery, Fraud Prevention and Whistle-Blowing Policies

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

A summary of the activity related to these policies in 2020-21 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
Fraud Prevention	Anti-Fraud Policy and Fraud Response Plan	Three cases of suspected fraud were notified to the NIAO in line with the Invest NI Fraud Response Plan. Two of these cases have subsequently been closed with no further action required. The other case has been referred to the PSNI.

In addition, two further cases of suspected fraud arose during 2020-21. In both cases, the claims were not substantiated and no further action was required. Investigations into five cases referred in previous years were also completed and closed in 2020-21 with no further action necessary.

The case reported under the Whistleblowing Policy arose after concerns were raised with Board members and the case is still under investigation. Through discussions with those Board members, an opportunity has been identified to provide additional guidance on how such concerns should be handled, therefore the next revision of the Whistleblowing Policy will include a more detailed response plan. The two cases reported under the Whistleblowing Policy in 2018-19 are now closed.

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

Invest NI's compliance with the Corporate Governance Code

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

Relationship with subsidiary company NI-CO

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

The Director of Invest NI's Performance, Compliance and Co-ordination Division attends meetings of NI-CO's Audit & Risk Committee.

With the extended second terms of the NI-CO Chair and three Board Members due to end in September 2021, a competition (overseen by DfE's Public Appointments Unit) was advertised in March 2021 and concluded in August 2021. As a result, three new Board members have been appointed to the NI-CO Board and the conditions of appointment are being finalised for the role of NI-CO Chair.

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 2020-21.

Relationships with Arm's Length Bodies

Written contractual or partnership agreements are in place with Arm's Length Bodies (known as EDOs) or Service Providers who deliver specific services or activities on behalf of Invest NI.

These agreements also set out the performance and reporting requirements, which in turn are monitored by designated managers within Invest NI. Detailed guidance on the commissioning and management of EDOs is available to all staff via the Invest NI intranet. As part of the overall internal audit service provided by DfE, a rolling inspection programme of EDOs and their management by Invest NI is tendered and carried out by external consultants. The most recent contract for this work expired in May 2019, after which work has continued to complete the programme from 2018-19.

As a result, no new inspections were carried out in 2019-20 or 2020-21. While assurance can be taken from the rolling programme of inspections, the Audit & Risk Committee has asked that the procurement exercise for a new inspection contract now be prioritised. The tender exercise has commenced and is expected to lead to the appointment of a new service provider in quarter four of 2021-22.

A summary of the outcomes of the work carried out during 2020-21 can be seen in the Internal Audit section of this statement.

Ministerial Directions

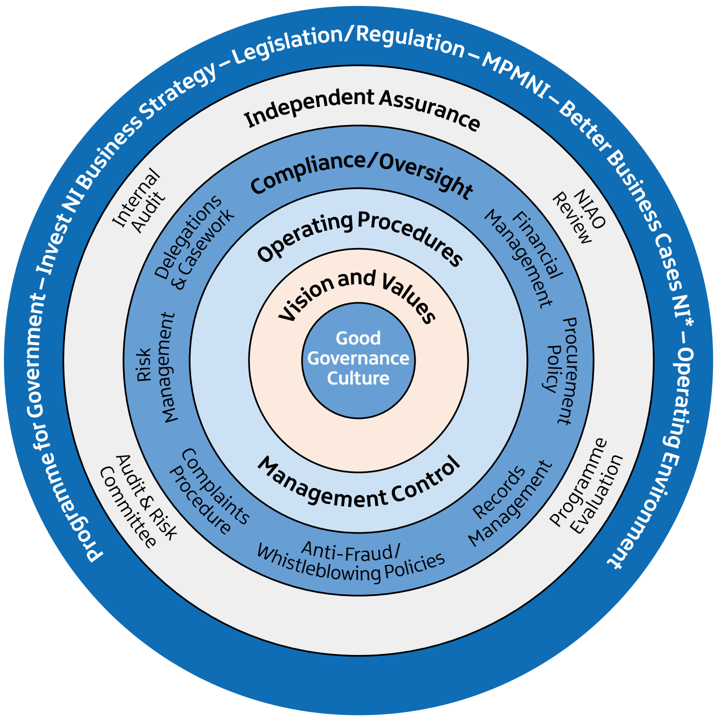
During 2020-21 Invest NI has supported DfE on nine emergency COVID-19 Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. The role of Invest NI in each scheme has been agreed with DfE and the Department of Finance via either a Memorandum of Understanding (MOU) or Delivery Document.

Four of these schemes were operated and administered by Land and Property Services (LPS) / DfE but accounted for by Invest NI. The first of these, the Small Business Grant Scheme was launched by DfE in March 2020, with £220m recognised in Invest NI 2019-20 accounts and £23m in 2020-21. The other three schemes were launched in 2021-22 and included the Tourism and Retail Sectors Grant, the Large Tourism and Hospitality Business Support Scheme and the Wet Pubs Scheme with £74m, £40m and £4m respectively recognised in the 2020-21 Invest NI accounts.

Invest NI operated, administered and accounted for the remaining five schemes under the terms agreed in the relevant MOU or Delivery Document. These schemes were also launched in 2020-21 and included the NI Micro-Business Hardship Fund, Covid Restrictions Business Support Scheme (parts A and B), Limited Company Directors Support Scheme and the Newly Self Employed Support Scheme, with £23m, £78m, £20m and £9m respectively recognised in the 2020-21 Invest NI accounts.

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.



* Better Business Cases NI replaces 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 was subject to a quarterly review by a group that includes the Risk Manager, the Director of Finance, Risk and Assurance 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.

In order to capture more fully those risks caused by the global pandemic, a COVID-19 specific risk register was collated in early 2020-21 and monitored by the ELT throughout the year. In November 2020 with the approval of both ELT and the Audit and Risk Committee, the Corporate and COVID-19 Risk Registers were merged as the risks identified on the COVID-19 Register were ostensibly now part of the Corporate risk outlook. The new merged Corporate Register was initially updated every 2 months (as opposed to quarterly) in recognition of the ongoing uncertainty and volatility, before reverting to a quarterly cycle of updates from June 2021.

During 2020-21 nine new risks were identified and added to the Corporate Risk Register as part of the review process. Eight of these were as a result of the merging of the Corporate and COVID-19 Registers. Five risks were removed and/or downgraded from Corporate to Group Registers. Key risks and uncertainties have been discussed in more detail in the Performance Report.

Invest NI continued to monitor longer term threats through the Emerging Risk Register, which was introduced in September 2015 to analyse developing hazards that were relatively remote but which had the potential to impact on the organisation's business. The Board meeting in May 2020 featured a review of the Emerging Risk Register, with the subsequent actions (primarily changes and additions to the Emerging Risk Register, and suggestions for escalations to the Corporate Risk Register) reported to the Audit & Risk Committee.

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

Business Continuity

Business Continuity and Recovery Plans were previously developed for the organisation with responsibilities clearly defined and communicated. Business Continuity arrangements had been regularly monitored, tested and improved and in March 2020, the Invest NI Business Continuity plan was successfully put into practice with the move of all staff to remote working. The Incident Management Team gradually escalated operational preparations during February 2020 in preparation for the closure of all Invest NI offices globally. The objective was to provide staff with the processes, equipment and skills to work remotely. The physical offices were closed in Northern Ireland in line with Executive Guidance in March 2020. This worked extremely successfully with seamless transition and all staff had the capability to work remotely to maintain as near as possible normal business operations. The pandemic and its impacts on society affected some service delivery such as face-to-face meetings with clients however feedback has been positive about Invest NI's response.

In line with Executive Guidance, Northern Ireland offices reopened for staff access in September 2020. While COVID-19 secure adjustments were in place, which included limited numbers of staff attending at any time, the overall message remained work from home, where possible. Unfortunately offices were again closed in December 2020 and remained closed until 7 June 2021. Re-opening the offices was actioned quickly and safely in line with Executive and Public Health guidance.

Data Security

Following the annual Information Security Audit in November 2020, Invest NI continues to be accredited to the international security standard ISO 27001. The accreditation provides assurance that Invest NI protects the confidentiality, integrity and availability of corporate information. A review of Invest NI's Information Security Management System was also carried out by IAS during 2020-21, with no significant issues identified. Security matters are reviewed by an Information Governance Group which met three times during the year. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements. All approved USB devices, Invest NI laptops and mobile data devices are encrypted.

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". One incident had a mitigated rating of 'Medium' due to the nature of the information disclosed. One incident had a mitigated rating of 'High' and was deemed necessary to report to the ICO due to the personal nature of the information involved. The ICO's response was that no further action was necessary. All of the incidents were contained and mitigations put in place against future risk.

Communications on information security matters were issued on a regular basis throughout the year. All staff have completed annual mandatory information security training during quarter 1 & 2 of 2020-21.

Following Invest NI's move to remote working for all staff, compliance with Information Security and Data Protection in the remote working environment was identified as a risk to be tracked within the organisational 'COVID-19 response risk register'. Invest NI has been successful in maintaining existing security controls throughout this period, such as secure connection via the VPN, encrypted equipment and awareness training.

Invest NI's Data Protection Officer (DPO) continues to work with all parts of the business on the ongoing compliance with the requirements of the UK General Data Protection Regulation (GDPR), and to promote the principles of 'Data Protection by Design and by Default'. The DPO provides updates to the Audit & Risk Committee on the progress of the GDPR Compliance Programme. All staff have completed annual mandatory data protection awareness training during quarter 4 of 2020-21.

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 2020-21 each of the Executive Directors conducted a quarterly review and provided Assurance Statements on Internal Control for their areas of responsibility. These reviews and the completion of the Assurance Statements were supported by the use of Internal Control checklists. Key findings were discussed with me and this work helped inform my bi-annual Assurance Statements to the DfE Permanent Secretary.

Internal Audit

IAS, the internal auditor of Invest NI, operates to standards defined in the Public Sector Internal Audit Standards. The work of IAS carried out in the year was based on the four year (2017-18 to 2020-21) Audit Strategy, which was formulated with due consideration to the key corporate and operational risks to which Invest NI is exposed.

The strategy and each annual plan, including the analysis of risks, are reviewed and agreed with the Internal Audit Committee and Invest NI management prior to approval by the Audit & Risk Committee, which approved a three year strategy at its meeting in May 2017, with a one year extension (covering 2020-21) approved in February 2018.

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

The table below provides a summary of the audit activity completed in line with the 2020-21 audit plan.

	Satisfactory	Limited	TBC	N/A[1]
Final Reports	6	0	0	4
Draft Reports	0	0	0	0
Fieldwork	0	0	0	0

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

No IAS Audit Reports received a limited opinion in 2020-21. The volatility and uncertainty of 2020-21 brought with it a constant reassessment of risk priorities and a fluid approach to the Internal Audit Plan. Eight reviews were deferred to allow for the audit of emerging issues to be undertaken. All outstanding reviews from 2018-19 (1) and 2019-20 (4) have now been issued as final reports.

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

IAS manages the rolling programme of EDO audit work through the engagement of an external service provider. The contract for this service expired in May 2019. Although work continued past this date on the 2018-19 programme and on follow up reports from previous years, there was no new schedule of work for 2019-20. However, due to the fact that all existing EDOs have been subject to review in recent years and no significant issues have been identified to date through the inspection programme, IAS was content that it had sufficient assurance to provide its overall audit opinion. The Audit & Risk Committee has asked that the procurement exercise for a new inspection contract be prioritised. The exercise has now commenced and is expected to lead to the appointment of a new service provider in quarter four of 2021-22.

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 2020-21 year. IAS's overall audit opinion reflects the positive results from the audit work undertaken in the year.

Accountability Grids

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

A total of 10 recommendations have been added to the Accountability Grids, all of which refers to an NIAO report on Access to Finance. As a result, there are a total of 373 recommendations on the Accountability Grids.

All of the recommendations on the NIAO report on Access to Finance are relevant to Invest NI's operations and will be subject to ongoing review. Invest NI is also taking forward actions on two recommendations from prior years. These actions represent minor enhancements to existing procedures and no major gaps or system issues have been identified.

A summary of the Accountability Grids was provided to the Audit & Risk Committee at its meeting in May 2021.

NIAO Reports

In December 2021 the NIAO published its report on the Design and Administration of the Northern Ireland Small Business Support Scheme. The report outlined the lessons to be learnt from the scheme, which launched in March 2020 to provide emergency grants of £10,000 to small businesses. The report includes the reasons for the Comptroller and Auditor General's qualification of the 2019-20 accounts for DfE and Invest NI. The impact of the scheme on Invest NI's 2020-21 accounts is detailed below.

The NIAO has also commenced work on a report looking at "Promoting Entrepreneurship Culture and Start-ups" and Invest NI has provided relevant information to assist with this work. Other reports issued by the NIAO are reviewed for relevance to Invest NI operations and actions are taken as appropriate.

Significant internal control problems

No significant internal control problems have been identified.

Public Accounts Committee Issues

There were no Public Accounts Committee issues raised in 2020-21.

Accounting Treatment of COVID Emergency Schemes

The Small Business Grant Scheme (SBGS) was launched in March 2020 in response to the unprecedented impact of the COVID-19 pandemic. This was a NI Executive initiative to provide one-off emergency grants to small businesses to help mitigate the potential threat of business closures.

In order to deliver SBGS, along with similar emergency COVID schemes that followed in 2021-22, and are detailed in the table below, DfE agreed a Memorandum of Understanding (MOU) with Invest NI and DoF / Land and Property Services (LPS). Invest NI's responsibility under the MOU was to account for the schemes on an accruals basis, with DfE accounting for them as cash-based Grant-in-Aid. This approach was based on legal advice received by DfE at the design phase of the schemes and was discussed with DoF and NIAO during the design and implementation of SBGS.

The expenditure on the schemes that utilised this approach was as follows:

Scheme	2020-21 £ million	2019-20 £ million
Small Business Grant Scheme	23.2	220.0
Tourism and Retail Sectors Grant	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	39.9	0.0
Wet Pubs Scheme	4.1	0.0
TOTAL	**140.8**	**220.0**

Whilst the 2019-20 accounts included a qualified opinion on regularity in respect of the Small Business Grant Scheme, the true and fair opinion was not qualified. However, during the course of their audit of Invest NI's 2020-21 accounts, NIAO has further reviewed the arrangements and accounting treatment relating to these four emergency schemes, and concluded that, based on substance over legal form, DfE, rather than Invest NI, should have accounted for the Grant expenditure and costs of administration in its accounts.

The DfE position, which is supported by advice from Senior Counsel and DoF, is that the arrangements represented a function of Government by which the DfE Accounting Officer delegated delivery of the schemes to Invest NI (a Non-Departmental Public Body), with administrative support from DfE and LPS due to the resources required and time constraints caused by the emergency nature of the schemes. As such, the accounting treatment reflects the model used in Northern Ireland to deliver public services, with the Department working in partnership with its NDPB.

Furthermore, DfE has been clear in its view that there is open and fulsome disclosure within the accounts of both Invest NI and DfE, which provides the information necessary to understand the transactions taking place.

This supports the most relevant concept in the IFRS Conceptual Framework (as interpreted by the Government Financial Reporting Manual (the FReM) in ensuring the usefulness of the accounts to Parliament (including the NI Assembly).

DfE also considered the importance to NI Assembly Members of expenditure in respect of a grant scheme being disclosed in the entity in respect of which the Executive has approved the Budget/Supply, which in turn will be in line with the entity whose remit, and legal vires, covers the expenditure. The DfE view is that when budget cover has been made available to an NDPB for an activity which falls within its remit and vires, "it would not be desirable or useful to Members for that expenditure to be moved to the NDPB's parent Department". The result would, in DfE's view, be superficially "illegal" expenditure, even though the Budget cover and legal vires was legitimately available in a body in the same Departmental family under the control of the same Minister".

Invest NI has considered this information in the context of the responsibilities of its Accounting Officer, as laid out in the MSFM, to *"sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, Department or DoF"*. Therefore, given the MOU instructions previously provided by DfE, and subsequently supported by DoF, and in the interests of ensuring that the grants are appropriately reflected in the Invest NI or DfE overall position, Invest NI will not adjust its accounts for this matter. This position has been shared with members of Invest NI's Audit and Risk Committee, who are in agreement.

As a result, the related grant expenditure remains in the Invest NI accounts rather than the DfE accounts and the Comptroller and Auditor General has therefore provided an Adverse True and Fair audit opinion for DfE's and Invest NI's accounts for 2020-21.

COVID-19 Emergency Schemes

In addition to the schemes discussed above, DfE also launched five further NI Executive emergency schemes which were delivered by Invest NI to a large number of businesses. The rapid pace of the design and delivery of these schemes increased the inherent risk of fraud, error and loss of funds. The comprehensive risk assessment for each of the schemes meant that the DfE Accounting Officer could not conclude that they would deliver value for money or that the risk of fraud and error would be acceptable under ordinary circumstances. As a result, approval for the implementation of the schemes was by Ministerial Direction.

In recognition of the emergency nature of the schemes and in order to facilitate the required speed of delivery, each of the five schemes relied on self-declarations made by applicants to confirm eligibility. The risk of fraud associated with this approach was acknowledged and documented, and accepted only under the specific requirements of these schemes to deliver emergency funding. In order to mitigate against the risks, clawback provisions were built into each of the schemes and DfE assumed responsibility for any post payment checks as documented through the MOUs or Delivery Documents governing each scheme.

The associated expenditure recorded in Invest NI's financial statements is as follows:

Scheme	2020-21 £ million
Coronavirus Hardship Fund for Microbusinesses	23.3
COVID Restrictions Business Support Scheme (CRBSS) Part A	65.4
COVID Restrictions Business Support Scheme (CRBSS) Part B	12.8
Newly Self-Employed Support Scheme (NSESS)	8.7
Limited Company Directors Support Scheme (LCDSS)	19.6
TOTAL	**129.8**

The reliance on self-declarations meant that Invest NI was not required to obtain evidence from applicants to support eligibility for these specific criteria. During the course of their audit, NIAO has determined that, due to this absence of audit evidence to verify whether the self-declarations were accurate, there is a limitation in the scope of its work. As a result, the Comptroller and Auditor General is unable to form an opinion on whether the expenditure in the table above has been used for the purpose intended and has therefore disclaimed his regularity audit opinion.

The schemes in question were designed and delivered at rapid pace in order to combat the impact of COVID-19 on businesses. The risk of fraud and error was identified at the outset at scheme design stage. Where possible, as part of its delivery role, Invest NI put in place processes designed to ensure that all reasonable governance and control mechanisms were established prior to payments being made, albeit in a proportionate manner given the nature of the urgency with which the schemes were introduced. These processes and checks allowed Invest NI to quickly identify and recover a small number of ineligible payments. Despite the urgency in both design and delivery, Invest NI noted that no payment errors or instances of non-compliance with the agreed processes were identified by NIAO during the audit. The NIAO qualifications relate specifically to the accounting treatment between DfE and Invest NI and the limitations in audit scope as a result of the use of self-declarations to facilitate emergency payments.

Delivery of the schemes was a NI Executive priority and Invest NI is satisfied that all reasonable steps were taken to ensure that loss of funds through fraud and error was minimised and mitigated through clawback provisions and other controls and processes, including any post-payment checks by DfE.

Glenmore Generation Limited

In 2015 Invest NI developed a business case to support the development of an anaerobic digestion plant at the Glenmore Estate in County Donegal under the Sustainable Use of Poultry Litter (SUPL) scheme. The business case was approved by the DFP (now DoF) and DETI (now DfE) Ministers.

The SUPL scheme was designed to address specific environmental challenges associated with a growing food processing sector and to offer significant benefits to the NI economy. The policy imperative in supporting this project was clear given the environmental pressures for Northern Ireland's agri-food sectors.

The total cost of the Glenmore project was estimated as £24.3m, with £1 million being input by the project promoter and main contractor. The promoter was the ultimate owner of Glenmore Generation Limited (Glenmore). Of the remaining £23.3 million funding requirement, Invest NI would contribute 40 percent (£9.3 million), which would be drawn down in tranches, and a private sector partner would supply the remaining 60 percent (£14.0 million). The financing offered by Invest NI was in the form of a loan on a pari passu basis with the private sector investment.

There is no doubt that this was a complex and challenging project, with Invest NI's support leveraging external private investment in order to offer potentially significant benefits to the NI economy and specifically for the agri-food sector through the processing of waste material. The technical difficulties were identified at the outset and Invest NI sought to mitigate the risk profile of the project in part through the structuring of support as a loan instead of grant aid. This risk sharing approach was cognisant of the complex nature of the project and was an attempt to ensure that if successful, the project would provide a return as well as addressing the environmental challenges.

As the project developed some of these risks materialised, and the anaerobic digestion plant suffered significant commissioning issues and was struggling to ramp up to profitable levels. Over the course of the project additional investment was required, with Invest NI approving further loan funding of £0.93m alongside private sector contribution of £1.395m in August 2017 for project costs outside the scope of the original offer. Although the overall value of the Invest NI loan was within the limits initially approved by DoF Supply, further private sector investment meant that seniority rankings changed, meaning the private sector partner now held seniority over the initial loans from both parties.

In response to ongoing losses, the Glenmore directors obtained professional advice and subsequently sought an expedited sale of the company. A sale to a third party could not be achieved, with Glenmore being refinanced and remaining under the control of the project promoter. Invest NI sought separate financial advice, which indicated that while the refinancing would offer no financial return to Invest NI, it was the best, and possibly only, opportunity for the project to be turned around so that it might achieve the dual benefits originally envisaged, namely the sustainable use of poultry litter and the production of biogas for use by NI companies. It is important to note that the environmental outcomes are still being delivered through the ongoing operations of the Glenmore plant, ultimately delivering benefits to the Northern Ireland economy. However, the technical and operational challenges in this complex project, resulted in failure to deliver the projected financial outcomes, ultimately leading to the non-recovery of the loan.

In April 2021 Invest NI therefore approached DoF for approval to write off a loss totalling £14.2 million on the Glenmore loan (compromising loans of £9.3 million and accumulated interest owing of £4.9 million).

The approval for this write off was initially granted by DoF, to allow the refinancing to proceed. However, upon review of a report on the Glenmore project by Invest NI's internal auditors, which had been commissioned by Invest NI Audit and Risk Committee in November 2020, DoF Supply identified a number of issues that led it to conclude that some of the conditions attached to its original approval for the project were not met, and that the expenditure on the loan was therefore irregular. As a result, the Comptroller and Auditor General has provided a qualified audit opinion on the regularity of income and expenditure due to the irregular expenditure of £10.4 million and £0.4 million of interest income included in Invest NI's 2020-21 accounts relating to the Glenmore loan.

The issues identified and relevant comments from Invest NI are provided in the table below:

Issue Raised	Invest NI Comments
Invest NI's reliance on the private sector partner's conclusion that preconditions for the loan had been met prior to drawdown.	We acknowledge that the work carried out by Invest NI to assess whether the pre-conditions had been met was not sufficiently thorough and that too much reliance was placed on the due diligence undertaken by the private sector partner.
The DoF Supply team was to be advised of all proposals specifically relating to the refinancing of the debt as a condition of its approval of the loan but was not informed of a number of changes affecting the scope and scale of the project and its risk profile.	Invest NI reviewed the circumstances of the refinancing of the loan and consulted with DfE on the need to revert to DoF Supply for re-approval. However, this assessment and discussions with DfE centred on whether or not there was a change in scale or scope and it was agreed that the scope of the project was largely the same although the scale, measured by way of the total investment, was greater. There were exceptional circumstances that led to an increase in costs related to the project that were neither planned nor anticipated but we took the view that the underlying project remained fundamentally the same, albeit at a higher cost. As the increase of Invest NI's loan facility was within the 10% tolerance it was determined that the change was not material and it did not need to be referred back to DfE / DoF. We accept that we did not consider the circumstances in their totality and that DoF should have been consulted about the requirement for re-approval at this point.
The risk register for the project was not maintained, after DoF Supply having provided approval on the basis of assurances as to how project risk would be managed.	A detailed risk assessment was completed for the project casework, with the project being monitored thereafter in line with Invest NI existing guidance. We accept that the absence of a project specific risk register, meant that the monitoring and escalation process was not sufficiently robust to manage the changing risk profile.

The issues raised by Internal Audit and DoF Supply and the subsequent areas for improvement identified have now been included in the Corporate Governance action plan that is overseen by the newly formed Invest NI Governance Oversight and Compliance Council (GOCC). The GOCC was formed in mid-2021 to implement best practice and improvements right across the governance framework and reports regularly to the Audit & Risk Committee on its work plan and priorities.

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 Report Year ended 31 March 2021

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

Chair and Board members

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

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

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

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

	Salary (£'000)		Benefits in kind (to nearest £100)	
	2020-21	2019-20	2020-21	2019-20
Rose Mary Stalker (Chair from 1 August 2019)	45	34	-	400
Mark Ennis (Chair until 31 July 2019)	-	16	-	-
Ken Nelson (Retired 31 March 2020)	-	13	-	-
Gerard O'Hare (Retired 31 March 2020)	-	13	-	-
Scott Rutherford (Retired 31 March 2020)	-	13	-	-
Deborah Lange	13	13	-	300
Mark Nodder	13	13	-	-
Mark Sweeney	13	13	-	700
Padraig Canavan	13	13	-	-
Brian Baird (Retired 31 March 2021)	13	13	-	-
Judith Totten	13	13	-	-
Colin Coffey (Appointed 1 April 2020)	13	-	100	-
Kieran Kennedy (Appointed 1 April 2020)	13	-	-	-
Kevin Kingston (Appointed 1 April 2020)	13	-	-	-
Marie-Therese McGivern (Appointed 1 April 2020)	13	-	-	-
Michael McQuillan (Appointed 1 April 2020)	13	-	-	-

Benefits In Kind

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

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

Executive Leadership Team

The ELT comprises of the Chief Executive and Executive Directors.

Remuneration Policy

The Remuneration Committee of the Board is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive. The annual pay increases for other members of ELT are paid on the same arrangements that apply to the Senior Civil Service (SCS). The Minister has set the 2020-21 NI public sector pay policy (September 2020) in line with the overarching HMT parameters. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS staff, for 2020-21 was announced by DoF in April 2021 and has been implemented in December 2021 following approval by DfE.

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

Service Contracts

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

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

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

Remuneration and pension entitlements

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

	Salary (£'000)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Chief Executive:								
Kevin Holland (from 21 October 2019)	170-175	75-80 (170-175 FYE)	-	-	67	30	240-245	105-110
Alastair Hamilton (until 31 December 2019)	N/A	150-155 (200-205 FYE)	N/A	-	N/A	-	N/A	150-155
Executive Directors:								
Mel Chittock	100-105	95-100	-	-	65	49	165-170	145-150
Jeremy Fitch	105-110	100-105	-	-	52	51	155-160	150-155
Amanda Braden (until 5 May 2020)	15-20 (75-80 FYE)	75-80	-	-	5	18	20-25	90-95
Denise Black (from 20 April 2020)	65-70 (70-75 FYE)	N/A	-	N/A	27	N/A	95-100	N/A
Peter Harbinson	75-80	75-80	-	-	50	29	125-130	105-110
Olive Hill (until 23 April 2019)	N/A	5-10 (75-80 FYE)	N/A	-	N/A	15	N/A	20-25
Steve Harper	100-105	95-100	-	-	41	39	145-150	135-140
Brian Dolaghan	95-100	90-95	-	-	55	56	150-155	145-150
Donal Durkan **	85-90	75-80	-	-	(7)	41	80-85	115-120
Des Gartland (until 3 June 2019)	N/A	10-15 (70-75 FYE)	N/A	-	N/A	33	N/A	40-45
Alan McKeown (from 3 June 2019)	70-75	55-60 (70-75 FYE)	-	-	28	23	100-105	80-85

The salary figures included in the table opposite reflect what was paid to the individuals during 2020-21, 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.

** Donal Durkan was appointed to the role of Executive Director, Outcomes Value and Impact on a fixed term basis from 1 October 2020.

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 2020-21 or the previous year.

Pay Multiples

The following section is subject to audit

	2020-21	2019-20
	£'000	£'000
Band of Highest Paid Director's Total Remuneration *	170-175	200-205
	£	£
Median Total Remuneration *	38,017	37,272
Ratio	4.5	5.4

* 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 2020-21 was £170,000-£175,000 (2019-20, £200,000-205,000). This was 4.5 times (2019-20, 5.4) the median remuneration of the workforce, which was £38,017 (2019-20, £37,272). The change in the pay ratio since the prior year is as a result of a change in the highest paid director offset by increases to the median level of remuneration. The median represents the mid-point of all the salaries in the organisation.

In 2020-21, one employee (2019-20, no employees) received total remuneration in excess of the highest-paid director. This employee has been temporarily posted overseas on a fixed term contract and the total remuneration reported includes in-country related costs of the assignment which are grossed up for tax purposes. These costs are temporary during the period of relocation.

Remuneration ranged from £19,000 to £210,000-215,000 (2019-20, £19,000 to £200,000-205,000).

Pension Entitlements

Pension details of ELT as at 31 March 2021 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Kevin Holland	5-10 plus nil lump sum	2.5-5 plus nil lump sum	79	24	40	-
Mel Chittock*	35-40 plus 95-100 lump sum	2.5-5 plus 2.5-5 lump sum	796	720	48	-
Jeremy Fitch	45-50 plus 90-95 lump sum	2.5-5 plus 0-2.5 lump sum	849	783	34	-
Amanda Braden	10-15 plus nil lump sum	0-2.5 plus nil lump sum	184	182	3	-
Peter Harbinson	30-35 plus nil lump sum	2.5-5 plus nil lump sum	599	540	38	-
Steve Harper	10-15 plus nil lump sum	0-2.5 plus nil lump sum	118	88	19	-
Brian Dolaghan	35-40 plus nil lump sum	2.5-5 plus nil lump sum	618	555	38	-
Donal Durkan	35-40 plus 90-95 lump sum	0-2.5 plus nil lump sum	756	746	(19)	-
Denise Black	0-5 plus nil lump sum	0-2.5 plus nil lump sum	20	-	15	-
Alan McKeown	0-5 plus nil lump sum	0-2.5 plus nil lump sum	36	16	15	-

* The prior year Cash Equivalent Transfer Value (CETV) figure for this individual has been restated by Civil Service Pensions.

Northern Ireland Civil Service (NICS) Pension Schemes

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

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

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

Discrimination identified by the courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relates to the different schemes e.g. **classic**, **alpha** etc. and is not the monetary benefits received. This is known as the 'McCloud Remedy' and will impact many aspects of the Civil Service Pensions schemes including the scheme valuation outcomes. Further information on this will be included in the NICS pension scheme accounts which are available at **https://www.finance-ni.gov.uk/publications/dof-resourceaccounts**.

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

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

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

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

Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

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

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

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 2020 was 0.5% and HM Treasury has announced that public service pensions will be increased accordingly from April 2021.

Employee contribution rates for all members for the period covering 1 April 2021 – 31 March 2022 are as follows:

Scheme Year 1 April 2021 to 31 March 2022

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - All members
From	To	From 1 April 2021 to 31 March 2022
£0	£24,199.99	4.6%
£24,200.00	£55,799.99	5.45%
£55,800.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Cash Equivalent Transfer Values

A 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. In 2020-21 one member (2019-20: one member) of ELT retired early at no additional cost to Invest NI.

Payments to past Directors

The following section is subject to audit
No payments have been made to former directors in either the current or previous year.

Staff Report

Staff Costs

The following section is subject to audit

	Group				
	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2020-21 Total £'000	2019-20 Total £'000
Wages and salaries	25,428	4,611	706	30,745	28,372
Social security costs	2,644	-	27	2,671	2,494
Other pension costs	7,220	-	67	7,287	6,950
Sub total	**35,292**	**4,611**	**800**	**40,703**	**37,816**
Less recoveries in respect of outward secondments and others	(278)	-	-	(278)	(303)
Total net costs	**35,014**	**4,611**	**800**	**40,425**	**37,513**

	Invest NI				
	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2020-21 Total £'000	2019-20 Total £'000
Wages and salaries	24,570	4,611	706	29,887	27,488
Social security costs	2,563	-	27	2,590	2,414
Other pension costs	6,989	-	67	7,056	6,727
Sub total	**34,122**	**4,611**	**800**	**39,533**	**36,629**
Less recoveries in respect of outward secondments and others	(402)	-	-	(402)	(427)
Total net costs	**33,720**	**4,611**	**800**	**39,131**	**36,202**

* Others include Board members, temporary staff/external secondees and employees who are engaged on a fixed term contract. Included within wages and salaries above are costs of £439,000 (2019-20: £691,000) in respect of external secondees and temporary staff.

Note: the 2019-20 Wages and salaries figure has been reanalysed to include £307,000 of costs previously included under the heading of 'Purchase of Goods and Services' in order to improve comparability.

Pension Costs

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but Invest NI is unable to identify its share of the underlying assets and liabilities.

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

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations.

The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance have also commissioned a consultation in relation to the Cost Cap Valuation which will close on 25 June 2021. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. On completion of the consultation the 2016 Valuation will be completed and the final cost cap results will be determined.

For 2020-21, employers' contributions of £7,045,000 were payable to the NICS pension arrangements (2019-20 £6,693,000) at one of three rates in the range from 28.7 percent to 34.2 percent of pensionable pay, based on salary bands.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,000 (2019-20: £32,000) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8 to 14.75 percent (2019-20: 8 to 14.75 percent) of pensionable pay.

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

Employer contributions of £Nil, 0.5 percent (2019-20: £1,000, 0.5 percent) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £1,000 (2019-20: £1,000). Contributions prepaid at that date were £Nil (2019-20: £Nil).

One person (2019-20: four persons) retired early on ill-health grounds. The total additional accrued pension liabilities amounted to £7,000 (2019-20: £1,000).

NI-CO contributed £232,000 (2019-20: £223,000) 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	2020-21 Total	2019-20 Total
Directly employed	569	8	577	574
Temporary staff/external secondees	-	10	10	10
Board members	-	12	12	10
Overseas staff	-	55	55	49
NI-CO staff	26	-	26	27
Total	**595**	**85**	**680**	**670**

Invest NI	Permanently employed staff	Others	2020-21 Total	2019-20 Total
Directly employed	569	8	577	574
Temporary staff/external secondees	-	10	10	10
Board members	-	12	12	10
Overseas staff	-	55	55	49
Total	**569**	**85**	**654**	**643**

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

	2020-21			2019-20		
Information on people	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board members	8	4	12	7	3	10
Senior civil servants (SCS)*	15	6	21	16	5	21
Number of employees (excluding SCS)	291	356	647	293	361	654
Total	**314**	**366**	**680**	**316**	**369**	**685**

* Senior civil servants are defined as a member of staff at Grade 5 or above. The 21 employees referred to above comprise one individual at Grade 1, five individuals at Grade 3 and 15 individuals at Grade 5.

Staff turnover

Group	2020-21	2019-20
Staff turnover percentage	5.9	8.6

Invest NI	2020-21	2019-20
Staff turnover percentage	6.2	9.0

Off-payroll engagements

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

Off payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021:

	Total
No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on-payroll that have been deemed Board members, and/or, senior officials with significant financial responsibility, during the financial year.	22

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 £6,000 (2019-20: £Nil) were incurred and there was expenditure of £147,000 (2019-20: £74,000) on temporary staff during the year.

Employee-related policies

Invest NI's policy on Equality of Opportunity aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance.

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

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

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

As part of its commitment to promoting an ethos of valuing everyone as an individual, Invest NI has created a Diversity and Inclusion Strategy, and has signed up to the Diversity Mark NI Charter.

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 2020-21 year was 2.18 percent including long-term sickness (2019-20: 3.11 percent). In 2020-21, the NI Civil Service's absence rate was 4.4 percent (2019-20: 5.9 percent).

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 support with further education and study leave. It is committed to the continuous development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. It ensures that all learning interventions are aligned to the business strategy and organisational values.

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

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

Accountability Report
Assembly Accountability and Audit Report

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

Losses and special payments

The following sections are subject to audit

Losses

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

	Group and Invest NI					
Waiver/Write off	2021 Losses £'000	2021 No. of cases >£250k*	2021 No. of cases <£250k	2020 Losses £'000	2020 No. of cases >£250k*	2020 No. of cases <£250k
Grants recoverable	762	-	29	1,137	-	33
Others including investments and accrued income	3,611	6	16	634	2	8

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

* Invest NI supports companies via grants, loan and share investments. If an event occurs that results in the investment being irrecoverable or the grant requiring clawback, a loss can occur. These events include, for example, abandonment of project supported or company failure. Of the six cases noted over £250,000, five related to share investments and one to a foreign exchange loss on European funding drawdown. Within the five share investment cases, two also had an element of grant and one also involved a loan. Individual company names not disclosed due to commercial sensitivity.

At the year-end there are 16 cases of potential losses totalling £18,100,000 (2020: 37 cases totalling £5,249,000) that are under management review. Of these cases £2,396,000 were reported in previous years; £15,704,000 were new cases in 2020-21.

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

Special payments

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

Fees and charges

This section is subject to audit

There are no fees and charges that require disclosure.

Remote Contingent Liabilities

This section is subject to audit

There are no remote contingent liabilities that require disclosure.

Mel Chittock
Accounting Officer
Date: 23 February 2022

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

Adverse opinion on financial statements

I certify that I have audited the financial statements of Invest Northern Ireland and its group for the year ended 31 March 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

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

In my opinion, because of the significance of the matters described in the *Basis for adverse opinions* section, the group financial statements:

- do not give a true and fair view of the state of the group's and of Invest Northern Ireland's affairs as at 31 March 2021 and of the group's and Invest Northern Ireland's net expenditure for the year then ended; and
- have not been properly prepared in accordance with the Industrial Development Act (Northern Ireland) 2002 and Department for the Economy directions issued thereunder.

Emphasis of matter

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

Adverse opinion on regularity

In my opinion, because of the significance of the matter described in the *Basis for adverse opinions* section, in all material respects the expenditure and income recorded in the financial statements have not been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements do not conform to the authorities which govern them.

Basis for adverse opinions

I disagree with the accounting treatment of COVID-19 business support grants administered by the Department for the Economy. These have been accounted for as if the expenditure was controlled by Invest Northern Ireland, however in my opinion was operated, administered and controlled by the Department for the Economy itself and, in order to provide a true and fair view, should not have been accounted for by Invest Northern Ireland. I reached this view since the Department for the Economy designed and delivered the scheme and incurred the expenditure, while instructing Invest Northern Ireland to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. This has resulted in misstatements in 2020-21 of £286.1 million of an overstatement to the General Fund arising from notional Grant-in-Aid, £140.8 million of overstated Grant expenditure, £7 million of overstated accruals and £152.3 million of understated opening General Fund reserve. My opinion is also modified with respect to the corresponding figures. As such, the comparative figures for 2019-20 also have an overstated General Fund of £67.7 million relating to notional Grant-in-Aid, overstated by £220 million for Grant expenditure, and overstated by £152.3 million for related accruals.

In my opinion the substance of these transactions was that the Department for the Economy itself was responsible for this expenditure, not Invest Northern Ireland. The value of these grants formed a significant proportion of expenditure reflected in Invest Northern Ireland's financial statements in 2020-21 and in the comparative year.

In addition, given the related issue referred to below, the financial statements do not disclose irregular expenditure of £140.8 million, as required by the Accounts Direction issued by the Department for the Economy.

As a result of these issues I have therefore given an adverse audit opinion, that the financial statements do not provide a true and fair view.

Since, in my opinion, it was the Department for the Economy and not Invest Northern Ireland which expended £140.8 million on the COVID-19 business support grants referred to above, Invest Northern Ireland's legal powers under the Industrial Development (Northern Ireland) Order 1982 cannot be relied upon to confirm regularity of these transactions. Given that these grants form a substantial proportion of the financial statements, in the absence of the Department for the Economy having sufficient powers in place itself, I have concluded that the income and expenditure in the financial statements have not been applied to the purposes intended by the Assembly, and that the financial transactions recorded in the financial statements do not conform to the authorities which govern them.

In addition to this, I have been unable to obtain sufficient appropriate evidence over £129.8 million of grant expenditure for COVID-19 business support schemes administered by Invest Northern Ireland. These schemes relied upon self-declarations made by applicants to assess eligibility. No corroborating evidence was available to verify the information in the declarations made by applicants and there were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure.

The scope of my audit was therefore limited. Had I not issued an adverse regularity audit opinion on the matter referred to above, I would have disclaimed my regularity audit opinion, because the impact of this limitation is of such significance that, I would not have been able to express an opinion on the regularity of the income and expenditure recorded in the financial statements. This is because I could not conclude upon whether the expenditure had been made for the purposes intended by the Assembly and conformed to the authorities which governed it.

On a further matter, the Statement of Comprehensive Net Expenditure includes an impairment charge of £10.4 million against a loan made to Glenmore Generation Limited in earlier years, having already impaired the loan by £3.8 million in previous years. Related interest income of £0.4 million is also included in the financial statements. In 2021 the Department of Finance (DoF) determined that the original loan of £14.2 million and any transactions flowing from it, was irregular since Invest Northern Ireland did not comply with the conditions of DoF's approval. Therefore expenditure of £10.4 million and income of £0.4 million, reflected in the Statement of Comprehensive Net Expenditure, is irregular. Had I not provided an adverse regularity audit opinion, I would have qualified my opinion in respect of this irregular income and expenditure.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019, 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 adverse opinion on financial statements and regularity.

Conclusions relating to going concern

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

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

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

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

Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I report by exception

Except for information related to Net Expenditure in 2020-21 and 2019-20 which is impacted by my adverse opinion on the financial statements, and in the light of the knowledge and understanding of Invest Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

I have not received all of the information and explanations that I considered necessary to confirm the regularity of £129.8 million of COVID-19 business support grant expenditure administered by Invest Northern Ireland.

Adequate accounting records have not been kept for the £140.8 million of expenditure for grants administered by the Department for the Economy.

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

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Accounting Officer's Responsibilites, the Accounting Officer is responsible for:

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to Invest Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Industrial Development Act (Northern Ireland) 2002, the Financial Assistance Act (Northern Ireland) 2009, health and safety legislation and relevant tax laws;
- making enquires of management and those charged with governance on Invest Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Invest Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure on grant schemes and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- communicating with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, reviewing legislation, performing substantive testing on grant awards, carrying out data analytics on grant applicants, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;

- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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

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

My detailed observations are included in my report attached to the financial statements at pages 184 to 194.

K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Upper Galwally
Belfast
BT8 6RB
Date: 4 March 2022

Consolidated Statement of Comprehensive Net Expenditure - For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue from contracts with customers	5	9,903	12,601
Other operating income	5	20,399	49,340
Total Operating income	**5**	**30,302**	**61,941**
Staff Costs	3	(40,425)	(37,513)
Purchase of goods and services	3	(27,403)	(34,799)
Depreciation and impairment charges	3	(2,627)	(3,845)
Decrease/(Increase) in Provisions	3	10,968	(6,381)
Other Operating Expenditure	3	(97,320)	(86,378)
COVID-19 Business Support Schemes	3	(270,720)	(220,000)
Total operating expenditure	**3**	**(427,527)**	**(388,916)**
Net operating expenditure		**(397,225)**	**(326,975)**
Finance income		1,271	54
Finance expense		(1,002)	(1,502)
Net expenditure for the year before taxation		**(396,956)**	**(328,423)**
Tax	6(i)	(837)	(531)
Net expenditure for the year after taxation		**(397,793)**	**(328,954)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	6(iii)	1,302	12,738
Net gain/(loss) on revaluation of intangible assets	9	16	-
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	12	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2021		**(396,475)**	**(316,216)**

All activities derive from continuing operations.

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

Statement of Comprehensive Net Expenditure – Invest NI - For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue from contracts with customers	5	488	1,238
Other operating income	5	19,896	48,835
Total Operating income	**5**	**20,384**	**50,073**
Staff Costs	3	(39,131)	(36,202)
Purchase of goods and services	3	(23,257)	(28,645)
Depreciation and impairment charges	3	(2,085)	(3,308)
Decrease/(Increase) in Provisions	3	10,968	(6,381)
Other Operating Expenditure	3	(97,320)	(86,378)
COVID-19 Business Support Schemes	3	(270,720)	(220,000)
Total operating expenditure	**3**	**(421,545)**	**(380,914)**
Net operating expenditure		**(401,161)**	**(330,841)**
Finance income		-	-
Finance expense		-	-
Net expenditure for the year before taxation		**(401,161)**	**(330,841)**
Tax	6(i)	-	-
Net expenditure for the year after taxation		**(401,161)**	**(330,841)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	7	842	11,409
Net gain/(loss) on revaluation of intangible assets	9	16	-
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	12	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2021		**(400,303)**	**(319,432)**

All activities derive from continuing operations.

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

Consolidated Statement of Financial Position As at 31 March 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	7	77,857	80,184
Investment properties	8	7,600	7,600
Intangible assets	9	23,443	20,868
Investments in associates	11	53,002	55,241
Financial assets	12	45,625	48,768
Trade and other receivables	13	3,447	4,341
Total non-current assets		**210,974**	**217,002**
Current assets			
Trade and other receivables	13	34,652	49,192
Cash and cash equivalents	14	29,403	22,808
Assets classified as held for sale	15	150	-
Total current assets		**64,205**	**72,000**
Total assets		**275,179**	**289,002**
Current liabilities			
Trade and other payables	16	(81,968)	(194,831)
Borrowings	17	(635)	(893)
Current tax liability		(228)	(295)
Provisions	18	(31,003)	(41,970)
Total current liabilities		**(113,834)**	**(237,989)**
Total assets less current liabilities		**161,345**	**51,013**
Non-current liabilities			
Borrowings	17	(14,800)	(15,438)
Derivative financial instruments	20	(5,055)	(6,270)
Deferred tax liability	6(iii)	(955)	(660)
Total non-current liabilities		**(20,810)**	**(22,368)**
Total assets less total liabilities		**140,535**	**28,645**
Taxpayers' equity and other reserves			
Revaluation reserve		23,708	22,920
General reserve		116,827	5,725
Total equity		**140,535**	**28,645**

Notes **1 to 26** form part of these accounts. The financial statements on pages **106 to 183** were approved by the Board on 23 February 2022 and signed on its behalf by:

M. Chittock

Mel Chittock
Accounting Officer
Date: 23 February 2022

Statement of Financial Position – Invest NI As at 31 March 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	7	50,153	52,617
Intangible assets	9	3,509	934
Investments in subsidiaries	10	17,593	17,593
Investments in associates	11	53,002	55,241
Financial assets	12	45,625	48,768
Trade and other receivables	13	3,447	4,341
Total non-current assets		**173,329**	**179,494**
Current assets			
Trade and other receivables	13	33,728	47,717
Cash and cash equivalents	14	2,332	457
Assets classified as held for sale	15	150	-
Total current assets		**36,210**	**48,174**
Total assets		**209,539**	**227,668**
Current liabilities			
Trade and other payables	16	(72,636)	(187,860)
Provisions	18	(31,003)	(41,970)
Total current liabilities		**(103,639)**	**(229,830)**
Total assets less current liabilities		**105,900**	**(2,162)**
Non-current liabilities			
Provisions	18	-	-
Total assets less total liabilities		**105,900**	**(2,162)**
Taxpayers' equity and other reserves			
Revaluation reserve		17,715	17,387
General reserve		88,185	(19,549)
Total equity		**105,900**	**(2,162)**

Notes **1 to 26** form part of these accounts. The financial statements on pages **184 to 194** were approved by the Board on 23 February 2022 and signed on its behalf by:

Mel Chittock
Accounting Officer
Date: 23 February 2022

Consolidated Statement of Cash Flows Year ended 31 March 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Net expenditure before taxation			(396,956)		(328,423)
Adjustments for other non-cash transactions	19	326,982		109,022	
Finance costs		1,002		1,502	
Finance income		(1,271)		(54)	
Decrease in trade and other receivables		13,008		876	
(Decrease)/increase in trade and other payables		(108,650)		149,899	
Use of provisions		(34,692)		(30,634)	
			196,379		230,611
Net cash (outflow) from operating activities			**(200,577)**		**(97,812)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(741)		(2,240)	
Purchase of intangible assets		(2,023)		(438)	
Proceeds of disposal of property, plant and equipment		2,321		2,513	
Repayments from other bodies		10,573		14,653	
Investment in associates		(10,364)		(19,702)	
Investment in financial assets		(8,019)		(6,148)	
Loan interest and dividends received		632		249	
Interest paid		(1,002)		(1,068)	
Corporation tax (paid)/repaid		(611)		(445)	
Net cash (outflow) from investing activities			**(9,234)**		**(12,626)**
Cash flows from financing activities					
Grants from sponsoring department		222,047		108,051	
Consolidated fund payments to DfE		(24)		-	
Repayment of borrowings		(896)		(606)	
Net financing			**221,127**		**107,445**
Net increase/(decrease) in cash and cash equivalents in the year			**11,316**		**(2,993)**
Cash and cash equivalents at the beginning of the year			**18,087**		**21,080**
Cash and cash equivalents at the end of the year	**14**		**29,403**		**18,087**

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

Consolidated Statement of Changes in Taxpayers' Equity - Year ended 31 March 2021

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2019	**159,706**	**9,033**	**168,739**
Changes in Taxpayers' Equity for 2019-20			
Decrease in deferred tax liability	-	102	102
Other reserves movements including transfers	(1,047)	1,047	-
Comprehensive Net Expenditure for the Year	(328,954)	12,738	(316,216)
Grants from sponsoring department:			
Cash	108,051	-	108,051
Notional	67,700	-	67,700
Reversal of notional costs	269	-	269
Balance at 31 March 2020	**5,725**	**22,920**	**28,645**
Changes in Taxpayers' Equity for 2020-21			
Other reserves movements including transfers	530	(530)	-
Comprehensive Net Expenditure for the Year	(397,793)	1,318	(396,475)
Grants from sponsoring department:			
Cash	222,047	-	222,047
Notional	286,093	-	286,093
Reversal of notional costs	225	-	225
Balance at 31 March 2021	**116,827**	**23,708**	**140,535**

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

Statement of Changes in Taxpayers' Equity – Invest NI - Year ended 31 March 2021

	General reserve £'000	Revaluation reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2019	**134,581**	**6,669**	**141,250**
Changes in Taxpayers' Equity for 2019-20			
Other reserves movements including transfers	691	(691)	-
Comprehensive Net Expenditure for the Year	(330,841)	11,409	(319,432)
Grants from sponsoring department:			
Cash	108,051	-	108,051
Notional	67,700	-	67,700
Reversal of notional costs	269	-	269
Balance at 31 March 2020	**(19,549)**	**17,387**	**(2,162)**
Changes in Taxpayers' Equity for 2020-21			
Other reserves movements including transfers	530	(530)	-
Comprehensive Net Expenditure for the Year	(401,161)	858	(400,303)
Grants from sponsoring department:			
Cash	222,047	-	222,047
Notional	286,093	-	286,093
Reversal of notional costs	225	-	225
Balance at 31 March 2021	**88,185**	**17,715**	**105,900**

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

Notes to the Accounts Year ended 31 March 2021

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 2020-21 *Government Financial Reporting Manual (FReM)* issued by DoF. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

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

Accounting conventions

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Adoption of new and revised standards

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

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material

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

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

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

- The implementation of IFRS 16 Leases (IFRS deadline effective 1 January 2019) has been delayed by HM Treasury in the FReM until 1 April 2022.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018 – 2020 Cycle
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policy
- Amendments to IAS 8 Definition of Accounting Estimates

1. ACCOUNTING POLICIES (CONTINUED)

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

The adoption of IFRS 16 will have a material impact on the group's financial statements in the period of initial application, as all operating leases will be brought on to the Statement of Financial Position as a right of use asset with a corresponding lease liability. As a number of existing leases will expire before the effective date of 1 April 2022 and new leases may be entered into before that date it is not possible to quantify the initial impact at this point. The ongoing COVID-19 pandemic will have an impact on decision-making regarding entering into leases between now and the date of transition.

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

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

HM Treasury has mandated a number of public sector interpretations to the standard to improve consistency across the public sector and to ease implementation. Upon transition, Invest NI shall recognise the cumulative effect of initially applying the Standard at the date of initial application (1 April 2022) as an adjustment to taxpayers' equity. There will also be no requirement to reassess whether a contract is, or contains, a lease at the date of initial application.

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.

1. ACCOUNTING POLICIES (CONTINUED)

After initial recognition, investment properties are carried at fair value. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recorded in Net Expenditure.

Assets held for sale

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

Intangible assets

Goodwill

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

Acquired intangible assets

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

Internally-generated intangible assets

Development expenditure incurred on an individual project is carried forward only if all the criteria set out in IAS 38 'Intangible Assets' are met, namely:

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

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

Financial instruments

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

Financial assets

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

(i) Classification

The group classifies its financial assets in the following measurement categories:

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

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

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

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

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

Impairment of financial assets

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

(i) Significant increase in credit risk

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

Financial liabilities

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

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

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.

1. ACCOUNTING POLICIES (CONTINUED)

Interest income

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

Trade receivables

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

Cash and cash equivalents

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

Trade payables

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

Borrowings

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Investments in subsidiaries

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

Investments in associates

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

Investments in associates are 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.

1. ACCOUNTING POLICIES (CONTINUED)

Financing from DfE

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

Foreign currency translation

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

Income

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

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

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

Other operating income includes:

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

Judgements and key sources of uncertainty

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

The grant provision is a critical accounting estimate. Grants are paid by Invest NI to client companies under the terms and conditions of financial assistance agreements. These agreements last for a number of years and assistance is only payable when eligible activities have been satisfactorily undertaken. The grant accruals calculated for financial assistance agreements are based on a review of claims received at the year-end.

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

Whilst it is recognised that this involves an element of estimation of the liability owed to third parties, an annual review is carried out to assess the amount of the provision that is subsequently claimed by client companies and therefore utilised. Any element of the previous year provision that is not subsequently claimed will be released or re-provided for in the following financial year. Grants will continue to be provided where companies can demonstrate meeting the defined terms of their financial assistance agreement.

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

While there was no impact on the building valuation during the year reported, the full nature of the COVID-19 outbreak is difficult to assess and uncertainty in commercial rental markets may affect the building valuation during the coming year. As at the valuation date, LPS considers that due to the COVID-19 pandemic, there is a shortage of reliable market evidence for comparison purposes, to inform opinions of value. Therefore, the valuations provided by LPS were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Global Standards. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. Management will monitor this area by performing an internal mid-year assessment of a comparable commercial property market.

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

Going concern

All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2021-22 has been approved at an opening value of £121m, of which £100.5m relates to Resource funding and £20.5m to Capital funding. Planned activities for 2021 22 have been formulated in light of the requested funding applied to DfE. Therefore, the future financing of any Invest NI liabilities is expected to be met by DfE. The uncertainty as to the future impact on the Group of the COVID-19 pandemic has also been considered as part of the Group's adoption of the going concern basis. In this context, the accounts have been prepared on a going concern basis.

2. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT

The following Invest NI operating segments have been identified under IFRS 8 Operating Segments (Further information about the structure of the organisation is detailed on page 58):

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

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

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

Services provided by each segment

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

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

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

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

- The Regional Business Group supports new and existing businesses, through the Regional Office Network, offering advice and relevant support. The primary objectives of the Regional Business Group are to encourage enterprise and entrepreneurship, to improve the capability and capacity of local businesses to compete in export and global markets and to encourage local economic development and sub-regional economic growth. More widely, as statutory partners in the Community Planning process, the Regional Office Network works closely with Councils and Stakeholders in the development and delivery of local actions to improve economic well-being through the pooling of resources at a sub-regional level.

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

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

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

- The COVID-19 Business Support Schemes were delivered by a team led by Alan McKeown, Executive Director of Regional Business Group. This team drew on expertise from throughout the organisation and as such did not form part of any of the operating segments referred to above. These Schemes, together with those operated and administered by DfE/LPS but accounted for by Invest NI, are therefore reported separately in the segmental analysis on the next page.

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

2021	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	62,009	1,915	60,094
Business and Sector Development	21,519	556	20,963
Finance and Operations	27,328	17,598	9,730
Regional Business	10,070	-	10,070
Human Resources	2,651	-	2,651
International Business	14,746	49	14,697
Communications	7,168	-	7,168
Strategy	1,889	-	1,889
Board and CEO	502	-	502
NI-CO	8,925	9,035	(110)
COVID-19 Business Support Schemes operated and administered by Invest NI	129,842	1,149	128,693
COVID-19 Business Support Schemes operated and administered by DfE/LPS	140,878	-	140,878
Total	**427,527**	**30,302**	**397,225**
Reconciliation to CSoCNE			
Net finance income			(269)
Tax on ordinary activities			837
Net expenditure for the financial year			**397,793**

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

2020	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	71,999	6,576	64,423
Business and Sector Development	31,717	54	31,663
Finance and Operations	17,503	43,741	(26,238)
Regional Business	9,350	2	9,348
International Business	18,353	506	17,847
Human Resources	2,908	-	2,908
Communications	5,012	17	4,995
Strategy	1,678	-	1,678
Board and CEO	551	-	551
NI-CO	10,845	11,045	(200)
Small Business Grant Scheme	220,000	-	220,000
Total	**388,916**	**61,941**	**326,975**
Reconciliation to CSoCNE			
Net finance costs			1,448
Tax on ordinary activities			531
Net expenditure for the financial year			**328,954**

The £220m cost of the Small Business Grant Scheme had previously been allocated to the Finance and Operations Group. The 2019-20 figures above have been restated to show this Scheme separately in order to improve comparability.

3. EXPENDITURE

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Staff costs				
Wages and salaries	30,745	28,372	29,887	27,488
Social security costs	2,671	2,494	2,590	2,414
Other pension costs	7,287	6,950	7,056	6,727
Recoveries in respect of outward secondments and others	(278)	(303)	(402)	(427)
	40,425	**37,513**	**39,131**	**36,202**
Purchase of goods and services				
Programme support	15,557	18,270	15,557	18,270
Rentals under operating leases	1,180	1,213	1,180	1,213
PFI (and other service concession arrangements) service charges	-	-	5,070	5,244
Other administration expenses	1,153	3,519	1,224	3,649
Cost of servicing contracts	9,242	11,473	-	-
Auditor's remuneration – notional	115	95	115	95
Other notional costs	110	174	110	174
Fees payable to auditors for:				
Audit services	25	26	-	-
Non-audit services	21	29	1	-
	27,403	**34,799**	**23,257**	**28,645**
Depreciation and impairment charges				
Depreciation (note 7)	1,465	1,709	923	1,172
Amortisation (note 9)	1,040	355	1,040	355
Asset impairment (note 7)	122	1,781	122	1,781
	2,627	**3,845**	**2,085**	**3,308**
(Decrease)/Increase in provisions	**(10,968)**	**6,381**	**(10,968)**	**6,381**
Other operating expenditure				
Grants	81,658	81,867	81,658	81,867
Programme support activities	36	339	36	339
Property acquisition and development	948	548	948	548
(Profit) on disposal of Property, Plant and Equipment	(428)	(1,170)	(428)	(1,170)
Loss/(Profit) on disposal of Financial assets	443	(1,021)	443	(1,021)
Financial instruments gains or losses (note 4)	12,353	2,392	12,353	2,392
Share of results of associates (note 11)	2,310	3,423	2,310	3,423
	97,320	**86,378**	**97,320**	**86,378**

3. EXPENDITURE (CONTINUED)

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
COVID-19 Business Support Schemes				
Small Business Grant Scheme *	23,248	220,000	23,248	220,000
Tourism and Retail Sectors Grant *	73,630	-	73,630	-
Large Tourism and Hospitality Business Support Scheme *	39,900	-	39,900	-
Wet Pubs Scheme *	4,100	-	4,100	-
NI Micro-Business Hardship Fund **	23,343	-	23,343	-
Covid Restrictions Business Support Scheme Part A **	65,440	-	65,440	-
Covid Restrictions Business Support Scheme Part B **	12,754	-	12,754	-
Limited Company Directors Support Scheme **	19,583	-	19,583	-
Newly Self Employed Support Scheme **	8,722	-	8,722	-
	270,720	**220,000**	**270,720**	**220,000**

* Scheme operated and administered by LPS/DfE

** Scheme operated and administered by Invest NI

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

The 2019-20 Wages and salaries figure has been reanalysed to include £307,000 of costs previously included under the heading of 'Purchase of Goods and Services' in order to improve comparability.

Grant payments of £135,000 (2020: £476,000) were made by Invest NI to Deloitte (auditors of BSDL Group).

3. EXPENDITURE (CONTINUED)

Total operating expenditure	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Staff costs	40,425	37,513	39,131	36,202
COVID-19 Business Support Schemes	270,720	220,000	270,720	220,000
Other COVID-19 Response grants	1,768	-	1,768	-
Revenue grants	25,479	20,525	25,479	20,525
Innovation, research and development	39,888	45,894	39,888	45,894
Capital grants	8,826	8,751	8,826	8,751
Skills grants and competitiveness programmes	7,876	8,127	7,876	8,127
International Business support	2,051	6,278	2,051	6,278
Promotion and marketing	6,795	5,706	6,795	5,706
Programme support activities	2,423	2,699	2,423	2,699
Property acquisition and development	3,093	3,044	3,093	3,044
Rentals under operating leases	1,180	1,213	1,180	1,213
PFI (and other service concession arrangements) service charges	-	-	5,070	5,244
Other administration expenses	1,153	3,519	1,224	3,649
Cost of servicing contracts	9,242	11,473	-	-
Fees payable to auditors for:				
Audit services	25	26	-	-
Non-audit services	21	29	1	-
Depreciation and impairment charges	2,627	3,845	2,085	3,308
Auditor's remuneration – notional	115	95	115	95
Other notional costs	110	174	110	174
(Profit) on disposal of Property, Plant and Equipment	(428)	(1,170)	(428)	(1,170)
Loss/(Profit) on disposal of Financial assets	443	(1,021)	443	(1,021)
Financial instruments gains or losses (note 4)	12,353	2,392	12,353	2,392
Share of results of associates (note 11)	2,310	3,423	2,310	3,423
(Decrease)/Increase in provisions	(10,968)	6,381	(10,968)	6,381
Total operating expenditure	**427,527**	**388,916**	**421,545**	**380,914**

4. FINANCIAL INSTRUMENTS GAINS OR LOSSES

	Group and Invest NI	
	2021 £'000	2020 £'000
Fair value adjustment on shares and convertible loan notes (note 12)	444	203
ECL allowance on fixed rate loans (note 12)	11,082	932
ECL allowance on variable rate loans (note 12)	(5)	(5)
ECL allowance on trade receivables (note 20)	443	1,553
ECL allowance on other receivables	12	2
Fair value adjustment on re-measurement of financial assets held at amortised cost (note 12)	377	(293)
	12,353	**2,392**

Included within the ECL allowance on fixed rate loans is £10.4m in relation to Glenmore Generation which has been deemed to be irregular expenditure as detailed in the Governance statement.

5. INCOME

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Revenue from contracts with customers				
Recoupment of programme expenditure and related costs from client companies and third parties	488	1,238	488	1,238
Other	380	318	-	-
NI-CO turnover	9,035	11,045	-	-
	9,903	**12,601**	**488**	**1,238**
Other operating income				
Other	7	1,991	7	1,991
Property rent	1,759	1,805	1,256	1,300
Interest income on financial assets at amortised cost	1,359	2,474	1,359	2,474
Share dividend income	2	7	2	7
Grant clawback	2,996	2,581	2,996	2,581
Core programme receipts from EU	14,276	40,482	14,276	40,482
Consolidated Fund income *	21	18	21	18
Amount payable to the Consolidated Fund*	(21)	(18)	(21)	(18)
Gain on revaluation of Property, Plant and Equipment and Investment Property	-	-	-	-
	20,399	**49,340**	**19,896**	**48,835**
Total income	**30,302**	**61,941**	**20,384**	**50,073**

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

Included within Interest income on financial assets at amortised cost is £0.4m in relation to Glenmore Generation which has been deemed to be irregular income as detailed in the Governance statement.

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

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

6. TAXATION

(i) Tax charge in the year

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Analysis of charge in year				
Current tax:				
UK corporation tax on taxable income for the current year	614	584	-	-
Adjustments to tax charge in respect of previous periods	(70)	(62)	-	-
Total current tax	**544**	**522**	**-**	**-**
Deferred tax:				
Origination and reversal of temporary differences	293	(54)	-	-
Impact of rate changes	-	63	-	-
Total deferred tax	**293**	**9**	**-**	**-**
Total tax charge	**837**	**531**	**-**	**-**

(ii) Factors affecting tax charge

	Group	
	2021 £'000	2020 £'000
Net expenditure before taxation	(396,956)	(328,423)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2019: 19%)	(75,422)	(62,400)
Tax effects of:		
Add: expenditure not deductible for tax purposes	80,098	72,460
Less: income not subject to tax	(3,873)	(9,515)
Tax losses brought forward	-	(24)
Origination and reversal of temporary differences	289	(58)
Capital allowances	46	67
Impact of rate changes	-	22
Adjustments in respect of previous periods	(70)	(21)
Exempt amounts	(231)	-
Total tax charge	**837**	**531**

6. TAXATION (CONTINUED)

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

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

(iii) Deferred tax

Invest NI

Invest NI has not recognised deferred tax assets of £684,000 (2020: £721,000) in relation to brought forward tax losses at 1 April 2020 of £3,602,000 (1 April 2019: £3,795,000), 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 2020 – asset/(liability)	1,192	(105)	(1,137)	(610)	(660)
Credited/(charged) to CSoCNE	(231)	-	(62)	-	(293)
Charged to Other Comprehensive Income	-	-	(2)	-	(2)
At 31 March 2021	**961**	**(105)**	**(1,201)**	**(610)**	**(955)**

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

	Group	
	2021 £'000	2020 £'000
Fair value gains on property, plant and equipment		
Before tax (note 7)	1,304	12,757
Tax credit/(charge)	(2)	(19)
After tax	**1,302**	**12,738**

7. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2020	46,407	36,129	5,807	1,811	90,154
Transfer to Intangible assets (note 9)	-	-	(2,551)	-	(2,551)
Additions	653	-	360	260	1,273
Disposals	(1,591)	-	(476)	-	(2,067)
Revaluation gain	569	292	11	(10)	862
Transfer from/(to) Assets held for sale (note 15)	-	(150)	-	-	(150)
Impairment (note 3)	(122)	-	-	-	(122)
At 31 March 2021	**45,916**	**36,271**	**3,151**	**2,061**	**87,399**
Depreciation:					
At 1 April 2020	-	6,222	3,321	427	9,970
Transfer to Intangible assets (note 9)	-	-	(975)	-	(975)
Charge for year (note 3)	-	739	579	147	1,465
Revaluation (loss)/gain	-	(448)	8	(2)	(442)
Disposals	-	-	(476)	-	(476)
At 31 March 2021	**-**	**6,513**	**2,457**	**572**	**9,542**
Net Book Value:					
1 April 2020	46,407	29,907	2,486	1,384	80,184
31 March 2021	**45,916**	**29,758**	**694**	**1,489**	**77,857**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Invest NI				
	Land £'000	Buildings £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2020	40,807	14,061	5,606	1,217	61,691
Transfer to Intangible assets (note 9)	-	-	(2,551)	-	(2,551)
Additions	653	-	347	56	1,056
Disposals	(1,591)	-	(469)	-	(2,060)
Revaluation (loss)/gain	569	278	11	(10)	848
Transfer (to)/from Assets held for sale (note 15)	-	(150)	-	-	(150)
Impairment (note 3)	(122)	-	-	-	(122)
At 31 March 2021	**40,316**	**14,189**	**2,944**	**1,263**	**58,712**
Depreciation:					
At 1 April 2020	-	5,654	3,160	260	9,074
Transfer to Intangible assets (note 9)	-	-	(975)	-	(975)
Charge for year (note 3)	-	277	563	83	923
Disposals	-	-	(469)	-	(469)
Revaluation	-	-	8	(2)	6
At 31 March 2021	**-**	**5,931**	**2,287**	**341**	**8,559**
Net Book Value:					
1 April 2020	40,807	8,407	2,446	957	52,617
31 March 2021	**40,316**	**8,258**	**657**	**922**	**50,153**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IAS 16 requires measurement at fair value. Land and property was re-valued by LPS on 31 March 2021, and in previous financial years, on the basis of open market value for existing use. Management considers this basis to be the best available estimation of fair value.

As detailed in note 1, the valuation of property, plant and equipment is a critical accounting estimate. In light of the unprecedented circumstances caused by COVID-19, LPS have noted that the valuations of certain properties within the group are reported on the basis of 'material valuation uncertainty'.

Details of the group's land and buildings and information about the fair value hierarchy (as described in note 1) as at 31 March 2021 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2021 £'000
Land	-	45,916	-	45,916
Buildings	-	29,758	-	29,758

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

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

8. INVESTMENT PROPERTIES

	Group £'000
At 1 April 2019	**7,600**
Gain arising on fair value adjustment	-
At 1 April 2020	**7,600**
Gain arising on fair value adjustment (note 5)	-
At 31 March 2021	**7,600**

The investment property was revalued at 31 March 2021 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 2021 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2021 £'000
Investment property	-	7,600	-	7,600

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

9. INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
Cost/Valuation:				
At 1 April 2020	20,031	1,708	1,089	22,828
Transfer from computer equipment (note 7)	-	120	2,431	2,551
Additions	-	1,294	729	2,023
Disposals	-	(205)	(433)	(638)
Indexation	-	9	13	22
At 31 March 2021	**20,031**	**2,926**	**3,829**	**26,786**
Amortisation/Impairment:				
At 1 April 2020	97	859	1,004	1,960
Transfer from computer equipment (note 7)	-	5	970	975
Charge for year (note 3)	-	561	479	1,040
Disposals	-	(205)	(433)	(638)
Indexation	-	3	3	6
At 31 March 2021	**97**	**1,223**	**2,023**	**3,343**
Net book value:				
1 April 2020	19,934	849	85	20,868
31 March 2021	**19,934**	**1,703**	**1,806**	**23,443**

9. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
Cost/Valuation:			
At 1 April 2020	1,708	1,089	2,797
Transfer from computer equipment (note 7)	120	2,431	2,551
Additions	1,294	729	2,023
Disposals	(205)	(433)	(638)
Indexation	9	13	22
At 31 March 2021	**2,926**	**3,829**	**6,755**
Amortisation:			
At 1 April 2020	859	1,004	1,863
Transfer from computer equipment (note 7)	5	970	975
Charge for year (note 3)	561	479	1,040
Disposals	(205)	(433)	(638)
Indexation	3	3	6
At 31 March 2021	**1,223**	**2,023**	**3,246**
Net book value:			
1 April 2020	849	85	934
31 March 2021	**1,703**	**1,806**	**3,509**

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2021 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2021 £'000
Goodwill	-	-	19,934	19,934
Software licences	-	1,703	-	1,703
Software development	-	1,806	-	1,806

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

9. INTANGIBLE ASSETS (CONTINUED)

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

9. INTANGIBLE ASSETS (CONTINUED)

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

Impairment tests for goodwill

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

	2021 £'000	2020 £'000
Bedford Street Developments Limited	4,325	4,325
MRDE Limited	15,609	15,609
Total	**19,934**	**19,934**

9. INTANGIBLE ASSETS (CONTINUED)

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

	Cash generating unit	2021	2020
Gross margin	MRDE	63%	63%
Future rentals (per sq. ft.)	BSDL & MRDE	£22	£23
Discount rate	BSDL & MRDE	4.05%	4.05%

Future rentals are based on information supplied at 31 March 2021.

Management have considered and assessed reasonably possible changes to the key assumptions above. If future rentals were to decrease to £20.99 per sq. ft, the remaining headroom in BSDL would be eliminated. The reasonably possible change of £1.01 per sq.ft. in future rentals represents uncertainty over future rentals. If the discount rate used increased to 4.29% the recoverable amount of BSDL would be equal to its carrying amount. Management have not identified any other instances that would cause the carrying amount of CGUs to exceed its recoverable amount.

10. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2021 £'000	2020 £'000
At 1 April and 31 March	**17,593**	**17,593**

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

Interests in group undertakings

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent %	Proportion of ordinary shares held by the group %
Northern Ireland Co-Operation Overseas (NI-CO) Limited	UK	Management of international development projects on behalf of Government Departments and other Public Bodies	100	-
Bedford Street Developments Limited	UK	Property leasing	100	-
Bedford Street Management Company Limited	UK	Dormant	-	100
MRDE Limited	UK	Property leasing	-	100
MRDE FM Limited	UK	Dormant	-	100

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

11. INVESTMENTS IN ASSOCIATES

(i) Share of results in associates:

	Group and Invest NI	
	2021 £'000	**2020 £'000**
Share of net assets of associates:		
At 1 April	55,241	51,741
At 31 March	53,002	55,241
(Decrease)/Increase	**(2,239)**	**3,500**
Distributions from associates (note 25)	10,293	12,779
Less additional capital paid in during year (note 25)	(10,364)	(19,702)
Share of results recorded in Net Expenditure (note 3)	**(2,310)**	**(3,423)**

(ii) Summarised financial information on a combined basis:

	Group and Invest NI	
	2021 £'000	**2020 £'000**
Non-Current Assets	83,096	77,146
Current Assets	17,245	17,804
Current Liabilities	(2,110)	(726)
Non-Current Liabilities	-	-
Net Assets	98,231	94,224

Revenue	3,662	4,716
Profit	1,687	1,401
Other comprehensive income	-	-
Total comprehensive income	1,687	1,401
Distributions from associates	10,293	12,779

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

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Net investment in associates:

	Group and Invest NI	
	2021 £'000	2020 £'000
NITECH Growth Fund Limited Partnership (NITECH)	563	341
Crescent Capital II	3,129	6,450
NI Growth Loan Fund	7,986	12,531
NI Small Business Loan Fund	579	1,275
Crescent Capital III LP	1,173	2,320
Kernel Capital Growth Fund (NI)	3,806	3,610
Techstart NI SME Equity Limited Partnership (Techstart)	11,976	9,489
QUB Equity Limited Partnership	431	461
Ulster Equity Limited Partnership	554	336
NI Growth Loan Fund II	12,315	10,184
NI Small Business Loan Fund II	3,119	3,311
Growth Finance Fund	3,386	1,337
Techstart Ventures II LP	3,985	3,542
Crescent Capital IV LP	-	54
Net investment in associates	**53,002**	**55,241**

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

NITECH

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

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 2022 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.

NI Growth Loan Fund

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

NI Small Business Loan Fund

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

Crescent Capital III LP (ERDF *)

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

Kernel Capital Growth Fund (NI) (ERDF *)

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

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

Techstart NI SME Equity Limited Partnership (ERDF *)

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

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

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

Ulster Equity Limited Partnership (ERDF *)

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

NI Growth Loan Fund II (ERDF*)

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

NI Small Business Loan Fund II

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

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

The Fund 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.

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

Growth Finance Fund

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

Techstart Ventures II Limited Partnership (ERDF *)

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

Crescent Capital IV LP (ERDF *)

Invest NI was a limited partner of the Crescent Capital IV LP Development Fund, a partnership established in September 2019 and operating in the UK. The fund was targeted with making equity investments in innovative high growth potential SMEs beyond the start-up phase and could also invest in MBOs and pre-scaling / scaling companies with initial investments to range from £500,000 to £2.5m per company, and potential for up to £5m total investment during subsequent rounds.

The partnership was originally intended to have a term of ten years. In March 2021 it was agreed that the Crescent Capital IV Development Fund would be brought to a close due to the difficulties faced by the Fund Manager in raising private sector funding as a result of the impact of the COVID-19 pandemic. All monies paid by Invest NI towards the fund have been returned.

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

12. FINANCIAL ASSETS

The group holds the following financial assets:

	Group and Invest NI	
	2021 £'000	**2020 £'000**
Financial assets at amortised cost		
Fixed rate loans	14,366	24,121
Variable rate loans	-	-
Financial assets at fair value through profit or loss (FVPL)		
Investments in ordinary shares	25,309	22,409
Investments in preference shares	457	481
Convertible loan notes	5,493	1,757
	45,625	**48,768**

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

	Group and Invest NI			
	Investments in ordinary shares £'000	**Investments in preference shares £'000**	**Investments in convertible loan notes £'000**	**Total £'000**
Fair value at 1 April 2020	**22,409**	**481**	**1,757**	**24,647**
Additions	3,561	-	4,216	7,777
Conversions	157	-	(157)	-
Repayments and disposals	(693)	(30)	-	(723)
Dividend income (note 5)	-	2	-	2
Fair value adjustment (note 4)	(125)	4	(323)	(444)
Fair value at 31 March 2021	**25,309**	**457**	**5,493**	**31,259**

12. 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 2020	30,305	116	30,421
Additions	1,329	-	1,329
Repayments	(319)	(5)	(324)
Interest received	(576)	-	(576)
Interest income on financial assets at amortised cost (note 5)	1,359	-	1,359
Accrued interest	(89)	-	(89)
Fair value adjustment on re-measurement (note 4)	(377)	-	(377)
Amount written off	(237)	-	(237)
At 31 March 2021	**31,395**	**111**	**31,506**
Loss allowance			
At 1 April 2020	6,184	116	6,300
ECL allowance (note 4)	11,082	(5)	11,077
Amount written off	(237)	-	(237)
At 31 March 2021 (note 20)	**17,029**	**111**	**17,140**
Net balance			
1 April 2020	24,121	-	24,121
31 March 2021	**14,366**	**-**	**14,366**

The group's exposure to various risks associated with financial instruments is discussed in note 20.

12. FINANCIAL ASSETS (CONTINUED)

Financial assets at amortised cost

	Group and Invest NI	
	2021 £'000	2020 £'000
Gross carrying amount		
Fixed rate loans	31,395	30,305
Variable rate loans	111	116
	31,506	**30,421**
Loss allowance (note 20)	(17,140)	(6,300)
	14,366	**24,121**

Amounts recognised in Net Expenditure

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

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

Details about the fair value hierarchy as at 31 March 2021 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2021 £'000
Fixed rate loans	-	-	14,366	14,366
Variable rate loans	-	-	-	-
Investments in ordinary shares	2,295	21,912	1,102	25,309
Investments in preference shares	-	-	457	457
Convertible loan notes	-	5,493	-	5,493
	2,295	**27,405**	**15,925**	**45,625**

There were no transfers between levels during the year.

12. FINANCIAL ASSETS (CONTINUED)

Specific valuation techniques used to value financial instruments include:

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

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

Collateral

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

Co-Fund NI

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

Co-Fund NI (ERDF*) was a £28m fund that co-invested in SMEs based in Northern Ireland. Clarendon Fund Managers Limited managed the fund under a six year Management Services Agreement (June 2011-May 2017) and invested in deals which were led by business angels and private investors. The deals ranged from £150,000 to £1m and Invest NI provided £16.4m of funding on the same terms as the private investors. The overall fund ratio of private to public funding was at a minimum 55:45, with no more than a 50:50 split in any one round.

Co-Fund NI II (ERDF*) commenced as 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. In December 2020 the fund size was increased to £70m, with British Business Investments (BBI) now also participating alongside Invest NI and the private investors. The overall fund ratio of private to public funding will be at a minimum 60:40, with no more than a 50:50 split in any one round. The deals range from £150,000 to £1.75m and to date Invest NI has provided £12.9m.

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

COVID-19 Equity Investment Fund

The COVID-19 Equity Investment Fund (CEIF) was launched in September 2020 with the aim of helping high growth potential SMEs access financing to progress their business plans and prepare for recovery and growth.

12. FINANCIAL ASSETS (CONTINUED)

Together with other investors, the CEIF provided matched equity investment or convertible loan notes of up to a maximum of £700,000 for technology and innovative businesses. The scheme was typically focussed on the sectors of advanced manufacturing, materials and engineering, digital and creative technologies, life and health sciences, cyber security, precision medicine, big data, internet of things and analytics.

Applications to the CEIF closed on 31 March 2021. At the reporting date, Invest NI has provided £2.3m of funding on the same terms as private investors. These sums are included under the investments in convertible loan notes heading above.

13. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade receivables	17,569	18,198	16,946	17,040
Loss allowance (note 20)	(10,114)	(10,434)	(10,114)	(10,434)
	7,455	**7,764**	**6,832**	**6,606**
Other receivables	2,888	4,601	2,620	4,191
EU receivables	21,483	34,110	21,483	34,110
Amounts due from subsidiaries	-	-	123	123
Prepayments	938	1,467	924	1,458
Accrued income				
Loan interest	334	337	334	337
Other	1,554	913	1,412	892
	34,652	**49,192**	**33,728**	**47,717**
Amounts falling due after more than one year:				
Other receivables	1,060	1,406	1,060	1,406
EU receivables	2,387	2,935	2,387	2,935
	3,447	**4,341**	**3,447**	**4,341**

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

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

14. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Balance at 1 April	18,087	21,080	(4,264)	898
Net change in cash and cash equivalent balances	11,316	(2,993)	6,596	(5,162)
Balance at 31 March	**29,403**	**18,087**	**2,332**	**(4,264)**
The following balances at 31 March were held at: Commercial banks and cash in hand	29,403	22,808	2,332	457
Bank overdraft (note 16)	-	(4,721)	-	(4,721)
Balance at 31 March	**29,403**	**18,087**	**2,332**	**(4,264)**

Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2020 £'000	Cash flows £'000	Non-cash movements £'000	31 March 2021 £'000
Bank loans (note 17)	16,331	(912)	16	15,435
Financial instrument (note 20)	6,270	-	(1,215)	5,055
	22,601	**(912)**	**(1,199)**	**20,490**

15. ASSETS HELD FOR SALE

	Group and Invest NI	
	2021 £'000	2020 £'000
Land	-	-
Buildings	150	-
	150	**-**

There was one building included within assets held for sale at 31 March 2021. The sale of this property is expected to take place within one year. There were no assets meeting the assets held for sale criteria at 31 March 2020.

16. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts due within one year:				
Bank overdraft	-	4,721	-	4,721
Trade payables and accruals	15,565	14,870	6,238	6,859
Accrued grant payables	61,108	171,473	61,108	171,473
Other taxation and social security	(19)	6	(19)	6
Amount owed to subsidiaries	-	-	34	1,045
Other payables	4,767	2,029	4,767	2,029
Deferred income	530	1,711	491	1,706
Amounts due to DfE: other income surrendered	17	21	17	21
	81,968	**194,831**	**72,636**	**187,860**

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

The Accrued grant payables balance of £61m (2020: £171m) includes £37m (2020: £153m) relating to amounts accrued but not yet paid at 31 March 2021 in relation to the COVID-19 Business Support Schemes as outlined in note 3.

17. BORROWINGS

	Group		Invest NI	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current				
Bank loans	635	893	-	-
	635	**893**	**-**	**-**
Non-current				
Bank loans	14,800	15,438	-	-
	14,800	**15,438**	**-**	**-**

17. BORROWINGS (CONTINUED)

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 on the previous page 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 1.05%.

Maturity of financial liabilities

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

	Group	
Bank loans	**2021 £'000**	**2020 £'000**
Amounts due in less than one year	635	893
In more than one year but not more than two years	348	635
In more than two years but not more than five years	1,410	1,121
After more than five years	13,042	13,682
	15,435	**16,331**

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

	Group	
Bank loans	**2021 £'000**	**2020 £'000**
Less than one year	1,565	1,875
In more than one year but not more than two years	1,250	1,565
In more than two years but not more than five years	3,973	3,761
After more than five years	15,986	17,448
	22,774	**24,649**

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

18. PROVISIONS FOR LIABILITIES AND CHARGES

(i) Amounts falling due within one year:

	Group and Invest NI
	Grants £'000
At 1 April 2019	**35,589**
Provided in the year	38,034
Under provision from prior year/ (Provisions not required written back)	(1,019)
	37,015
Provisions utilised in the year	(30,634)
At 31 March 2020	**41,970**
Provided in the year	27,662
Under provision from prior year/ (Provisions not required written back)	(3,937)
	23,725
Provisions utilised in the year	(34,692)
At 31 March 2021	**31,003**

(ii) Analysis of expected timing of discounted flows

	Group and Invest NI	
	2021 £'000	2020 £'000
Provisions		
Not later than one year	31,003	41,970
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**31,003**	**41,970**

Grants

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

19. STATEMENT OF CASH FLOWS

Adjustments for non-cash transactions

	2021 £'000	2020 £'000
Notional expenditure on COVID-19 Business Support Schemes *	286,093	67,700
Notional costs (note 3)	225	269
Movement in Provisions for the year (note 18)	23,725	37,015
Depreciation (note 3)	1,465	1,709
Amortisation (note 3)	1,040	355
(Profit) on disposal of Property, plant and equipment	(428)	(1,170)
Loss/(Profit) on Financial asset disposal	443	(1,021)
Impairment (note 3)	122	1,781
Financial instruments gains or losses (note 4)	12,353	2,392
Share dividend income (note 5)	(2)	(7)
Interest income on financial assets at amortised cost (note 5)	(1,359)	(2,474)
Share of results of associates (note 11)	2,310	3,423
Foreign exchange loss/(gain)	995	(950)
Total non-cash transactions	**326,982**	**109,022**

* This represents the amounts paid under the COVID-19 Business Support Schemes operated and administered by DfE/LPS during 2020-21. An equivalent amount of notional grant-in-aid was received from DfE to cover the expenditure in year.

20. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

Credit risk

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

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

- Trade and other receivables
- Fixed and variable rate loans

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

Trade and other receivables – loss allowance

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of loss allowance on trade receivables

	Group and Invest NI £'000
Loss allowance on trade receivables at 31 March 2020	10,434
Release of loss allowance on write off	(763)
ECL allowance on trade receivables (note 4)	443
Loss allowance on trade receivables at 31 March 2021	**10,114**

	Group				
	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2021					
Expected loss rate	1.2%	13.8%	21.1%	68.2%	57.6%
	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	2,650	159	19	14,741	17,569
Loss allowance	**31**	**22**	**4**	**10,057**	**10,114**

	Invest NI				
	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2021					
Expected loss rate	1.5%	13.8%	22.2%	68.2%	59.7%
	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	2,032	159	18	14,737	16,946
Loss allowance	**31**	**22**	**4**	**10,057**	**10,114**

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

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

Fixed and variable rate loans – loss allowance

	Group and Invest NI			
	12-month ECL £'000	Lifetime ECL £'000	Impaired £'000	Total loss allowance £'000
Fixed rate loans (note 12)	586	-	16,443	17,029
Variable rate loans (note 12)	-	-	111	111
Loss allowance at 31 March 2021	**586**	**-**	**16,554**	**17,140**

	Group and Invest NI			
	12-month ECL £'000	Lifetime ECL £'000	Impaired £'000	Total loss allowance £'000
Fixed rate loans (note 12)	4,109	289	1,786	6,184
Variable rate loans (note 12)	-	-	116	116
Loss allowance at 31 March 2020	**4109**	**289**	**1,902**	**6,300**

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Significant estimates and judgements

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

Currency risk

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

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

Market risk

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

Interest rate risk

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments

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

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

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

The fair value of the group's derivative financial instrument, a liability (designated for hedging) of £5,055,000 (2020: £6,270,000) is obtained from counterparty valuation, and is based on observable market data.

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

	2021 £'000	2020 £'000
At 1 April	6,270	5,836
Fair value adjustment	(1,215)	434
Liability at 31 March	**5,055**	**6,270**

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.

21. LEASES

Invest NI as lessee

£1,180,000 (2020 £1,213,000) 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 for the following periods comprise:	Group and Invest NI	
	2021 £'000	2020 £'000
Buildings:		
Not later than one year	804	1,021
Later than one year and not later than five years	2,243	2,650
Later than five years	961	1,526
	4,008	**5,197**

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

Invest NI as lessor

Net property rental income earned during the year was £1,256,000 (2020: £1,300,000). The group earned rental income of £1,759,000 (2020: £1,805,000). 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 for the following periods comprise:	Group	
	2021 £'000	2020 £'000
Buildings:		
Not later than one year	1,191	1,949
Later than one year and not later than five years	3,094	4,204
Later than five years	5,097	5,535
	9,382	**11,688**

21. LEASES (CONTINUED)

Obligations under operating leases for the following periods comprise:	Invest NI	
	2021 £'000	2020 £'000
Buildings:		
Not later than one year	1,577	1,247
Later than one year and not later than five years	3,094	3,819
Later than five years	5,097	5,535
	9,768	**10,601**

22. OTHER FINANCIAL COMMITMENTS

	Group and Invest NI	
	2021 £'000	2020 Restated £'000
Commitments in relation to unclaimed grants under financial assistance offers and agreements at the year-end comprised:	**192,913**	**212,559**
Commitments in relation to further CRBSS payments to existing applicants due for the period 1 April 2021 to 14 April 2021	**7,271**	**-**

A review of inclusion criteria in the current year has resulted in a restatement of prior year, such that offers with only a possibility of extension are excluded. It is not possible to determine the date of future claims by client companies in relation to the above obligations.

23. COMMITMENTS UNDER PFI CONTRACT

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

The total amount charged in the Invest NI Statement of Comprehensive Net Expenditure in respect of off-balance Sheet (SoFP) PFI transactions was £5,070,000 (2020: £5,244,000).

The asset has been revalued by LPS on 31 March 2021 at £25,500,000 (2020: £25,500,000). Total future minimum payments due under this PFI contract are given in the table below for each of the following periods:

	Invest NI	
	2021 £'000	2020 Restated £'000
Not later than one year	5,147	5,096
Later than one year and not later than five years	21,108	20,899
Later than five years	27,594	32,950
	53,849	**58,945**

The above is subject to annual service performance review adjustments and includes an assumption that charges will increase by an inflation factor of 1% per annum. The prior year figures have been restated to include adjustment for inflation. Invest NI may avail of other services at an additional cost and reduced service requirements in accordance with the provisions set out in the contract.

24. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

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

25. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments

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

	2021 £'000	2020 £'000
Payables: amounts due within one year (note 16):		
Balances with other central government bodies	17	21

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

Transactions with associates

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

	2021 £'000	2020 £'000
NI Growth Loan Fund	-	-
Crescent Capital III LP	750	1,200
Kernel Capital	1,125	638
Techstart NI SME Equity	2,163	1,800
QUB Equity Limited Partnership	50	356
Ulster Equity Limited Partnership	50	281
Small Business Loan Fund II	94	2,006
Growth Finance Fund	2,501	1,555
NI Growth Loan Fund II	2,248	7,317
Techstart Ventures II LP	1,383	4,284
Crescent Capital IV LP	-	265
	10,364	**19,702**

25. RELATED PARTY TRANSACTIONS (CONTINUED)

The following distributions were received from associates during the year:

	2021 £'000	2020 £'000
Crescent Capital II LP	3,597	-
NITECH Growth Fund	-	42
Small Business Loan Fund	645	1,210
Techstart NI SME Equity	954	1,256
NI Growth Loan Fund	4,832	10,271
Crescent Capital IV LP	265	-
	10,293	**12,779**

Transactions involving ELT

A beneficial interest exists when the Chief Executive or Executive Director is either directly, or through a family connection, a material shareholder or receives a payment from the entity for their services. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

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

ELT Member	Company	Nature of relationship	New financial assistance offered 2021 £'000	Amount paid 2021 £'000	New financial assistance offered 2020 £'000	Amount paid 2020 £'000
Alan McKeown	Inpresspics	(a)	9	-	-	-

The balance owed to the company at 31 March 2021 was £9,000 (2020: £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. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

Further details regarding the Register of Interests are on page 59.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the year, the transactions in the tables below (inclusive of VAT where applicable and aggregate value in excess of £1,000) were made with entities in which Board members have had a beneficial interest during the year. On this basis, where disclosure was made in 2019-20 for bodies from which Board members resigned or retired during 2019-20, these are not replicated in the 2020-21 financial statements. Similarly, where a Board member retired from Invest NI in 2019-20 no disclosure has been made in respect of this individual for 2020-21. The 2019-20 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2020-21, no comparative information for 2019-20 has been provided in respect of this individual.

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

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2021 £'000	Amount paid 2021 £'000	New financial assistance offered 2020 £'000	Amount paid 2020 £'000
Mark Ennis	Creative Composites Limited	(a)	(b)	(b)	4	344
	First Derivatives plc	(a)	(b)	(b)	10	186
	Airtricity Holdings Limited and subsidiaries	Director	(b)	(b)	-	-
	W & G Baird	Chair	(b)	(b)	68	-

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Board member	Company	Nature of relationship	New financial assistance offered 2021 £'000	Amount paid 2021 £'000	New financial assistance offered 2020 £'000	Amount paid 2020 £'000
Rose Mary Stalker	Catagen Limited	Shareholder	(c)	(c)	194	143
	Mid & East Antrim Council	Chair of Manufacturing Taskforce	(c)	(c)	-	110
Brian Baird	Repstor Limited	Non-Executive Chair and Shareholder	864	28	22	66
	Flowlens Limited (d)	Non-Executive Director	5	-	125	-
	Replify Limited (e)	Non-Executive Director	14	-	3	4
Padraig Canavan	Hunter Apparel Solutions Limited (f)	Chair and Shareholder	50	2	15	9
	Lithe IT Limited	Shareholder	-	10	10	27
Mark Nodder	Cadshare Technology Limited	Chair	360	12	(g)	(g)
Scott Rutherford	Queen's University Belfast	Director	(b)	(b)	8,075	6,125
Judith Totten	Queen's University Belfast	(a)	743	4,690	8,075	6,125
Colin Coffey	Agri-Food and Biosciences Institute	Chair	91	11	(h)	(h)
	Flint Studios Limited	Chair	21	10	(h)	(h)
Kevin Kingston	Northern Bank Limited t/a Danske Bank UK	Chief Executive and Shareholder	-	106	(h)	(h)
Kieran Kennedy	O'Neills Irish International Sports Company Limited	Managing Director	-	19	(h)	(h)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board member	Company	Nature of relationship	Amount paid 2021 £'000	Amount paid 2020 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	(b)	2
Scott Rutherford	Queen's University Belfast	Director	(b)	441
Judith Totten	Queen's University Belfast	(a)	322	441
Brian Baird	Repstor Limited	Non-Executive Chair and Shareholder	-	91
Colin Coffey	Agri-Food and Biosciences Institute	Chair	5	(h)
	Flint Studios Limited	Chair	4	(h)
	Institute of Directors	Member and Chartered Director Assessor	2	(h)
Marie-Therese McGivern	Northern Ireland Water Limited	Non-Executive Director	19	(h)
	Strategic Investment Board Limited	Non-Executive Director	11	(h)
Mark Nodder	Eman8 Limited	Director and shareholder	2	-

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

Board member	Company	Nature of relationship	Amount invoiced 2021 £'000	Amount invoiced 2020 £'000
Scott Rutherford	Queen's University Belfast	Director	(b)	11
Judith Totten	Queen's University Belfast	(a)	-	11
Ken Nelson	InterTradeIreland	Chair	(b)	9
Padraig Canavan	Hunter Apparel Solutions Limited (f) (i)	Chair & Shareholder	28	-
Mark Sweeney	Northern Ireland Transport Holding Company	Board member	(20)	672

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2021 £'000	Balance 2020 £'000
Scott Rutherford	Queen's University Belfast	Director	(b)	857
Judith Totten	Queen's University Belfast	(a)	2,280	857
Brian Baird	Repstor Limited	Non-Executive Chair & Shareholder	113	-
Padraig Canavan	Hunter Apparel Solutions Limited	Chair & Shareholder	(f)	14
Colin Coffey	Agri-Food and Biosciences Institute	Chair	11	(h)
Kieran Kennedy	O'Neills Irish International Sports Company Limited	Managing Director	31	(h)
Marie-Therese McGivern	Northern Ireland Water Limited	Non-Executive Director	4	(h)

There were no loan balances outstanding at 31 March 2021 (2020 £Nil) from any company in which a Board member had a beneficial interest.

Balance owed from the entity at 31 March:

Board member	Company	Nature of relationship	Balance 2021 £'000	Balance 2020 £'000
Mark Sweeney	Northern Ireland Transport Holding Company	Board member	-	20

There were no provisions held against the above balances.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Investments held at 31 March 2021:

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

Board member	Company	Nature of relationship	Investment category	Investment cost £'000
Brian Baird	Replify Limited (e)	Non-Executive Director	Shares	351
	Repstor Limited	Non-Executive Chair & Shareholder	Convertible Loan Notes	400
Mark Nodder	Cadshare Technology Limited	Chair	Shares	150
	Cadshare Technology Limited	Chair	Convertible Loan Notes	275

No dividends were received in respect of the above shareholdings.

Key

(a) Connected via family relations.

(b) The Board member retired from Invest NI during 2019-20 therefore no disclosures have been made in respect of this individual for 2020-21.

(c) The Board member's beneficial relationship with this organisation ceased during 2019-20 therefore no transactions or balances are disclosed for 2020-21.

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

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

(f) The Board member's relationship with this organisation ceased during 2020-21 therefore transactions with the company are disclosed but not balances at 31 March 2021 on the grounds that no beneficial relationship existed at that date.

(g) The Board member's beneficial relationship with Cadshare Technology Limited commenced during 2020-21 therefore no transactions or balances are disclosed for 2019-20. Techstart NI SME Equity holds an investment of £1,245,000 in Cadshare Technology Limited. Techstart NI SME Equity is an associate of Invest NI. The relationship between Invest NI and this body is described in note 11.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) The Board member was appointed to Invest NI during 2020-21 therefore no disclosures have been made in respect of this individual for 2019-20.

(i) Approval was granted to waive this invoice in December 2020. The Board member's beneficial relationship with this company had ceased prior to that date.

26. EVENTS AFTER THE REPORTING PERIOD

In June 2021, an entity in which Invest NI held an equity investment and loan was sold to a third party. As a result of the sale, Invest NI received proceeds of £9.63m.

In June 2021 the 72 acre site at Antrim Technology Park was placed on the open market for sale at a value of £6.95 million (Offers Over). This is a non-adjusting event and consequently the 2020-21 accounts have not been adjusted for any potential change in valuation.

After 14 April 2021, restrictions relevant to recipients of the COVID-19 emergency response grants continued up to 23 May 2021 resulting in further grant payments of £7.3m being made for the period 14 April 2021 to 23 May 2021.

There have been no other 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 4 March 2022.

Report of the Comptroller and Auditor General Invest Northern Ireland

Introduction

1 Invest Northern Ireland (Invest NI) is a Non-Departmental Public Body, established in 2002 to grow the local economy by helping new and existing businesses compete internationally and by attracting new investment. Invest NI is a separate legal entity with its own independent board and Accounting Officer. It is sponsored by the Department for the Economy (the Department), but it is not part of the Department nor are its financial statements consolidated with those of the Department. In 2020-21 it recorded £508.1 million (2019-20, £175.8 million) of grant-in-aid funding from the Department; a significant proportion of the funding related to COVID-19 business support grants to Northern Ireland businesses.

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

Purpose of the Report

3 I am required to examine, certify and report upon the financial statements prepared by Invest NI under the Industrial Development Act (Northern Ireland) 2002. I have modified my opinions on the Invest NI financial statements for the year ended 31 March 2021, this report explains the reasons for the modifications.

4 I have provided adverse audit opinions[2] due to COVID-19 business support grant expenditure totalling £140.8 million in 2020-21 and £220 million in 2019-20, together with related transactions and balances, which was controlled and administered by the Department but was, in my view, incorrectly recorded in Invest NI's financial statements. In my view this expenditure was also therefore irregular since reliance cannot be placed on Invest NI's legal powers to confirm that the expenditure was regular. Further details on the rationale for my opinion on the regularity of this expenditure are provided in paragraphs 7 and 17 of this report.

[2] An adverse opinion is provided where the auditor concludes on the basis of sufficient, appropriate evidence that the financial statements as a whole do not provide a true and fair view; and/or financial transactions recorded in the financial statements as a whole do not conform to the authorities which govern the body.

Report by the Comptroller and Auditor General (continued)

5 Had I not provided adverse audit opinions, I would have disclaimed my regularity audit opinion because of limitations in the scope of my work due to insufficient evidence available to satisfy myself that £129.8 million of COVID-19 business support grants complied with the schemes' eligibility criteria. A further issue would have led to a qualification of my regularity audit opinion had the issues noted above not been present. This related to irregular expenditure of £10.4 million of Expected Credit Losses and irregular income of £0.4 million of interest income, relating to a £14.2 million loan made in previous years to Glenmore Generation Limited. The Department of Finance considered this loan to be irregular, because certain conditions of its approval had not been complied with.

Adverse True and Fair audit opinion

6 Invest NI's financial statements include expenditure on a number of COVID-19 emergency business support grants totalling £140.8 million in 2020-21, and £220 million in 2019-20, which were administered and paid by the Department. Neither Invest NI nor any of its staff were directly involved in the delivery of the schemes. A breakdown between the schemes is provided in Figure 1.

Figure 1: Department for the Economy administered COVID-19 business support schemes

Scheme	Expenditure in 2020-21 £ million	Expenditure in 2019-20 £ million
Small Business Grant Scheme	23.2	220.0
Tourism and Retail Sectors Grant	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	39.9	0.0
Wet Pubs Scheme	4.1	0.0
TOTAL	**140.8**	**220.0**

Source: Invest NI 2020-21 Annual Report and Accounts

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

Report by the Comptroller and Auditor General (continued)

8 The Department, Invest NI, DoF's Land & Property Services (LPS) and Account NI all agreed a Memorandum of Understanding (MOU) which set out the roles and responsibilities of those involved in the policy, design, operation and delivery of the Covid-19 business support grants. In the MOU, the sole duty allocated to Invest NI is to "record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts". However, the primary duties in relation to establishing the scheme, its design and delivery, payment approval and taking responsibility for any losses arising from its administration, were allocated to, and accepted by, the Department. While there was some early consultation with Invest NI on the scheme, no Invest NI staff were involved in scheme delivery and Invest had no role in the payments that were made to grant recipients.

9 Invest NI is required to provide financial statements which show a true and fair view of its financial transactions and its financial position. Therefore, including the expenditure of another entity led to misstatements within the Invest NI's accounts, both in 2020-21 and 2019-20. I have therefore qualified my audit opinion on the financial statements.

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

11 In addition to the grant expenditure in Figure 1, Invest NI also included notional grant-in-aid from the Department of £286.1 million (2019-20, £67.7 million), representing payments made by the Department to grant recipients of these schemes, and included related accruals of £7.0 million (2019-20, £152.3 million). In my opinion, Invest NI did not have an obligation at 31 March 2020 for these schemes since it was not involved in controlling or delivering them and therefore should not have reflected an obligation for accruals within its 2019-20 financial statements. I have also taken these misstatements into account in determining my audit opinion.

Report by the Comptroller and Auditor General (continued)

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

Account area	Misstatement in 2020-21 £ million	Misstatement in 2019-20 £ million
Grant-in-Aid – i.e. payments to grant recipients made by from the Department's bank account	286.1	67.7
Grant expenditure on DfE administered schemes	(140.8)	(220.0)
Accruals	7.0	152.3
General Fund – relating to opening accruals	(152.3)	0.0

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

13 I provided Invest NI with an opportunity to reconsider its accounting treatment and proposed that it make an adjustment to its financial statements to rectify the issue. There was constructive engagement on this issue and Invest NI demonstrated openness to my recommendation, however, Invest NI understandably wanted to wait until the Department decided its course. Following a decision by the Department not to adjust its own accounts, Invest NI took the same position.

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

Report by the Comptroller and Auditor General (continued)

15 The COVID business support grant schemes administered by the Department in 2020-21 of £140.8 million (2019-20: £220 million), and the related transactions, are a substantial proportion of total operating expenditure reflected in Invest NI's financial statements. Given its relative size and that of the associated grant-in-aid and accruals recognised for these transactions, I have determined that the financial statements do not show a true and fair view of Invest NI's income and expenditure or of its' state of affairs at 31 March 2021, or for the prior year.

Adverse opinion on the regularity of income and expenditure

COVID-19 grant schemes administered by the Department for the Economy

16 In addition to forming an opinion on whether the financial statements show a true and fair view I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them.

17 Since, in my opinion, it was the Department and not Invest NI which expended £140.8 million on the COVID-19 business support grants referred to in Figure 1 in 2020-21 (2019-20 £220 million), reliance cannot be placed on Invest NI's legal powers under the Industrial Development (Northern Ireland) Order 1982 to prove the regularity of these transactions. Given these grants form a substantial proportion of the financial statements, in the absence of the Department having sufficient powers in place itself I have concluded that the income and expenditure have not been applied to the purposes intended by the Assembly and that the financial transactions recorded in the financial statements do not conform to the authorities which govern them.

COVID-19 grant schemes administered by Invest NI

18 In addition to the grant schemes shown in Figure 1 which were administered by the Department, a number of new support schemes were launched and administered by Invest NI in 2020-21 in response to the continued impact of the pandemic on Northern Ireland's economy. As part of my work to provide an opinion on the regularity of transactions, I must gather independent audit evidence to assess whether a sample of grants administered by Invest NI complied with the eligibility critieria established for each scheme. All of these schemes were designed to rely upon self-declarations made by applicants to confirm eligibility. Therefore, Invest NI could not provide me with sufficient appropriate audit evidence to verify whether the self-declarations made were, in fact, accurate and to allow me to determine whether all of the eligibility criteria relating to expenditure totalling £129.8 million had been met for the Invest NI administered COVID-19 business support grant schemes set out in Figure 3 below. There were no alternative audit procedures available to me to obtain sufficient appropriate audit evidence to inform my regularity audit opinion.

Report by the Comptroller and Auditor General (continued)

Figure 3: Invest NI administered COVID-19 business support schemes

Grant scheme	Key self-declarations made to determine eligibility	Expenditure during 2020-21 £ million
Coronavirus Hardship Fund for Microbusinesses	o Turnover had dropped by at least 40 percent due to COVID-19	23.3
COVID Restrictions Business Support Scheme (CRBSS) Part A	o Income had dropped by at least 50 percent due to COVID-19	65.4
COVID Restrictions Business Support Scheme (CRBSS) Part A	o Income had dropped by at least 40 percent due to COVID-19	12.8
Newly Self-Employed Support Scheme (NSESS)	o There a decline of more than 40 percent in trade due to COVID-19 o The business would continue to trade	8.7
Limited Company Directors Support Scheme (LCDSS)	o Taxable income was less than £50,000 due to COVID-19 o The predicted drop in remuneration and dividend income was at least 40 percent due to COVID-19. o There was an intention to carry on trading.	19.6
TOTAL		**129.8**

Source: Invest NI 2020-21 Annual Report and Accounts

19 Approval for the implementation of the new schemes was by Ministerial Direction, since the Department's Accounting Officer was unable to provide evidence that these schemes would provide value for money or that there would not be an unacceptably high risk of error or loss of funds. Reliance on self-declarations without corroborating evidence does not mitigate the risk of fraud and error occurring. Whilst I recognise that clawback arrangements were built into the terms and conditions of these grants, the subsequent identification of fraud or error will take significant administrative effort and the recovery of sums may not be successful.

20 The DoF published the Cabinet Office's 'Fraud Control in Emergency Management: COVID-19 UK Government Guide'[3], which outlines the steps which should be undertaken by government bodies when administering emergency programmes. One of the overarching principles it highlights is that there is an inherently high risk of fraud in this context and therefore fraud risk assessments should be undertaken and continually updated for new threats and risks. Given that these schemes have already made payments that are at risk of fraud, it is important that post payment checks are now undertaken. I therefore recommend that post payment checks are performed, proof of eligibility from corroborating evidence is sought and, where necessary, funds are recouped. I understand the Department for the Economy is undertaking work in this area and I will review its outcome.

[3] Fraud control in emergency management: COVID-19 UK Government guide –issued in March 2020

Report by the Comptroller and Auditor General (continued)

21 I would also expect Invest NI to ensure that it continues to comply with the Cabinet Office guidance for any future schemes of this nature and draws on lessons learnt, by building suitable control mechanisms into them to prevent and detect fraud and to protect public funds.

22 I consider this expenditure to be a significant proportion of the expenditure in the year. As a result, had I not already provided an adverse audit opinion on the regularity of income and expenditure, I would have been unable to form an opinion on whether the income and expenditure has been used for the purpose intended by the Assembly and the transactions conform to the authorities which govern them, and would have disclaimed my regularity audit opinion.

Irregular expenditure relating to a loan provided by Invest NI

23 In addition to the issues described in paragraphs 16-17 and 18-22 above, an irregularity was brought to my attention by the DoF , when it determined that a £14.2 million loan made by Invest NI to Glenmore Generation Limited (Glenmore) did not comply with its conditions of approval. Expenditure of £10.4 million for expected credit losses and income of £0.4 million, related to the loan, which were reflected in Invest NI's 2020-21 financial statements are therefore irregular. Again, had I not already provided an adverse regularity opinion, I would have qualified my regularity audit opinion for the income and expenditure relating to the loan in the 2020-21 financial statements. Further details of this issue are provided in paragraphs 26-34 of this report.

Other issues identified during the audit of the COVID-19 business support schemes which did not impact on the audit opinion

24 In December 2021 I issued a report on the Design and Administration of the Northern Ireland Small Business Support Grant Scheme administered by the Department, which highlighted the inherent risks of implementing such a scheme at extreme pace. The DfE Accounting Officer requested a Ministerial Direction for the scheme, stating that he had insufficient evidence it would provide value for money and that a risk to public funds due to fraud or error was present.

25 Ministerial Directions were requested for all of the COVID-19 business support grant schemes administered by Invest NI, citing similar issues. We accept that these schemes were delivered in response to an emergency situation, nonetheless, public funds may be at risk, particularly in light of self-declarations being accepted by the organisation as proof of eligibility. It also means that the eligibility criteria set may have resulted in some businesses receiving a grant who did not need it. I noted that for the CRBSS, the eligibility criteria did not take account of previous earnings and in some cases businesses received more money from the grant scheme than they would have trading normally. This may also be the case for the NSESS.

Report by the Comptroller and Auditor General (continued)

Irregular expenditure and income relating to a loan provided by Invest NI

26 In August 2021 the Department of Finance advised me that it considered a £14.2 million loan made to Glenmore Generation Limited (Glenmore) by Invest NI since 2015 to be irregular because it did not comply with the conditions DoF Supply had imposed at the time it had originally approved the loan.

27 During 2020-21 Invest NI provided for an impairment loss of approximately £10.4 million against this loan, having already provided for £3.8 million in earlier years. Under International Financial Reporting Standard (IFRS) 9 – Financial Instruments – this impairment is known as an Expected Credit Loss and is used to reflect the expectation that anticipated repayments might not take place. Interest of £0.4 million earned during the year on this loan was also reflected in the 2020-21 financial statements. Since the loan was subsequently approved for write off, this interest income has now ceased. As the original loan is irregular, all expenditure and income streams flowing from the loan now also become irregular. I would have therefore qualified my audit opinion on the regularity of income and expenditure due to the irregular expenditure of £10.4 million of Expected Credit Losses and £0.4 million of interest income related to the loan which are reflected in the 2020-21 financial statements, since they do not conform to the authorities which govern them.

A loan was made to Glenmore Generation Limited but there were issues with its recoverability

28 In 2015, Invest NI developed a business case and received approval from the DoF and DETI (now DfE) Ministers to support the development of an anaerobic digestion plant at the Glenmore Estate in County Donegal under the Sustainable Utilisation of Poultry Litter scheme. The intent was to facilitate the export of poultry litter from NI and subsequently the importation of the biogas produced to generate renewable energy for use by companies based in NI. The total cost of the project was estimated as £24.3m, with £1 million being input by the project promoter and main contractor. The promoter was the ultimate owner of Glenmore Generation Limited (Glenmore). Of the remaining £23.3 million funding requirement, Invest NI would contribute 40 percent (£9.3 million), which would be drawn down in tranches, and a private sector partner would supply the remaining 60 percent (£14.0 million). The financing offered by Invest NI was issued as a loan to be repaid over a period of 15 years. Interest was charged at a rate of 12 percent during the construction phase and at 10 percent thereafter on an equal footing basis[4] with the private sector partner's financing, where neither obligation ranked above the other if repayment was triggered. DoF Supply approval is required when expenditure proposed by central government bodies is outside of the delegations permitted by the DoF. In this case approval was required due to the quantum of the loan and DoF approval was given August 2015, with certain conditions attached.

[4] Referred to as a pari passu basis.

Report by the Comptroller and Auditor General (continued)

29 The anaerobic digestion plant suffered significant commissioning issues and the plant was struggling to ramp up production to profitable levels. Over the course of the project additional funding was required, with the Invest NI Board approving funding of £0.9 million in August 2018 for additional project costs outside of the scope of the original offer. Not all of the original £9.3 million loan facility approved by DoF Supply had been drawn down, meaning that the overall value of the Invest NI loan remained within the limits initially approved by DoF Supply. However, as a result of approximately £10.5 million, including rolled-up interest, of further funding being provided by the private sector partner in August 2017, January 2019 and May 2019, seniority rankings changed. This meant that the private sector partner now held seniority for loan recovery over the initial loans from both parties. DoF Supply was not informed of this change in rankings.

30 In response to ongoing losses and an unsustainable debt burden Glenmore's directors obtained professional advice and sought an expedited sale of Glenmore. Ultimately a sale to a third party could not be achieved and Glenmore was refinanced and remained under the control of the project promoter. Invest NI received separate professional advice that the offer would provide no financial return to Invest NI, however the refinancing allowed the best, and possibly only, opportunity for the project to be turned around so that it might fulfil the dual benefits envisaged by Invest NI to sustainably use poultry litter and provide biogas for NI companies. The reason that the offer would not provide a financial return to Invest NI was because it was less than the £10.5 million of additional funding provided by the private sector partner, and as such the senior debt with that partner held preference. The private sector partner will also lose all of its original loan and is unlikely to recover all of its additional £10.5m funding.

Invest NI requested DoF approval to write off the full amount of the loan

31 On 2 April 21, Invest NI approached the DoF, through its sponsor department (DfE) for approval to write off a loss totalling £14.2 million on the loan to Glenmore (comprising loans of £9.3 million and accumulated interest owing of £4.9 million). This approval was required urgently to allow the refinancing offer to proceed and DoF approval for this request was initially granted. However the DoF subsequently reviewed in detail a report on the Glenmore project, commissioned by Invest NI's Board and written by its internal auditors. As a result the DoF noted several issues, leading it to conclude the loan was irregular because several conditions attached to its approval for the original loan had not been met. Issues identified included:

- Invest NI relied on the private sector partner's conclusion that preconditions for the loan had been met prior to drawdown, rather than undertaking work and concluding itself[5], as required by the DoF.

[5] Further information was subsequently passed to Internal Audit to demonstrate that Invest NI had not completely relied on the private sector partner's conclusion, however Internal Audit did not consider that sufficient evidence had been provided to support the conclusions on some of the pre-conditions.

Report by the Comptroller and Auditor General (continued)

- The DoF Supply team should have been advised of all proposals specifically relating to the refinancing of the debt as a condition of its approval of the loan. However, the following had not been brought to its attention:

i. The scope and scale of the project, and associated risks, had been substantially changed due to the private sector partner's additional financing holding seniority.

ii. The repayment period had been extended from 15 to 17 years, and no repayments had been made in line with the anticipated schedule.

iii. The refinancing proposal had not been notified to the DoF prior to the write-off request.

iv. The project promoter's financial position had deteriorated during the course of the loan, affecting the viability of the £1million guarantee offered and the risk profile of the project.

- A risk register for what had been a high risk project at the outset had not been maintained. Papers provided to the DoF Supply team during the approval process noted the risk profile of the loan and that Invest NI's investment would be on an equal footing basis. DoF approval was given on the basis of this assurance as to how risk would be managed.

32 The DoF was also concerned that Invest NI had not advised it immediately of the internal audit findings issued on 5 March 2021 and that the change of circumstances was only notified to the DoF when the request for write off approval for the loan was submitted on 2 April 2021. Invest NI told DoF that it did not believe irregular spend had been incurred. It did not seek retrospective approval, however DoF Supply noted that, even if it had made such as request, the requirements for retrospective approval would not have been met.

33 I asked Invest NI to explain why it had not identified the need to seek DoF approval during the course of the loan as circumstances changed and what action it was taking to prevent this happening in future. It told me;

"As the project proceeded, some of the identified risks materialised with further funding required to continue operations. Invest NI consulted with DfE on whether this was a material change that would be required to revert to DoF Supply for further approval. However, this assessment and discussions with DfE centred on whether or not there was a change in scale or scope and it was agreed that the scope of the project was largely the same although the scale, measured by way of the total investment, was greater. There were exceptional circumstances that led to an increase in costs related to the project that were neither planned nor anticipated but we took the view that the underlying project remained fundamentally the same, albeit at a higher cost. As the increase of Invest NI's loan facility was within the 10% tolerance it was determined that the change was not material and it did not need to be referred back to DfE / DoF.

However, Invest NI accepts that it did not consider the circumstances in their totality and that DoF should have been consulted about the requirement for re-approval at this point.

Report by the Comptroller and Auditor General (continued)

In addition, Invest NI acknowledges that the work carried out to assess whether the pre-conditions had been met was not sufficiently thorough and that too much reliance was placed on the due diligence undertaken by the private sector partner.

Furthermore, despite a detailed risk assessment at the casework stage and ongoing monitoring, we accept that the absence of a project specific risk register meant that the risk monitoring and escalation process was not sufficiently robust to respond to the changing risk profile of this project.

Given the issues arising, in November 2020, Invest NI Audit and Risk Committee requested that Internal Audit services undertake a lessons learnt review of the case. As a result of the recommendations made, Invest NI is implementing additional measures for future cases. This includes the establishment of a committee to oversee complex and high risk cases, as well as additional monitoring to provide greater oversight and control. Invest NI has also established a Governance Oversight and Compliance Council (GOCC) to implement best practice and improvements right across the governance framework and the issues identified in the Glenmore case have been included in GOCC's action plan, with progress monitored by Invest NI's Audit & Risk Committee."

34 I will keep this area under consideration and may carry out a further review in future as requested by the Public Accounts Committee in their recent report on Generating Electricity from Renewable Energy.

K J Donnelly
Comptroller and Auditor General
Date: 4 March 2022

Northern Ireland Audit Office
1 Bradford Court
Upper Galwally
Belfast
BT8 6RB

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Invest NI Equality

Tel: 028 9069 8273
Text Relay Number: 18001 028 9069 8273
Email: equality@investni.com

Invest Northern Ireland

Bedford Square
Bedford Street
Belfast BT2 7ES

T: 028 9069 8000
F: 028 9043 6536
Text Relay Number: 18001 028 9069 8000
investni.com

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