

# Invest Northern Ireland

## Annual Report & Accounts

### 2013-14

1.3 million  
visitors to [nibusinessinfo.co.uk](http://nibusinessinfo.co.uk)

80%  
customer satisfaction

24,000  
jobs  
created since  
start of corporate  
plan period

13%  
42%  
employed in R&D

£1 billion  
total investment  
commitments

£190 million  
salaries secured

90%  
of exports  
Invest NI clients account for over 90%  
of Northern Ireland's export.

1.8m  
population

4.5%  
inflation

900  
more  
local  
companies  
exporting

37%  
business R&D spend

£1.25 billion  
support  
investment

**INVEST NORTHERN IRELAND  
ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2014**

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

Date: 4 July 2014

ISBN Number  
978-0-9926470-0-1

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# Chairman's Statement

I am pleased to present Invest Northern Ireland's Annual Report for 2013-14, our most successful year ever.

Invest NI's performance is only as good as the performance of the companies that we support, nevertheless I do not feel our success this year would have been possible were it not for the commitment and support of our staff, whose energy, enthusiasm, passion and commitment have been crucial.

It was a year of many highlights, as the organisation continued to focus on boosting business investment, encouraging exports and generating jobs in pursuit of delivery of our current Corporate Plan and the targets set by the Northern Ireland Executive under the 2011-15 Programme for Government.

To have promoted almost 11,000 jobs, secured over £1bn of new investment commitments, which includes almost £250m of R&D expenditure in a single year, £33m towards skills investment and £775k committed to creating employment opportunities, are tremendous outcomes.

The number of jobs promoted, the associated wages and salaries, the value of assistance offered and the amount of investment planned by business were all at record levels. We also made more offers of support to the highest number of businesses ever.

All of these factors are encouraging indicators that businesses are beginning to see signs of recovery, that our local companies are continuing to broaden their horizons and that Northern Ireland continues to be an attractive location for globally mobile investment across a range of sectors.

Our international standing as a place to invest in, do business with, study, live and visit was enhanced during the year as a result of the hosting of the G8 Summit in June and the subsequent Investment Conference in October, where Prime Minister, the Rt Hon David Cameron gave a strong endorsement of our international proposition to delegates. I would also like to personally place on record my appreciation to the First and Deputy First Ministers and the DETI Minister for the support which they have provided during the year to our efforts to win international investment and build trade linkages through their attendance on overseas visits. The importance of this type of high level political support and access cannot be underestimated as we work to ensure a clear, consistent positioning of Northern Ireland's competitive offering in key international markets.

We continue to have our challenges.

As a result of introducing our Access to Finance suite of products, increased market competition has been stimulated and lending conditions are beginning to show signs of improvement. Some businesses are now finding that they are able to obtain funding from other financial institutions and have not drawn down loans which had previously been approved through the Growth Loan Fund. We have also seen the average value of loans under the Fund being around twice that originally anticipated. This reflects an overall improved access to finance for Northern Ireland companies and while it means we will not meet our volume target for the year, we remain on course to meet the £28m Programme for Government value target over the term.

Raising the level of exports from Northern Ireland is also a priority for the NI Executive. We simply cannot grow our economy without doing so. That's why the Programme for Government contains an ambitious, tough target of growing manufacturing exports by 20 per cent by 2015. We are currently three years into the four year Programme for Government period and are behind target. For the 12 month period ending 31 December 2013, our exporters grew manufacturing exports by 6% against a target of 13%.

However, there are grounds for optimism and signs that the market is stabilising and improving. This is reflected in the 2013-14 export data, where there was an encouraging 6.3% increase over the previous year which represents steady continuous growth. Indeed, our last quarter reported a higher percentage increase than the overall UK figure and was the highest level in five years. It is important to note that, at present, we only report on manufacturing export sales. Moving forward, it will be important that we aim to expand our capability to report on two other important contributors to the growth of the NI economy - sales to Great Britain and exports of services, both of which have reported significant growth over the period.

There are also recent encouraging signs of growth within our local economy, although sustainable growth will likely rely heavily on the health of our two largest trading partners – Great Britain and Republic of Ireland.

Through our internationalisation strategy, we will drive future export growth by reviewing our current product/service offering and addressing the gaps identified in order to provide better and more targeted customer solutions. Along with specific exporting initiatives, we will continue to focus on supporting businesses to raise their productivity, invest in innovation and Research & Development (R&D), and increase skills levels. Success in export markets requires businesses to be efficient and competitive in addition to having something unique to sell.

We have continued to see businesses benefit and see the need for investment in Research & Development and the pivotal role which this plays in driving economic growth.

This has been an area of focus in recent years which is delivering results with Business Expenditure in R&D at its highest ever level and having increased by 120% in real terms from 2007 to 2012.

The year 2013-14 was a year of further growth in business R&D investment with new commitments of £239m being made. As a result, total planned business investment in R&D over the past three years has exceeded £400m, comfortably surpassing the full four year Programme for Government target of £300m.

Whilst this figure includes a major R&D project by Bombardier, where £20m of assistance has been offered towards total investment costs of £119.5m, even without this project, it was a very strong year of performance with a 16% increase on last year.

Given our drive to encourage more, and smaller businesses to invest in R&D, it is encouraging to note that 49% of local R&D investment commitments were made by Small and Medium sized Enterprises.

## **Transform**

The overriding vision of our Transform strategy is to make Invest NI a world leading Business Development Organisation, providing exemplary customer service and delivering higher levels of performance and economic impact.

Our Transform agenda permeates the entire Invest NI organisation and sets the framework for strategic organisational change. Underpinning this will be strong, consistent leadership throughout the organisation. Beginning with our Executive Leadership Team, a bespoke leadership programme built around our core values was introduced and is being cascaded throughout Invest NI.

Substantial progress was made last year in the creation of a specific Customer Management Programme which will embrace Customer Service Excellence, the establishment of a Business Development Academy and optimising how we identify and develop new customer relationships whilst maximising existing ones. Through the Customer Service Excellence project Invest NI achieved the Cabinet Office approved CSE standard, enabling us to assess and benchmark how we provide services to our customers.

The Business Development Academy (BDA) is an investment in our people which delivers a structured framework of Learning and Development support. The overall objective of the academy is to help individuals to develop their skills, capabilities and knowledge to ensure that we deliver a world class experience for our customers. The BDA is a key component of the overall Customer Management programme, which is part of Transform, the Invest NI change management programme. The BDA was launched in December 2013 and represents a substantial investment in our staff and helps underpin customer success.

In 2014-15 we will embed the Business Development Academy consistently throughout the organisation, build on the momentum created through achieving CSE standard and implement a new Customer Relationship Management system. We will also ensure that we have efficient processes, effective governance and will initiate an upgrade of our supporting technology and systems to give us the platforms that allow us to drive continuous improvement on behalf of our customers.

Working together as a team with focus and determination we can make a big difference to their level of ambition and growth.

## **Conclusion**

Three years into our current Corporate Plan, we have promoted almost 24,000 new jobs, supported £2.1bn of investment commitments across skills investment, jobs and over £400m of new expenditure in R&D. In doing so, we have already surpassed a number of the four year Programme for Government targets.

We are extremely fortunate to have the strong ongoing support from the NI Executive, particularly our own Minister, Arlene Foster, DETI and David Sterling the Permanent Secretary along with the many stakeholders who make an invaluable contribution towards the outcomes we are able to report.

I would also like to take this opportunity to formally thank those members of the Board who are retiring having served the maximum two terms. Roy Adair, Tim Brundle, David Dobbin, Frank Hewitt, Alan Lennon and Gerry McCormac have provided challenge, strategic guidance and wise counsel to the Executive team over the past six years. Their term of office has spanned two Corporate Plan periods which have seen Invest NI undergo transformational change.

In their place, I am delighted to welcome Deborah Lange, Mark Nodder, Mark Sweeney, Padraig Canavan, Brian Baird, Peter McNaney and Judith Totten to the Board.

I look forward to working with the new members along with continuing members Gerry McGinn, Rose Mary Stalker, Gerard O'Hare, Ken Nelson and Scott Rutherford. This experienced high calibre team provide an excellent mix of large company, international and small business development experience combined with entrepreneurial flair as we seek to build on the recent positive momentum.

They join at a time when many economic indicators are improving, but there remain challenges ahead.

Changes in EU Regional Aid, which will come in to effect on 1 July, and a final decision on Corporation Tax, scheduled for the autumn, have the potential to change our overall inward investment proposition.

Implementation of Local Government Reform is underway which will see some elements of local economic delivery transfer from Invest NI to the new Council structures.

Recent years have seen a relentless focus on the needs of our customers and efficient delivery. We have consistently delivered higher levels of performance, to a much broader range of businesses, in the right way, which is reflected, not only through the hard numbers evident in our key performance indicators, but also through increasing levels of customer and stakeholder satisfaction.

It is important that we maintain this momentum as we begin to shape our next Corporate Plan period in what is likely to be an ever-challenging budgetary environment.



**Mark Ennis**  
Chairman



## Chief Executive's Overview

I finished my remarks in our 2012-13 Annual Report, saying that "I look forward to working together to deliver another year of successes in 2013-14." At the time of writing, I could not have foreseen the extent to which this year would out-perform last year.

For the first time since the establishment of Invest NI, almost 11,000 new jobs were promoted in a single year by both local and international businesses, which, collectively will result in an additional £190m in wages being injected in to the local economy.

Included in this were Concentrix and Stream International, the two largest ever job creation projects secured since the organisation was established and which, between them expect to deliver over 2,000 jobs.

In advance of changes to Regional Aid which will become effective from 1 July 2014, our sales teams have proactively encouraged businesses to accelerate projects and secured other expansions across Northern Ireland by international investors, including Ryobi and Fujitsu.

We also welcomed 23 first-time investors to Northern Ireland across our key target sectors, including Convergys, a direct result of our hosting of the Investment Conference in October, along with others such as Shopkeep POS and GTT.

Alongside these traditional channels of inward investment, we are increasingly capitalising on new opportunities in growing sectors. Most notable of these is our creative industries, where we have identified huge potential for future growth and committed to increasing our support over the next four years.

With many television programmes and Hollywood productions being filmed in Northern Ireland there is considerable direct economic impact and wider supply chain benefits for our tourism and hospitality related businesses. It also provides additional impetus for our post-production companies to bring their expertise to a global audience. This is a tremendous growth opportunity for Northern Ireland and one where we have committed up to a further £43m to NI Screen over the next four years.

Our local business base has continued to show remarkable resilience. Companies such as Delta Print & Packaging, Hannan Meats, James Leckey Design and Kainos Software are exemplars where we have been able to help across a range of areas such as improving efficiency, introducing new products and services, growing their skills base and developing export capability.

As an agency, we have continued to demonstrate how we can respond to changing economic conditions.

### **Jobs Fund**

Our Jobs Fund, which has been instrumental in helping local companies create new jobs quickly, is a prime example. Introduced in November 2011 as a direct response to the impact of the downturn, it was targeted with promoting 6,300 jobs in the four year period to March 2015 and with creating 4,000 jobs in the three years to March 2014.

In 2013-14 alone, over 4,500 jobs were promoted and almost 2,000 created, showing that this initiative is helping create the jobs across the spectrum, from financial assistance to individuals resident in Neighbourhood Renewal Areas, or young people Not in Employment, Education or Training (NEETS) through to major projects such as Concentrix, Stream International, BT and Capita Business Services.

By the end of March 2014, the Fund had promoted over 9,000 jobs, with over 4,600 jobs created, significantly exceeding both Programme for Government targets well ahead of schedule. It is particularly encouraging that, since the introduction of the scheme, some 55% of the jobs created have been taken up by people previously unemployed or economically inactive, providing opportunities for them to develop their skills and build their experience.

A review of the programme is currently underway which will inform not only any medium-term extension to the Jobs Fund Programme, but also consideration of its longer-term future.

Equally, for many businesses, accessing finance to grow and develop has been a key challenge in recent years as a result of reduced levels of lending through banks and investment by venture capitalists. To address this we now have a suite of six funds operational with £150m of finance available including European funding and private sector investment. To date, £25m of Invest NI and EU investment has been made through these funds.

Our focus on broadening and deepening our engagement with a wider range of businesses through our Boosting Business campaign and ongoing promotion of [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk) also continued to deliver favourable outcomes.

Over the year, our dedicated Business Support Team dealt with more than 14,000 frontline enquiries and over 6,500 people attended a range of business workshops, seminars and events. In addition, there were more than 1 million visits to the nibusinessinfo website and almost 5,000 new registered users.

Invest NI has continued to work proactively and in partnership with Councils across Northern Ireland. The EU Sustainable Competitiveness Programme for 2007-13 has so far supported 96 projects under the local economic development measure.

At a sub-regional level, much of our engagement will be aligned with the new Council structures which will result from the Reform of Local Government. We will work with Councils and local stakeholders to deliver local economic activity effectively and to maximise the uptake of available EU funding through the 2014-20 Local Economic Development scheme.

## **Job Creation**

Over the course of the past year, we have put in place processes to enable accurate reporting of the actual number of jobs created as a direct result of those projects which we have assisted. In doing so, Invest NI is the first development agency in the UK or the Republic of Ireland to report in this way.

We have analysed all offers of financial support which were “live” at the beginning of our current Corporate Plan period and extracted job creation information on a year on year basis against these offers.

This shows that, in 2013-14, 6,158 new jobs were created directly as a result of Invest NI support and that 17,779 new jobs have been created in total since the beginning of our current Corporate Plan period.

As individual projects will create jobs incrementally over a period of time, typically between 3 and 5 years although in some cases up to 10 years, it will take some time for sufficient data to be accumulated to support meaningful interpretation.

Direct comparison of jobs promoted in a single year with total jobs created in that year, would be meaningless. This is because jobs promoted relate to future intentions while jobs created is as a result of jobs promoted in previous years as well as the current year.

## **Research and Development**

From the smallest, local companies which have used our Innovation Vouchers to take their first step, through businesses embracing online commerce or using design to give them clear product differentials, right through to major international businesses such as Bombardier and Schrader Electronics partnering with our universities to undertake world-leading research, we continue to witness an increased appetite for investment in research, development and innovation.

As a result business expenditure in R&D in Northern Ireland is now higher than the UK average, as a percentage of Gross Value Added (GVA).

## **Exports**

The Republic of Ireland remains our largest manufacturing export market, nearly four times the size of the next largest, the USA, meaning that its health is inextricably linked to our overall export performance. There are tentative signs that the market is stabilising and improving. Much of the growth in export sales in RoI was driven by the food sector, which in 2013, was up 20% on 2012 sales figures.

Our performance in emerging markets continues to be very positive, with manufacturing exports, as measured on a rolling 12 month basis (ended 31 Dec) to the BRIC and CIVET countries increasing by almost 50%, albeit from a relatively low base. Again, this is hugely encouraging and we will continue to focus on growing these markets over the next year and beyond.

Whilst we can look to the far off, new and emerging markets, we cannot lose sight of opportunities closer to home. Sales to other parts of the United Kingdom are a key driver of economic growth, particularly for many of our Small and Medium Sized Enterprises. In addition to sales directly in to that market, for many it is an interim destination for exports to other countries.

During the course of 2014 Invest NI will continue to focus on supporting businesses to export to new markets through our programme of trade visits, one-to-one support and in-market advice and by implementing actions identified in DETI's Export Action Plan which will contribute towards the Programme for Government and Economic Strategy targets.

We have also aligned our Trade and Inward Investment much more closely in order to maximise our international offering.

## **Organisational developments**

Alongside our various Transform initiatives, we have continued to focus on driving internal improvements to our casework and claims processing times.

During the course of 2013-14 the opportunity arose for INI to acquire the share capital of Bedford Street Developments Limited (BSDL) as a result of it being placed on the open market by its current owners. BSDL controlled the Private Finance Initiative agreement for the Bedford Square building which includes the provision of the Invest NI HQ and all associated services.

The initial analysis carried out identified that significant financial savings could be realised for Government by acquiring the BSDL Group. Therefore in February 2013, as part of the competitive market bid process, Invest NI submitted a successful bid to acquire the share capital of BSDL and following the completion of the due diligence process, the acquisition was completed in July 2013.

## **Conclusion**

We will continue to focus on making Invest NI more relevant to all businesses throughout Northern Ireland, regardless of size or scale and will respond to the constantly changing market conditions in which we operate.

Local Government Reform in Northern Ireland will see the transfer of some economic development activities, particularly relating to micro and small businesses pass from Invest NI to the new Councils, changing the dynamic of our relationship with them. We see Invest NI continuing to have a pivotal role in this area through our online offering, [nibusinessinfo.co.uk](http://nibusinessinfo.co.uk); by forming strong local partnerships; and through our own range of products and services, to ensure that all businesses throughout Northern Ireland can access relevant support and we can identify those companies with the potential to ultimately move through into our customer base.

Internationally, the strength of our research base, the skills of our people and our ability to develop innovative support to potential investors have been important contributors to our success in attracting and growing inward investment. Changes to Regional Aid Guidelines, the potential for Corporation Tax and the ability to offer the benefits of Enterprise Zones all present new opportunities which will enable Northern Ireland to target different types of investment.



**Alastair Hamilton**  
Chief Executive

# Board and Executives 2013-14

## Board Members

Mark Ennis	Chairman
Gerry McCormac	Deputy Chairman, Resigned 31 March 2014
Roy Adair	Resigned 31 March 2014
Tim Brundle	Resigned 31 March 2014
David Dobbin	Resigned 31 March 2014
Frank Hewitt	Resigned 31 March 2014
Alan Lennon	Resigned 31 March 2014
Gerry McGinn	
Ken Nelson	
Gerard O'Hare	
Scott Rutherford	
Rose Mary Stalker	
Deborah Lange	Appointed 1 April 2014
Mark Nodder	Appointed 1 April 2014
Mark Sweeney	Appointed 1 April 2014
Padraig Canavan	Appointed 1 April 2014
Brian Baird	Appointed 1 April 2014
Peter McNaney	Appointed 1 April 2014
Judith Totten	Appointed 1 April 2014

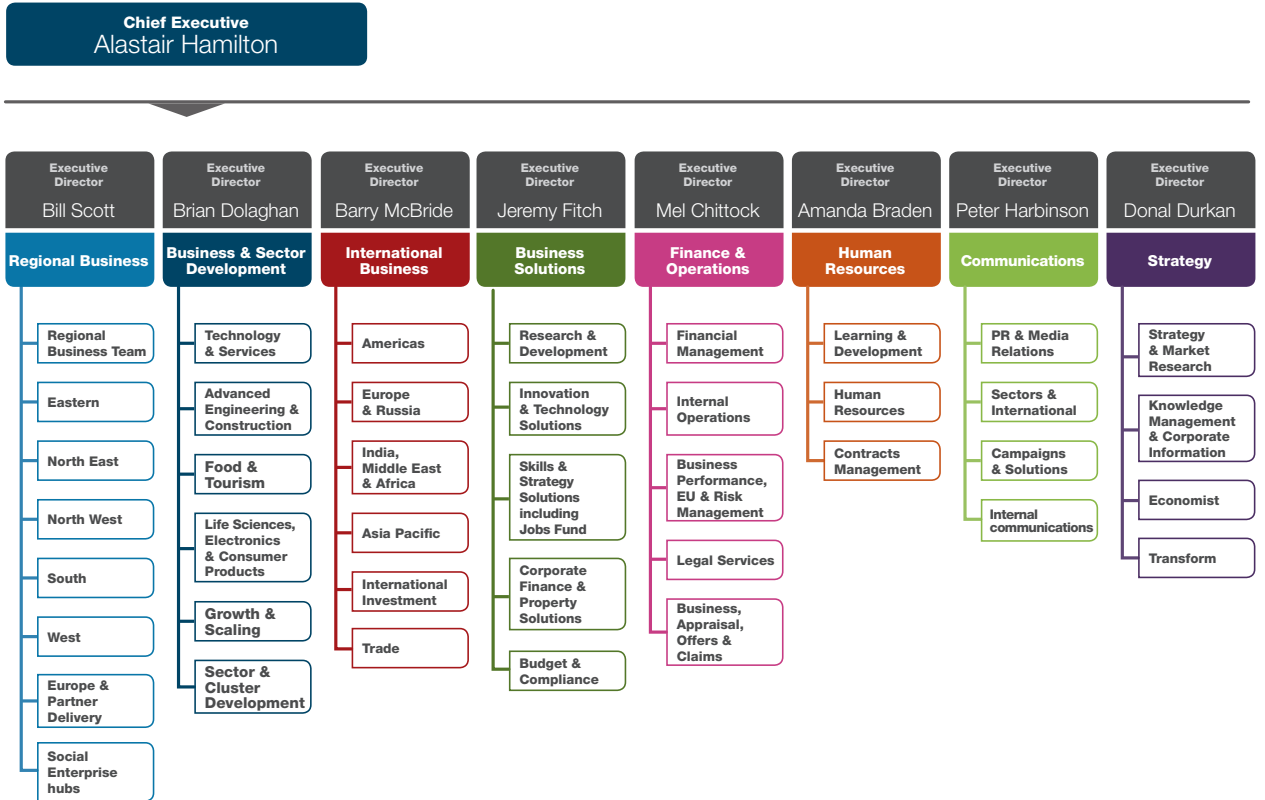
## Executive Leadership Team

Alastair Hamilton	Chief Executive
Jeremy Fitch	Executive Director, Business Solutions
Brian Dolaghan	Acting Executive Director, Business and Sector Development
Mel Chittock	Executive Director, Finance and Operations
Amanda Braden	Executive Director, Human Resources
Bill Scott	Executive Director, Regional Business
Donal Durkan	Executive Director, Strategy
Barry McBride	Executive Director, International Business
Peter Harbinson	Executive Director, Communications

# Strategic Report For the year ended 31 March 2014

## Organisational Structure

Our Invest NI structure allows us to provide a streamlined and focused customer experience.



Tracy Meharg was seconded to DSD in January 2014 and Jeremy Fitch transferred to the role of Executive Director of Business Solutions. Brian Dolaghan was appointed to the position of acting Executive Director of Business and Sector Development at the same date.

## Strategy and Objectives

The year 2014-15 will mark the final year of the implementation of the current Programme for Government, the Northern Ireland Economic Strategy and Invest NI's Corporate Plan. Our key objectives are outlined in our 2013-14 Operating Targets and Achievements on page 17. Stimulating innovation and creativity across the business base; improving productivity; and driving export focused business growth, will remain critical to our success in achieving these objectives.

Through our change management programme, Transform, we will continue to provide our people with the skills, knowledge, systems and processes they need to deliver an enhanced level of customer experience and we will build on the Customer Service Excellence (CSE) accreditation we achieved during the year.

The wider economic climate should continue to show signs of improvement in 2014-15, with economic recovery and growth now on a firmer footing than it was a year ago. Whilst the short term economic outlook is positive, increased levels of business investment and innovation, further development of workforce skills and a renewed focus on export markets are essential to achieving growth which is sustainable. We will continue to work in partnership with those entrepreneurs and businesses with the greatest potential to improve productivity and growth in export markets.

Changes to the European Commission's new Regional Aid Guidelines (RAG), effective 1 July 2014 may restrict our ability to support large company expansions going forward. In response, we will seek to maximise our use of the full range of other solutions available to us and we will continue to focus on those sectors and markets where we have existing capability and those with the greatest potential for international growth. Telecoms & Information and Communications Technology (ICT), Life and Health Sciences, Agri-food, Advanced Materials and Engineering, Business Services and Financial Services remain a key focus.

The current pipeline for Foreign Direct Investment projects continues to be competitive, as cost containment pressures create a more competitive environment for mobile investment and the trend towards smaller investment projects remains. We will continue to pursue projects in Business Services, Financial Services, ICT, Software and Creative Industries, where the Northern Ireland investment proposition is strong. Following the significant international exposure achieved through the post G8 Investment Conference and the inward investment successes achieved in 2013-14, Invest NI will continue to work with our economic development partners to showcase Northern Ireland globally as an excellent location to visit, work, invest and do business.

## The Business Model

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.

Invest NI is sponsored by DETI under the Industrial Development Order (Northern Ireland) 1982 as amended by the Industrial Development Act (Northern Ireland) 2002. Invest NI's principal function is to provide government support for businesses by delivering the Government's economic strategies and making the most efficient use of available resources. Invest NI offers the Northern Ireland business community a single organisation providing high quality services, programmes, support and expert advice.

Invest NI's overall goal is to help create wealth for the benefit of the community. We will do this by helping to rebuild the economy in the short term and rebalance it in the long term. We support business development, help to increase productivity and export levels, attract high quality inward investment, and stimulate a culture of entrepreneurship and innovation.

As well as directly assisting businesses, we provide support for sectors that offer high returns for the Northern Ireland (NI) economy. This involves helping to build the connections and infrastructure that will promote excellence in specific areas.

To achieve our goals we work in partnership with many other organisations across Northern Ireland. Our success is measured against our operating targets which are discussed in more detail on page 17.

In addition to the Bedford Square headquarters, Invest NI also has offices in Northern Ireland, Great Britain, Republic of Ireland, Continental Europe, North America, India, the Middle East and the Far East. 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 (MRDE); Bedford Street Management Company Limited (BSMC); and MRDE FM Limited (MRDE FM). Invest NI owns the entire ordinary share capital of NI-CO and the BSDL group which is further disclosed in note 17 to the accounts.

## **Business Review**

### **Invest NI**

- Total net outturn for the year was £154.6m against an allocated budget of £155.6m, a 99.4 per cent achievement against target.
- There was a 99.2 per cent outturn against the organisation's administration budget of £28.2m. This budget excludes HQ unitary charges and exchange movements which are included in programme expenditure in budget classifications.
- Receipts generated in the year totalled £8.97m against a target of £7.25m. 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

### Consolidated Statement of Comprehensive Net Expenditure

Total consolidated expenditure for the year, excluding interest payable and corporation tax, has increased from £182m to £192m.

Of the total increase of £10m, £7m relates directly to the acquisition of the BSDL group and the inclusion of its results for the 9 month period from 9 July 2013. The £7m is made up of the write down of goodwill on acquisition of £9m (more detail provided in note 16), the BSDL group operating costs of £2m less £4m relating to the elimination on consolidation of the element of the INI HQ charge from 9 July 2013, which now relates to an intra group transaction.

The remaining increase of £3m is accounted for as follows: Following on from last year's increase of £9.4m in INI's grants and programme related costs, there is a further increase of £12.1m this year as the economy continues to show signs of recovery. A further £1.8m increase in costs relates to a movement from exchange rate gain to loss on income received from the European Commission. The combined salary costs for INI and NI-CO have increased by approximately £1m while NI-CO's costs of servicing contracts have also increased by approximately £1m reflecting the related increase in turnover. These additional costs are offset by a reduction of £14m in asset impairment as the revaluation adjustment charged to expenditure in relation to the INI land and property portfolio reduced from £21m last year to £7m this year.

The decrease in administrative expenditure of £1.2m to £31.9m is accounted for by the increase of £1m in NI-CO and Invest NI staff costs and £1.8m in exchange rate charges, less the reduction of £4m in HQ charges as detailed above. The overall cost of the HQ charge to the group has reduced by £0.4m in year due to VAT savings as a result of the new group company VAT status.

Total income for the year has increased from £41.1m to £54.7m. The increase includes a £15m gain on effective settlement of the PFI contract following the acquisition of the BSDL group, as outlined in note 33 to the accounts. Further movement in income was made up of a £1.8m decrease in the level of recoverable clawback income accounted for when client companies breach financial assistance agreements.

There is an increase of £0.3m in receipts from the European Commission reflecting an increase in the related grant expenditure eligible to attract EU funding. The NI-CO turnover figure has increased by approximately £1m and there was a decrease of £2.2m in INI profit on disposal of financial assets which was partly offset by a decrease of £1m in the loss on disposal of INI property, plant and equipment.

### Consolidated Statement of Financial Position

Non-current assets including investments at the year-end were £133m, an increase of £43m on 2012-13. The acquisition of the BSDL companies which includes the INI HQ building at £19m, as well as the inclusion of the Linum Chambers investment property at a value of £4.6m accounts for an increase of £23.6m in property, plant and equipment. In addition, NI-CO's property holding increased by approximately £1m following the acquisition of their premises while the impact of the downturn in the property market continued into the 2013-14 financial year, albeit to a lesser degree than last year, with a further reduction in the valuation of the INI land and property portfolio of approximately £8m.

The requirement to continue to promote economic development through the provision of high quality serviced sites for Invest NI client companies continues to be addressed through the organisation's property acquisition strategy, which is aligned to the Executive's Investment Strategy for Northern Ireland.

Intangible assets increased by £20m as a result of the inclusion of the carrying value of the goodwill on acquisition of the BSDL Group. Whilst the BSDL Group after IFRS transition fair value adjustments shows a net liability position, the purchase price was calculated after taking account of the future cost savings through synergies in the wider INI group and future profits to be earned from the Linum Chambers investment property.

The acquisition of the BSDL Group results in an effective settlement of the third party PFI arrangement. The settlement gain of £15.3m is calculated as the estimated present value of the savings to the INI Group over the remaining life of the PFI agreement as a direct result of the business combination.

The goodwill i.e. the amount of cash paid for the net liabilities acquired in addition to the future benefits over the remaining life of the contract, totalling £29m was calculated and capitalised in the consolidated accounts. The carrying value of goodwill has been calculated on the fair value less costs to sell basis i.e. the amount for which the companies could be sold in an arm's length transaction between knowledgeable and willing parties, net of estimated costs of disposal.

Providing finance for businesses to grow and develop remains a key priority and expenditure and our ongoing investment in access to finance funds has resulted in an increase of £8m in investments in associates.

Investments in other financial assets has reduced from £14.7m to £12.6m as a result of a £2.1m reduction in the book value of Invest NI loans offset by an increase of £0.1m in the share book value from the previous year. The breakdown in the movements as analysed between additions disposals and provisions adjustments is analysed in note 19.

Total current assets at the year-end were £56.3m, an increase of £7.2m on 2012-13. Receivables accounted for £4.1m of this increase. This included an additional £3.9m EU Receivables which relates to the timing of receipts to INI from the European Commission.

Trade and other receivables decreased by £2.8m and accrued income due increased by £2.4m mainly due to an increase in Invest NI clawback income due at year-end but not yet invoiced.

Cash and cash equivalents have increased by £3.6m over the year, NI-CO cash balances have decreased by £2.6m due, in part, to the acquisition of their building. BSDL Group cash and bank balances account for £6.7m of the increase on last year while Invest NI year-end cash and bank balances have reduced by £0.5m.

Total current liabilities have reduced by £5.3m on the 2012-13 year. Trade payables for NI-CO and Invest NI have reduced by approximately £4m. Invest NI grant accruals which relate to the timing of the receipt of year-end client grant claims, have reduced by £3.5m. Bank loans and overdrafts have increased by £1.7m comprised of a book only overdraft of £1m for Invest NI and £0.7m of loans repayable within one year in the BSDL Group.

Total non-current liabilities at the year-end were £53.7m, an increase of £32.6m on the previous year. The provisions balance in respect of grants earned in the year but not yet claimed has increased by £9.1m, a further indication of an economic recovery. A further £18.8m of the increase relates to the inclusion of the BSDL Group bank borrowings related to the Bedford Street building. Following the transition to IFRS based accounting the £4.7m valuation of an interest rate swap in the BSDL accounts has now been included as a non-current liability under the derivative financial instruments heading.

All known current and future liabilities have been accounted for in the financial statements through accruals or provisions. A number of contingent liabilities existed at the year-end and these have been accounted for except where the possibility of crystallisation is considered to be remote. Details of any contingent liabilities have been outlined in note 34 to the accounts.

## **Future Direction**

The health of a smaller, regional economy such as ours will always be influenced by wider macro-economic issues over which we have no control. There are also a number of broader factors which have the potential to shape our short and longer term future.

### **Regional Aid**

Planned changes to the use of Regional Aid across Europe are scheduled to be introduced with effect from 1 July 2014.

These will have an impact on our ability to use Selective Financial Assistance (SFA) to provide grant support for some companies in Northern Ireland to undertake capital investment and job creation projects.

Whilst it is welcome that our ability to support first-time investment into Northern Ireland and to support the growth of our local SMEs will remain, there will be changes to the support which we are able to offer existing large foreign investors to expand their operations.

### **Corporation Tax**

Following the commitment made by Her Majesty's Government, we can expect a final decision on the potential devolution of Corporation Tax to be made in the autumn 2014, once the Scottish Referendum has been held. If this is positive, the necessary legislation will need to be passed by Parliament to devolve Corporation Tax varying powers to the NI Assembly.

It would then be a matter for the Northern Ireland Executive to subsequently determine at which rate it should be set, and from when it would become effective. The Board are firmly of the view that a lower rate of Corporation Tax would increase the attractiveness of Northern Ireland to a greater number of potential inward investors. It will also enhance the opportunity for ambitious, profitable indigenous businesses to invest further in their own growth.

The extent to which we can maximise the investment opportunities which a reduced rate of Corporation Tax would bring, would also be dependent on our ability to continue to deliver a skilled workforce aligned to the needs of investors, and an environment and infrastructure which are business friendly.

### **Reform of Local Government**

The reform of local government, scheduled to become effective from 1 April 2015, will see responsibility for elements of local economic development transfer from Invest NI to the new Council structures. Specifically, these include the promotion of entrepreneurship and new locally focused business starts, establishing social enterprises and providing access to enterprise support for under-represented groups. Once completed, the targets associated with these activities which Invest NI is responsible for under the current Programme for Government will also transfer.

With this process well underway, we are engaging closely with the relevant bodies to ensure that the transition is as smooth as possible and that future local economic development activity is delivered in the most efficient and effective manner. As an organisation, Invest NI is committed to working in close partnership with the new bodies to ensure that these outcomes are achieved.

### **Exports and Innovation**

Our future strategy will also be heavily influenced by new initiatives brought forward by the Department of Enterprise, Trade & Investment (DETI), our sponsor department, and the wider NI Executive.

DETI is currently developing an Export Action Plan which will detail those actions to be taken over the remainder of the budget period to help us meet the Programme for Government and Economic Strategy targets and to also set out key objectives to drive sales outside Northern Ireland beyond the current Programme for Government period.

The Innovation Strategy is a further initiative through which Northern Ireland, by 2025, will be recognised as an innovation hub and will be one of the UK's leading high-growth, knowledge-based regions which embraces creativity and innovation at all levels of society.

### **Review of Northern Ireland Tourist Board**

In November 2013, Minister Foster announced a review of the Northern Ireland Tourist Board (NITB) and wider tourism structures. The aim of the review was to ensure that the current organisational structures were the optimum necessary to deliver the targets and actions set out in the Programme for Government and Economic Strategy and that these were effectively aligned to the work of Invest NI. The review was also tasked with advising on the extent to which existing NITB and Invest NI structures, policies, programmes and resource allocations are sufficiently aligned and whether there was merit in the adoption of any new structural arrangements, policies or programmes. The review should be finalised in summer 2014.

## 2013-14 Operating Targets and Achievements

A summary of the annual performance against Invest NI's **key** 2011–15 Corporate Plan targets is shown below:

Theme	Activity	2013-14 Target	Outturn at 31 March 2014
<b>Stimulating innovation, R&amp;D and creativity</b>	Value of investment in R&D	Secure private sector investment in R&D of <b>£110m</b>	<b>£239 million<sup>1</sup></b>
<b>Improving employability and the relevance and use of skills</b>	Encouraging investment in key skills	Secure <b>£30m</b> investment in skills development	<b>£33 million</b>
<b>Competing in the global economy</b>	Securing inward investment from key sectors with associated job targets	Promote <b>1,350</b> new jobs from inward investors; Of which <b>1,012</b> will pay above the NI PSM	<b>2,408</b> <b>1,887</b>
		Secure total investment commitments of <b>£118m</b>	<b>£198 million</b>
		Secure <b>£35m</b> in additional wages and salaries	<b>£66 million</b>
	Increase the value of manufacturing exports	Achieve <b>13%</b> growth in manufacturing exports	<b>6.1%</b>
	Encourage existing exporters to diversify	Provide <b>1,800</b> trade interventions	<b>2,058</b>
<b>Encouraging business growth</b>	Support wages, salaries and job creation in locally-owned businesses	Promote <b>1,450</b> new jobs from inward investors; Of which <b>725</b> will pay above the NI PSM	<b>2,054</b> <b>1,359</b>
		Secure total investment commitments of <b>£164m</b>	<b>£432 million</b>
		Secure <b>£30m</b> in additional wages and salaries	<b>£53 million</b>
	Support SME access to finance through the Growth Loan Fund	Provide <b>50</b> loans at a value of <b>£12.5m</b>	<b>42 loans</b> <b>£15.1 million</b>
	Encourage entrepreneurship and new business development and growth	Promote <b>2,215</b> new jobs in new start-up businesses	<b>1,765</b>
<b>Developing our economic infrastructure</b>		Make <b>22</b> acres of land available for economic development	<b>22 acres</b>
<b>Promoting employment and employability</b>	Encourage new job creation and employment opportunities in response to the economic downturn	Promote <b>2,765</b> jobs and create <b>1,500</b> jobs through the Jobs Fund by 31 March 2014	<b>4,573 promoted</b> <b>1,993 created</b>

<sup>1</sup>R&D investment outturn includes a Bombardier R&D project totalling £119.5m. This project has received all necessary NI approvals but awaits final approval by the EU.

Given the overlap between the key themes of Rebuilding and Rebalancing, the full breakdown of Invest NI's 2013-14 job promotion is detailed below:

Theme		Activity	Operating Plan Target 2013-14	Outturn at 31 March 2014
REBALANCING	Competing Globally	Promote jobs from inward investors (with 75% paying salaries above the NI Private Sector Median (PSM))	<b>1,350</b>	<b>2,408</b>
	Business Growth	Promote jobs in locally-owned companies (with 50% paying salaries above the PSM)	<b>1,450</b>	<b>2,054</b>
	Total Rebalancing		<b>2,800</b>	<b>4,462</b>
REBUILDING	Business Starts	Promote new jobs in new start-up businesses	<b>2,215</b>	<b>1,765</b>
	The Jobs Fund	Promote jobs through the Jobs Fund	<b>2,765</b>	<b>4,573</b>
	Total Rebuilding		<b>4,980</b>	<b>6,338</b>
Grand Total			<b>7,780</b>	<b>10,800</b>

In addition to the key achievements set out above, the 'Chairman's Statement' and 'Chief Executive's Review' highlight the main trends and factors which have influenced the development and performance of the organisation in the year.

The encouraging performance in the year has ensured that we are well placed to deliver on our 2011-15 Corporate Plan and Programme for Government targets. Now three years through the four year Corporate Plan period, our performance to date against some of the key targets is outlined below:

Corporate Plan Target 4 years to 2011-15	Corporate Plan 3 year 2011-14 Milestone target	Corporate Plan 3 year 2011-14 outturn	Ahead of 2011-14 Target	Corporate Plan 2011-15 Target Status
<b>25,000 jobs</b>	19,500	23,783	22%	On course to exceed target
<b>Secure total investment commitments of £1 billion</b>	£870.5m	£1,521m	75%	Achieved
<b>Secure private sector investment in R&amp;D of £300 million</b>	£225m	£402m	79%	Achieved
<b>Secure £110 million investment in skills development</b>	£78m	£87m	12%	On course to exceed target
<b>Secure £266 million in additional wages and salaries</b>	£205m	£306m	49%	Achieved

## Principal Risks and Uncertainties

There are risks and uncertainties inherent in the group's operations that could have a significant impact on its business, results and financial position. The group has a well-developed structure and set of processes for identifying and mitigating the key business risks it faces. The most significant business risks faced which will continue to affect the group's business, together with the strategies adopted by the group to mitigate them, are set out below:

Risk	Impact	Mitigating Actions	Change
Changes to Regional Aid guidelines on Assisted Areas.	Identified as principal risk due to the impact any changes may have on the support Invest NI can provide to client companies. Possible loss of 100% assisted area coverage for Northern Ireland.	<p>The Government's Economic Pact confirmed in early 2013-14 that Northern Ireland would retain 100% assisted area coverage until at least 2017.</p> <p>Based on this the overall risk was reduced but the new Regional Aid Guidelines have imposed restrictions related to large company expansion projects.</p> <p>While the decision making process is primarily outside the influence of Invest NI, senior DETI and INI staff have made representations to the EU regarding the negative implications for the NI economy. We are currently awaiting further clarification from the EU.</p>	<b>New</b>
If a large number of Board Members are replaced then experience at that level will be lost resulting in lack of continuity of governance.	The replacement of 7 Board Members in April 2014 represents a significant change at Board level in Invest NI and with the loss of so many experienced members, this could have implications for the governance of the organisation, until the appointees are confirmed and training and induction adequately completed.	The DETI process to appoint members is designed to ensure the best possible candidates were selected from a large pool of applicants. Plans were developed to manage the transition and one member was being retained for a further year for continuity, and to chair the Board Audit Committee until 31 March 2015. 7 new board members were appointed with effect from 1 April 2014 and a full induction programme has commenced and is due to be completed by the end of June 2014.	<b>New</b>
Failure to account for and report on new subsidiary companies in an accurate and timely manner.	Acquisition of 100% of the Equity of Bedford Street Developments Limited (BSDL) MRDE Limited, MRDE FM Limited and Bedford Street Management Company Limited during 2013-14 has increased complexity of accounts. Failure to accurately complete the accounts on time could result in reputational damage.	The companies' accounts have been integrated to the Invest NI financial management systems. Consultants were appointed in January 2014 to assist with the year-end accounts of the 4 subsidiaries and their transition to IFRS basis of reporting and accounting. One additional temporary accountant recruited.	<b>New</b>

Risk	Impact	Mitigating Actions	Change
<p>The risk of failure to maintain an effective financial management, budgeting and corporate governance framework.</p>	<p>Poor governance could mean inappropriate use of public funds resulting in financial loss, reputational damage and Departmental sanctions.</p>	<p>The Board Audit Committee meets quarterly to monitor and review risk management, governance and internal control processes which have been established in the organisation. An agreed “rolling agenda” ensures that all risk issues are reviewed in a timely manner. A fraud response policy and action plan and a whistle blowing policy have been communicated to all staff members. The Executive Leadership Team regularly reviews the financial performance of the organisation and assesses any implications for the achievement of targets and for future planning. There is clearly defined and ongoing monitoring of External Delivery Organisations as well as regular auditing of processes by Internal Audit, agreed and reviewed regularly by the Board Audit Committee. Financial and project monitoring targets are included in the Corporate and Group Operating Plans and are monitored monthly.</p>	<p>↔</p>
<p>The risk of failing to deliver on the Executive’s Economic Strategy and Programme for Government Targets.</p>	<p>Achievement of the targets set within the Programme for Government is the primary strategic objective of Invest NI. Failure to do so could result in unrealised economic development and restrictions on future budget allocations.</p>	<p>Clear targets and objectives, derived from the Economic Strategy and the Programme for Government (PfG), have been set and agreed. The Executive Leadership Team formally monitors progress against all key targets (including a Balanced Score Card) on a monthly basis. This is reported to the Board on a quarterly basis. Performance against targets is a key agenda item at quarterly Oversight and Liaison Meetings with DETI.</p> <p>Performance against PfG targets is reported quarterly to The Office of the First Minister and Deputy First Minister (OFMDFM). Where necessary, remedial actions are put in place to address any areas of concern.</p>	<p>↔</p>



Risk	Impact	Mitigating Actions	Change
<p>The risk of failure to meet EU governance requirements.</p>	<p>Failure to meet EU governance requirements could result in an interruption of provision of EU funding to Invest NI.</p>	<p>Invest NI regularly reviews compliance of its range of interventions with State Aid and Regional Aid regulations and initiates corrective actions as necessary. Information on State Aid rules is available for staff on Invest NI's intranet and training on EU State Aid is given to staff providing State Aid Guidance.</p> <p>Invest NI maintains relationships with DETI State Aid team and the Department of Business, Innovation and Skills to ensure consistent understanding and application of State Aid regulations and their revisions. Invest NI provides detailed guidance to staff on the requirements of the EU Sustainable Competitiveness Programme and training is also provided to ensure that staff are aware of European Regional Development Fund (ERDF) compliance requirements. Additional staff have been put in place to ensure adequate compliance with EU requirements. Invest NI's Internal Verification Team carries out Article 13 systems and procedures checks on all projects supported under the Programme to ensure compliance with ERDF requirements as outlined in letters of offer. Corrective action is taken to address any non-compliance identified through internal or external checks (by Audit or Managing Authority). Progress is reviewed by EU Project Board monthly and EU Project Steering Group at least every six months.</p>	<p>↔</p>
<p>The risk of the loss of confidential, sensitive or otherwise valuable data.</p>	<p>Loss or theft of personal and/or commercial data could result in reputational damage for both Invest NI and its clients, commercial damage to clients and potential prosecution under the Data Protection Act.</p>	<p>Invest NI continues to maintain an Information Security Management System certified to ISO 27001 which provides the organisation with an auditable standard in respect of the confidentiality, integrity and availability of corporate information. All Invest NI USB devices, laptops and mobile data devices are encrypted. An Information Management and Governance Team has been formed to focus on compliance and best practice. Security matters are reviewed by an Information Security Forum which is headed by the Executive Director, Finance &amp; Operations and meets on a regular basis.</p>	<p>↔</p>

Principal risks that were presented in the 2012-13 annual report that have been removed in the current year are:

Risk	Reason for removal
The risk of failure to provide adequate business continuity in the event of a major incident.	A full review of the Invest NI Business Continuity Plan is currently underway. During the year there was one major incident encountered which was adequately managed with negligible loss of service.
The risk of failure to focus on changing customer needs in the face of changes in the global or national economic climate.	During 2013-14 an extensive Customer Management Programme was commenced to help Invest NI better identify customer needs, resulting in successful attainment of the Customer Service Excellence standard.

Further information on the group's risk management process through our risk and control framework can be found on page 50.

## Sustainability Report

Corporate Responsibility (CR) is the acknowledgement by organisations that they are accountable not only for their financial performance, but also for their social and environmental activities. In Invest NI the CR agenda is important because it lets us:

- make a positive impact on society, the environment, the workplace and our community through responsible business practices,
- align our values and behaviours with the expectations and needs of our stakeholders and society,
- put responsible business practice at the heart of our decision making.

Through our 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. During 2013-14, our CR activity has been aligned to our core business and has addressed issues directly related to economic development. We continue to follow a strategy aligned to the three key pillars of People, Planet and Place under our CR Banner "Doing the Right Thing".

Under "Doing the Right Thing" as an organisation we aim to:

- Value the talents of our employees
- Create a positive workplace
- Achieve the highest environmental practices
- Make a positive impact in the community
- Position the organisation as a key contributor to economic and business development in NI.

The oversight and implementation of our CR commitments are lead by the CR Steering Group; this committee was led by Tracy Meharg and Jeremy Fitch during the financial year 2013-14.

We strive to ensure that the majority of our business areas are represented on the Steering Group. This enables us to consider and recommend Invest NI's CR strategy, to monitor progress, share best practice and provide guidance. Membership of the CR Steering Group during the year was made up as follows:

Business section	Number of representatives
Human Resources	3
Business Solutions	2
Finance & Operations	2
International Business	2
Communications	1
Business & Sector Development	1
Regional Business	1

**Note:** CR Steering Group meetings are held quarterly.

The Steering Group's key responsibilities under People, Planet and Place are set out in the CR Strategy. We have a clear commitment to value the talents of our employees, create a positive workplace and give something back to the community. The CR Strategy includes an overview of CR plans and targets to help Invest NI develop as an ethical and responsible entity and to ensure that we have a positive impact on our staff, stakeholders and the community at large. The following synopsis gives an outline of the activities undertaken in 2013-14 under the 3 key themes of People, Planet and Place.

**People:** CR volunteering through our Project Bank has involved staff working with a wide range of organisations including Young Enterprise; Prince's Trust; SENTINUS; BITC and local schools. We have an ongoing "Give as You Earn" scheme and a nominated "Charity of the Year" scheme. Our current partnership with Marie Curie Cancer Care has raised over £6,000 in its first year. In the last year alone, 131 staff have taken part in approximately 900 hours of community based volunteering providing project support to local charitable organisations.

We achieved Silver Status in Investors in People (IiP) Accreditation in 2011, which put Invest NI in the top 1% of all IiP UK accredited organisations. To do this we demonstrated a strong commitment to providing better customer service, inter-team communication, and greater opportunities for staff to involve themselves in CR and our Transform programme. In 2014, the Employee Engagement score increased significantly to 62.8% from 58.6% in 2012 and 2013.

## Information on people

	Male	Female	Total
Board members	11	1	12
Senior civil servants (SCS)*	17	5	22
Number of employees (excluding SCS)	280	352	632
<b>Total</b>	<b>308</b>	<b>358</b>	<b>666</b>

\*Senior civil servants are defined as a member of staff at Grade 5 or above.

**Note:** The above information on people is based on total numbers employed, whereas the average number employed in note 4 is based on total Full Time Equivalent (FTE).

Our equality policy is discussed in detail within the governance report and further information on the policies regarding the employment of disabled persons is provided in the directors' report.

**Planet:** We have developed a Waste Management and Energy Reduction Strategy incorporating a recycling scheme for the Invest NI building. Currently 80% of waste is now recycled across the organisation. This year we achieved second quintile placing (2012-13 third quintile) in the Arena Benchmarking Survey which annually assesses businesses in Northern Ireland for environmental management performance and assurance. We have partnered with the Woodland Trust to improve INI sites and ensure incorporation of biodiversity into our estates and land development projects. As well as initiatives on major infrastructural development works at Newry and Strabane, we focus on smaller initiatives in other estates including: replacement of fallen trees at Antrim Technology Park; ponds and wetland areas in Antrim and Down; and incorporation of a filter bank to reduce run-off into the Black Lough following development works at Dungannon. Invest NI also embeds high environmental standards during procurement for all its projects.

**Place:** We are currently participants in the Business in the Community "Business Class Programme" where we are partnered with St. Rose's Dominican College, Belfast. We have also been involved in other school initiatives promoting the STEM subjects (Science, Technology, Engineering and Mathematics) in schools. Over 130 INI staff have been engaged in environmentally focused team-building exercises, volunteering with a wide range of charitable organisations including among others, the National Trust, Colin Glen Trust and Camphill Community Centre. CR activities have been central to moving our Investors in People award from a Bronze to Silver and achieving a compliance plus rating in our recent Customer Service Excellence award. This year we also participated in Business in the Community's new CR Benchmarking Standard (CORE). This is an annual assessment of an organisation's approach and commitment to the CR agenda and requires detailed evidence of this commitment to be demonstrated consistently across the business. Invest NI has been recently awarded the CORE Benchmarking Standard and is now one of only a dozen Northern Ireland organisations to hold the standard.

### Information on environmental matters

We are committed to comprehensive and transparent reporting of our environmental performance. We are reporting against the properties contained in our consolidated financial statements with the exception of our associates as outlined in note 18 as we do not have responsibility for their emissions. We have also included in the results below emissions results for the investment property and rental properties depending on who is responsible for these emissions.

	Tonnes of CO2 equivalent 2013-14*	Tonnes per average number of staff employed note 4 (i)	Expenditure 2013-14 £'000
<b>Bedford Street Headquarters:</b>			
Electricity	698	1.22	144
Gas	140	0.25	56
<b>Bedford Street Headquarters (excl. ICT server room)</b>	838	1.47	200
ICT server room electricity	133	0.23	28
<b>Bedford Street Headquarters (inc. ICT server room)</b>	971	1.70	228
<b>Regional offices</b>	**	**	**
<b>Corporate travel</b>	292	0.51	232
<b>Linum Chambers (investment property):</b>			
Electricity	628	****	*****
<b>Rental properties</b>	***	****	*****

\* The data has been calculated based on invoiced kilowatt hours and converted to CO2 through the use of a conversion factor supplied by Business in the Community. Corporate travel data has been provided by Chambers Travel through the Carbon Neutral Company.

\*\* It is not practical to provide information on the regional offices as they are often office space leased with the specific information on heat and light not separately provided.

\*\*\* Due to the recent development in the requirement to publish Greenhouse gas data the information has not been collated for the rental properties for the 2013-14 year.

\*\*\*\* As Invest NI employees are not based in these properties it is not deemed to be appropriate to provide a key ratio.

\*\*\*\*\* Due to the nature of properties held for investment/rental purposes Invest NI do not incur the expense for heat and light in these properties, this liability rests with the tenants.

### Information on waste and water

	Metric tonnes 2013-14	Tonnes per average number of staff employed note 4 (i)	Greening Government commitment	Expenditure on waste disposal
<b>Paper</b>	14.5	0.025	Cut paper use by 10% by 2011-12	£2,972.50
<b>Plastic</b>	0.78	0.001	Cut overall waste by 25% from 2009-10 levels by 2015	£265.20
<b>General</b>	46.32	0.081	Cut overall waste by 25% from 2009-10 levels by 2015	£14,822.40

Over 82.8% of Invest NI's waste was re-used or recycled with the remainder incinerated to generate/recover energy. Invest NI consumed 9,489 cubic metres of purchased water (Scope 2) and this represented an average of 16.65 cubic metres per member of staff employed (note 4(i)).

### Key corporate responsibility activities and targets

CR Theme	Activity	CR Targets 2013-14	31 March 2014
<b>PEOPLE</b>	Invest NI Employee Sponsored Volunteering	Target – 20% staff volunteering	26% staff take up achieved
	Health and Wellbeing Strategy – top priority areas agreed	Cycle to Work – target 2%	26% staff take up achieved
		Emotional Resilience Training – target 10%	10% staff take up achieved
		Healthy Eating Campaign to be instigated with SERCO	Healthy Eating Campaign underway with SERCO
		Blood Donation Sessions – target 10%	10% staff take up achieved
<b>PLANET</b>	Participation in Arena Benchmarking Survey 2013	Target – 2nd Quintile Performance	2nd Quintile Performance achieved
	Waste recycling	Waste recycling target 75%	80% recycling achieved
<b>PLACE</b>	BITC Cares Programme – working together with Invest NI partner school, St Rose's Dominican College, Belfast	Provision of Maths/ Literacy mentors for St Rose's GCSE students – Target 3 mentors	3 mentors in place
	Staff participation in 'Give As You Earn Scheme'	'Give as You Earn Scheme' – Target 2% staff participation	3.5% staff take up achieved
	Fundraising for Charity Partner – Marie Curie Cancer Care	Fundraising – Target £6,000 over 1 year	£6,000 raised
	Business in the Community (BITC) CORE Standard Participation	Pilot Standard completion – Target November 2013	Pilot Standard complete
		Live CORE Standard Completion – Target February 2013	CORE standard completed and standard achieved February 2014

People		Planet		Place	
Aims	Deliverable through	Aims	Deliverable through	Aims	Deliverable through
30% staff volunteering	Project Bank; Team Volunteering; Health & Wellbeing Strategy	85% Waste Recycling	Arena Benchmarking Standard	Achieve Business In the Community CORE Standard	Participation in CORE Benchmarking Standard
30% staff undergoing Health Testing					
liP Gold Accreditation				Charity of the Year fundraising £10,000 over 2 years	Charity of the Year voted for by staff

## Procurement

Invest NI is responsible for ensuring that the procurement of goods, services and works is subject to normal approvals, value for money considerations and is in compliance with the relevant procurement policy and legislative frameworks and Managing Public Money Northern Ireland. Invest NI procurement processes align with Public Sector procurement best practice guidance and we utilise the Central Procurement Directorate, who as our Centre of Procurement Expertise (CoPE) ensure that we deliver our objectives through obtaining best value for money in all types of procurement, further ensuring the promotion of equality in opportunity and sustainable development in the delivery of procurement contracts.

## Basis of Preparation

These financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS). The financial statements are also in compliance with paragraph 17 of Schedule 2 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by the Department of Enterprise, Trade & Investment (DETI) with the approval of the Department of Finance & Personnel (DFP) and in accordance with the Financial Reporting Manual (FRM).



**Alastair Hamilton**  
Accounting Officer

Date: 26 June 2014



# Directors Report

## For the year ended 31 March 2014

The directors present their report and the audited consolidated financial statements of the group and parent company for the year ended 31 March 2014.

### Results

The net expenditure for the year is £137,401,000 (2013: £140,693,000).

### Directors

The directors who served during the year and up to the date of signing the financial statements are the Board Members noted on page 9 to these financial statements.

### Pension Liabilities

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

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)), which is a defined benefit scheme and is unfunded. 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 PCSPS (NI) of amounts calculated on an accruals basis. Further information on the pension scheme is also included in note 4(iv) to the accounts and in the remuneration report.

### 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 after delivery of the invoice or of the goods and services, whichever is later. During 2013-14 Invest NI paid approximately 98 per cent of invoices (2012-13: 96 per cent) within this standard.

In 2008 the Finance Minister announced that Northern Ireland Departments had been set a target of ensuring that invoices are paid within 10 working days, in order to help local businesses.

During 2013-14 Invest NI paid approximately 94 per cent of invoices (2012-13: 91 per cent) within the 10 working day target.

### Register of Interests

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

### Employee Development and Communication

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

The organisation is also committed to the continuing development of its staff and to maximising their contribution to the continuous improvement of service delivery.

Staff attendance is actively managed, and the organisation's absence rate for the 2013-14 year, was 2.86 per cent including long term sickness (2012-13: 3.65 per cent). This is better than the average within the NI Civil Service (estimated at 4.6 per cent) (2012-13: 4.6 per cent) and also compares favourably with many of the better performing private sector organisations.

Invest NI's equality policy in respect of employment practices is described in the Governance Statement.

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 continuing 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.

## **Personal Data Related Incidents**

There were no reported personal data related incidents in 2013-14. Further information is provided in the Governance Statement.

## **Financial Risk Management Objectives and Policies**

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 Government departments, including NDPBs, are financed. Moreover, Invest NI has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change 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 DETI. 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 quoted and unquoted ordinary shares, investments in preference shares, and fixed and variable rate loans. Invest NI's credit risk is primarily attributable to its receivables and investments in quoted and unquoted ordinary shares, investments in preference shares, and fixed and variable rate loans. The amounts presented in the Statement of Financial Position are net of provisions for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings. Invest NI has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

*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.

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.

*Interest rate risk*

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. If average interest rates over the year had increased/decreased by 1% with all other variables held constant, the financial statements would have been impacted as follows:

	Year ended 31 March 2014		Year ended 31 March 2013	
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax profits £'000	Impact on equity £'000
<b>Interest rates increase by 1%</b>	(198)	(198)	-	-
<b>Interest rates decrease by 1%</b>	198	198	-	-

**Estate Management Strategy**

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

## **Invest NI Complaints and Feedback Process**

Invest NI is continuing to develop an organisational culture where our staff work together as one team with the aim of satisfying the needs of our customers and providing a world class customer experience. As part of this we recognise that customer feedback, positive or negative, is a way of identifying improvements and allowing us to take action when something goes wrong.

During 2013-14 a full review was completed of the Invest NI Complaints and Feedback Process and, in conjunction with the revised Customer Charter, new policies and procedures were issued for the use of staff and customers. This revised process requires all feedback to be acknowledged within one working day and that an initial attempt is made to resolve complaints informally, as quickly as possible. Should this not be possible a formal complaint can be raised, whereby a response will be provided within ten working days. If, after a formal complaint response has been provided the complainant remains dissatisfied a formal review can be requested by contacting the Chief Executive's office and, finally, should a resolution not be possible customers have the option to refer their complaint to the Ombudsman's Office for independent review. In the period a total of 42 complaints were received through this process, 5 of which were raised formally. 100% of formal complaints had a response issued within ten working days, with 88% of all complaints resolved within the same timeframe.

The details of all complaints are recorded centrally, analysed at least quarterly to identify repeating trends or themes, and communicated to Senior Management and staff. These trends are then used to drive improvement in our processes and services as part of an overall programme of improvement. Satisfaction with the complaints process is also monitored through customer surveys, with all responses provided to date being positive.

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.

## **Political and Charitable Donations**

No political or charitable donations have been made by the group during the year (2013: £Nil).

## **Events after the Reporting Period**

There have been no significant events since the year-end, which affect the financial statements. Since the year-end a number of client companies have made announcements concerning their activities. Several companies have announced expansion plans but a number of client companies in specific sectors are affected by the state of the global economy and changes in market demand. Invest NI continues to work closely with client companies to provide the appropriate support, particularly for those experiencing difficult trading conditions. The impact of the performance of these companies on Invest NI may subsequently be reflected in future financial statements, depending on the particular circumstances in each company concerned.

## **Auditors**

The Comptroller and Auditor General is the external auditor of Invest NI. No payments (2013: £Nil) have been made to the Northern Ireland Audit Office (NIAO) in the year in respect of non-audit work.

PricewaterhouseCoopers LLP are the auditors of NI-CO. During the year, fees of £36,000 (2013: £10,000) were payable by NI-CO to the auditor in respect of non-audit services.

During the year Deloitte LLP and KPMG LLP provided statutory audits to the BSDL Group, which encompasses BSDL, MRDE, MRDE FM and BSMC. During the year, fees of £14,000 (2013: £Nil) were payable by BSDL and its subsidiaries to the auditor in respect of non-audit services.

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

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

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



**Alastair Hamilton**  
Accounting Officer

Date: 26 June 2014

# Remuneration Report

## For the year ended 31 March 2014

### Chairman and Board members

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

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

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

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

	Salary 2013-14 £'000	Benefits in kind 2013-14 £	Salary 2012-13 £'000	Benefits in kind 2012-13 £
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax profits £'000	Impact on equity £'000
Mark Ennis (Chairman)	41	-	41	-
Roy Adair (Resigned 31 March 2014)	12	-	12	-
Tim Brundle (Resigned 31 March 2014)	12	-	12	-
David Dobbin (Resigned 31 March 2014)	12	-	12	-
Frank Hewitt (Resigned 31 March 2014)	12	-	12	-
Alan Lennon (Resigned 31 March 2014)	12	-	12	500
Gerry McCormac (Resigned 31 March 2014)	12	2,100	12	1,100
Gerry McGinn	12	-	12	-
Ken Nelson	12	-	12	-
Gerard O'Hare	12	500	12	300
Scott Rutherford	12	-	12	-
Rose Mary Stalker	12	-	12	-

Reimbursement of Board members travel expenses in respect of journeys made to Invest NI Headquarters have 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.

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

## **Executive Leadership Team**

The Executive Leadership Team comprises of the Chief Executive and Executive Directors. 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.

With the exception of one member of the Executive Leadership Team who holds a fixed term contract, the Executive Leadership Team hold permanent appointments, which are open-ended. The Civil Service Compensation Scheme outlines the compensation terms which would be applicable in the event of termination of the employment contract by Invest NI.

Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org)

With the exception of those in the Nuvos pension scheme, staff may retire at any time after age 60 with no diminution of earned pension benefits. The policy relating to notice periods is contained in the Invest NI Staff Handbook.

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 DETI on any annual pay increase of the Chief Executive. The annual pay increases for other members of the Executive Leadership Team are paid on the same arrangements which apply to the Senior Civil Service. The remuneration of senior civil servants is set by the Minister for Finance and Personnel.

## Salary and pension entitlements

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

		2013-14			2012-13			2013-14	2012-13
		Salary	Benefits in kind	Total	Salary	Benefits in kind	Total	Pension benefits*	Pension benefits*
		£'000	**£	£'000	£'000	**£	£'000	£'000	£'000
Chief Executive:									
Alastair Hamilton	Salary	190-195	-	190-195	185-190	-	185-190	71	112
	Back pay relating to 2011-12	-	-	-	25-30	-	25-30	-	-
	Back pay relating to 2010-11	-	-	-	25-30	-	25-30	-	-
	Back pay relating to 2009-10	-	-	-	25-30	-	25-30	-	-
	Total remuneration	190-195	-	190-195	275-280	-	275-280	71	112
Executive Directors:									
Tracy Meharg ***		70-75 (90-95 FYE)	-	70-75 (90-95 FYE)	90-95	-	90-95	7 (9 month period)	16
Mel Chittock		85-90	-	85-90	80-85	-	80-85	16	20
Jeremy Fitch		90-95	-	90-95	85-90	-	85-90	12	16
Amanda Braden		60-65	-	60-65	60-65	-	60-65	24	27
Bill Scott		60-65	-	60-65	60-65	-	60-65	9	11
Donal Durkan		65-70	-	65-70	60-65	-	60-65	12	21
Barry McBride ****		110-115	-	110-115	110-115 (115-120 FYE)	-	110-115 (115-120 FYE)	44	42
Peter Harbinson		60-65	-	60-65	60-65	-	60-65	14	55
Martin Robinson *****		-	-	-	20-25 (60-65 FYE)	-	20-25 (60-65 FYE)	-	*****
Brian Dolaghan *****		15-20 (75-80 FYE)	--	15-20 (75-80 FYE)	-	-	-	2 (3 month period)	-



## \*Pension Benefits

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

The guidance requires that this calculated pensions benefit figure be added to the annual salary and a 'single total figure of remuneration' provided.

The 'single total figure of remuneration' that would have been disclosed in the table is as follows:

Alastair Hamilton £260k-265k (2012-13: £390k-£395k); Tracy Meharg £75k-£80k (£100k-£105k full year equivalent) (2012-13: £105k-£110k); Mel Chittock £100k-£105k (2012-13: £100k-£105k); Jeremy Fitch £100k-£105k (2012-13: £100k-£105k); Amanda Braden £85k-£90k (2012-13: £85k-£90k); Bill Scott £70k-£75k (2012-13: £70k-£75k); Donal Durkan £75k-£80k (2012-13: £85k-£90k); Barry McBride £155k-£160k (2012-13: £150k-£155k) (£160k-£165k full year equivalent); Peter Harbinson £75k-£80k (2012-13: £115k-£120k); Brian Dolaghan £15k-£20k (£80k-£85k full year equivalent) (2012-13 N/A).

\*\* Benefits in kind are disclosed to the nearest £100.

\*\*\* This individual was seconded to DSD with effect from 7 January 2014.

\*\*\*\* This individual was appointed to ELT with effect from 30 April 2012.

\*\*\*\*\* This individual was temporarily promoted to the post of Acting Executive Director, Strategy for a period of four months during 2012-13 and was not in a post subject to disclosure during the current year reporting period.

\*\*\*\*\* This individual was temporarily promoted to the post of Acting Executive Director, Business and Sector Development with effect from 7 January 2014 and was not in a post subject to disclosure during the prior year reporting period.

## Median salary

	2013-14	2012-13
	£'000	£'000
<b>Band of highest paid director's total remuneration</b>	190-195	185-190
<b>Median total organisation remuneration</b>	31,135	30,227
<b>Ratio</b>	6.2	6.2

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

## 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 gratia payments.

## 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 have 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.

## Bonuses

No member of the Executive Leadership Team received any bonuses during 2013-14 or the previous year. The review of the remuneration terms of the Chief Executive's contract completed during 2012-13 resulted in the removal of any contractual entitlement to performance related pay.

## Pension Entitlements

Pension details of the Executive Leadership Team as at 31 March 2014 are as follows (the information in the table below has been subject to audit):

	Accrued pension at age 60 at 31 March 2014 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Alastair Hamilton	20-25 plus Nil lump sum	2.5-5 plus Nil lump sum	262	202	34
Tracy Meharg (to 7 January 2014)	25-30 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	527	490	8
Mel Chittock	20-25 plus 65-70 lump sum	0-2.5 plus 2.5-5 lump sum	386	350	11
Jeremy Fitch	20-25 plus 70-75 lump sum	0-2.5 plus 0-2.5 lump sum	407	373	7
Amanda Braden	0-5 plus Nil lump sum	0-2.5 plus Nil lump sum	39	22	11
Bill Scott	15-20 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	354	326	6
Donal Durkan	20-25 plus 60-65 lump sum	0-2.5 plus 0-2.5 lump sum	341	311	8
Barry McBride (from 30 April 2012)	5-10 plus Nil lump sum	2.5-5 plus Nil lump sum	57	26	20
Peter Harbinson	15-20 plus Nil lump sum	0-2.5 plus Nil lump sum	264	236	9
Brian Dolaghan (from 7 January 2014)	15-20 plus Nil lump sum	0-2.5 plus Nil lump sum	228	225	1

Invest NI made no contributions to partnership pension schemes in respect of any member of the Executive Leadership Team.

## Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits for Executive Leadership Team members are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). 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). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos 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 rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI. For 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for the 2014-15 year are as follows:

Members of classic: Annual pensionable earnings (full-time equivalent basis)	New 2014 contribution rate before tax relief
Up to £15,000	1.5%
£15,001-£21,000	3.0%
£21,001-£30,000	4.48%
£30,001-£50,000	5.27%
£50,001-£60,000	6.06%
Over £60,000	6.85%

Members of premium, nuvos and classic plus: Annual pensionable earnings (full-time equivalent basis)	New 2014 contribution rate before tax relief
Up to £15,000	3.5%
£15,001-£21,000	5.0%
£21,001-£30,000	6.48%
£30,001-£50,000	7.27%
£50,001-£60,000	8.06%
Over £60,000	8.85%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. Further details about the CSP arrangements can be found at the website: [www.dfpni.gov.uk/civilservicepensions-ni](http://www.dfpni.gov.uk/civilservicepensions-ni)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP 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 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.

### **Compensation For Loss of Office**

No member of the Executive Leadership Team received compensation for loss of office in either the current or previous year.



**Alastair Hamilton**  
Accounting Officer

Date: 26 June 2014

# Statement of Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by DETI with the approval of DFP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of DETI 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 published by DFP.



**Alastair Hamilton**  
Accounting Officer

# Governance Statement

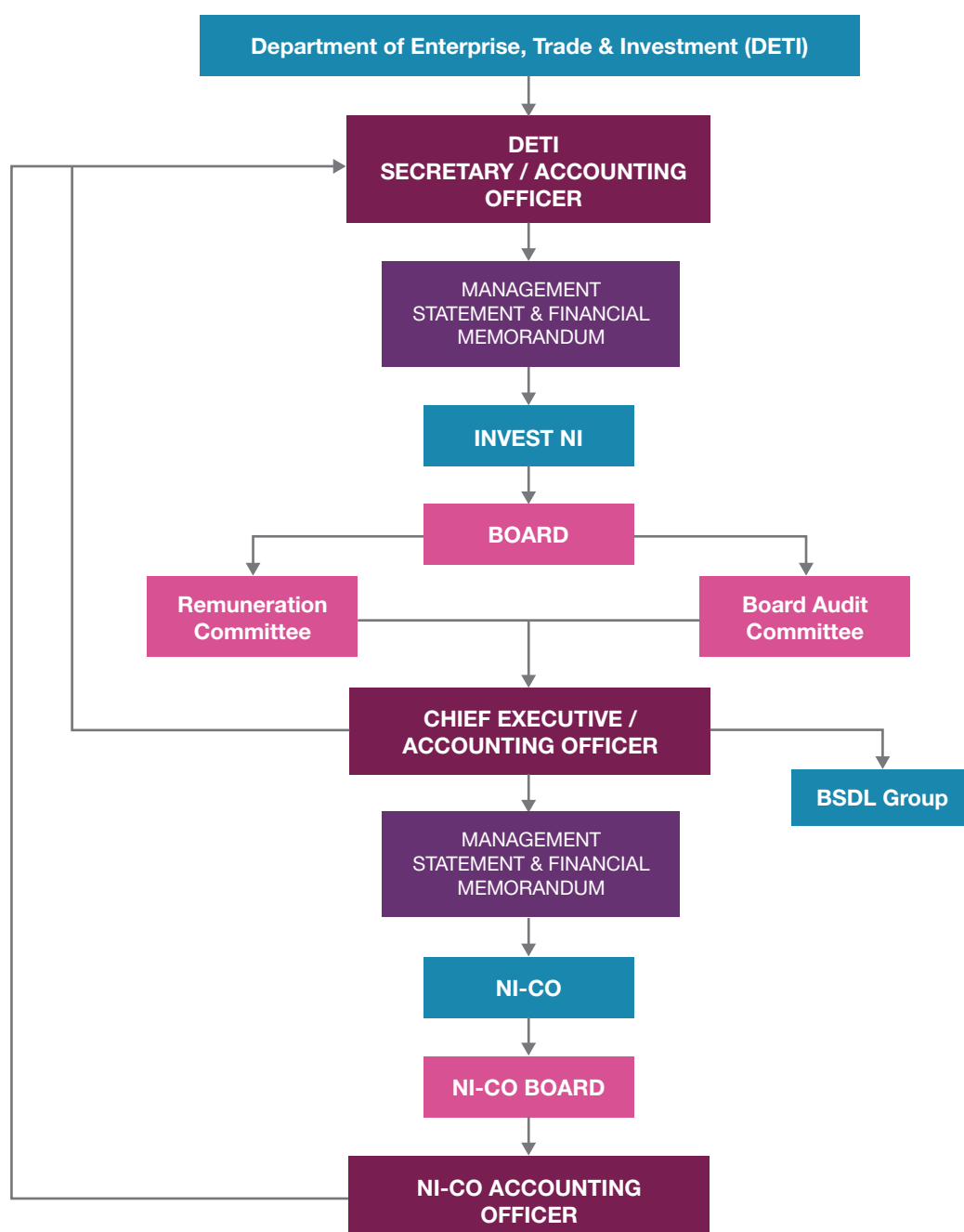
## For the year ended 31 March 2014

### 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 2013-14 and up to the date of approval of the Annual Report and Accounts, and accords to DFP guidance.

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

### Invest NI's Governance Framework



## **Responsibilities of the Board and Chairman**

Invest NI has a Board comprising a Chairman and not fewer than 10 or more than 20 other members. All appointments to the Board are made in accordance with the Code of Practice published by the Commissioner for Public Appointments Northern Ireland. DETI is responsible for appointing the Board members with the final decision resting with the Minister. The Board usually meets 10 times each year and the meetings are attended by the Chief Executive and members of the Executive Leadership Team. The role of the Board is to establish Invest NI's overall strategic direction and provide advice to the Departmental Minister on matters relating to the organisation. The Board oversees the achievement of Invest NI's objectives and targets and has responsibility for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds.

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

The roles of the Chairman and Board are set out in the Management Statement and Financial Memorandum.

## **Register of interests**

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

Board Members are also asked to declare any conflict of interest related to meeting agendas or casework panels they may be attending, whereby on the identification of which they would either 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 selected.

## **Board performance and effectiveness**

In 2013-14 the Board met 10 times. There is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation, introductions to the senior management team and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. The Board also undertakes an annual strategy workshop, which involves a review of the organisation's performance against its objectives and targets, a strategic forward look and in-depth presentations and discussions on specific topics. In the 2013-14 year all Board members were asked to complete a Board evaluation survey with the overall performance/effectiveness scored at 3.4 out of 4.



All data presented to the Board is subject to rigorous review in advance by the Executive Leadership Team to ensure it is relevant for the needs of the Board. In the evaluation survey completed by Board members satisfaction with the accuracy and timeliness of information provided to them was scored at an average of 3.8 out of 4.

## Board attendance 2013-14

Name of Board member	Board meetings attended per Board member (out of a possible 10)	Board Audit Committee meetings attended per Committee member (out of a possible 4)	Remuneration Committee meetings attended per Committee member (out of a possible 2)
Mark Ennis	9	N/A	2
Roy Adair	7	1	1
Tim Brundle	7	1 <sup>1</sup>	N/A
David Dobbin	8	N/A	N/A
Frank Hewitt	7	2	N/A
Alan Lennon	8	3	N/A
Gerry McCormac	8	2 <sup>2</sup>	N/A
Gerry McGinn	6	3	2
Ken Nelson	6	N/A	N/A
Gerard O'Hare	6	2	2
Scott Rutherford	8	N/A	N/A
Rose Mary Stalker	8	N/A	1

<sup>1</sup> Co-opted for the November BAC meeting therefore attended 1 out of a possible 1

<sup>2</sup> Co-opted for the June and November BAC meetings therefore attended 2 out of a possible 2

## Board Succession Management

At the end of the 2013-14 financial year seven Board members were replaced as their terms had expired. The Department of Enterprise, Trade and Investment ran a formal appointment process attracting a large number of applicants, from which the successful candidates were chosen. It was agreed that the Chairman of the Board Audit Committee remain in post for one additional year to allow for continuity and an adequate transition to the new members.

## Board Committees

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

- Board Audit Committee
- Remuneration Committee

## **Board Audit Committee**

The Board Audit Committee is responsible for reviewing and advising on risk management and corporate governance processes, compliance matters and internal and external audit issues. The Committee meets at least on a quarterly basis and is chaired by Gerry McGinn. It comprises four other Board members and is attended by the Chief Executive, Executive Director of Finance & Operations, the Director of EU, Risk Management and Business Performance, Risk Manager, representatives from DETI, Northern Ireland Audit Office, and DETI Internal Audit Service (IAS). The committee met four times during 2013-14.

The Committee operates a 'Rolling Agenda' system which ensures that all major issues are reviewed at least on an annual basis. This agenda was reviewed and updated during the 2013-14 year.

During 2013-14 a BAC Annual Report was developed within which the work of the Committee is summarised. In it the Chairman confirmed that the BAC considered the assurance available was sufficient to support the Board and the Accounting Officer in their decision-taking and their accountability obligations and that it raised no implications for the overall management of risk.

Following each Board Audit Committee meeting, the Chairman gives a verbal report and update to the full Board.

## **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 DETI on any annual pay increase of the Chief Executive. The Committee comprises the Chairman, four other Board members and the meetings are attended by the Executive Director, Human Resources. The committee met twice during 2013-14.

## **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 Board Audit Committee. The Committee met twice during 2013-14 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 and IAS quality assessment. It has agreed terms of reference and comprises a number of other Executive Directors, Directors and representatives from DETI Internal Audit Service (IAS).

## **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 promoting an effective financial control and budgetary management framework in the organisation. The ELT is responsible for achieving Invest NI's goals and targets as set out in the corporate and operating plans and oversees the delivery of Invest NI's range of programmes and services.

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

## **Other Guidance and policies**

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

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

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

### **Bribery, Fraud Prevention & 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 reported to Internal Audit (who in turn inform NIAO), investigated and, where appropriate, referred to the police at the earliest juncture. Invest NI continues to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud, as well as their responsibilities regarding bribery and encourages staff to raise their concerns in line with public disclosure legislation. A summary of the activity related to these policies in 2013-14 is outlined in the table below.

Governance Process	Guidance Documents	Incidents Reported in Year
<b>Bribery</b>	Anti-Bribery Compliance Policy and Guidance Manual	None
<b>Public Interest Disclosure</b>	Whistle-blowing Policy	None
<b>Fraud Prevention</b>	Anti-Fraud Policy and Fraud Response Plan	Four suspected frauds were alleged during the year. All were investigated internally to substantiate the claims made and notified to the Northern Ireland Audit Office in line with the Invest NI Fraud Response Plan.  One was passed to PSNI but no further action was possible. The remaining 3 were recorded as unsubstantiated.

## Equality

Invest NI's policy on equality of opportunity aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance. All staff are trained in Equality and Disability Awareness on joining the organisation and refresher training is compulsory every three years. This is in line with our Equality Scheme. Invest NI has issued a Joint Declaration of Protection, which is a joint management and union agreement, which recognises the moral and statutory responsibilities placed on Employers and Trade Unions. Its purpose is to ensure that all Invest NI employees understand their responsibility for ensuring that their conduct is consistent with Invest NI's determination to provide a neutral and harmonious working environment for staff.

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

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

## **Relationship with subsidiary company NI-CO**

Invest NI's relationship with its subsidiary, Northern Ireland Co-Operation Overseas Limited (NI-CO), is set out in the Management Statement and Financial Memorandum agreed between the two organisations. This sets out the responsibilities and reporting requirements between the Company, Invest NI and DETI. As designated Accounting Officer the Chief Executive of NI-CO is ultimately responsible to the DETI Permanent Secretary in his role as DETI Accounting Officer. In terms of overall governance arrangements, formal meetings are held between Invest NI and NI-CO half-yearly. 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. In addition, at year-end, a formal annual review meeting is chaired by the DETI Accounting Officer. Less formal ad-hoc contact is maintained with NI-CO throughout the year. During 2013-14 a review of the Management Statement and Financial Memorandum was commenced and is expected to be finalised by June 2014.

## **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 present the audited BSDL annual financial statements to the Invest NI Accounting Officer prior to consolidation into the Invest NI annual accounts. The Invest NI policies and procedures, including all governance arrangements, have been adopted by the BSDL group. As such any significant governance issues arising would be reported in the six-monthly assurance statement and brought before the Invest NI Board Audit Committee and Board as required. Further information on this acquisition can be found in the Chief Executive's Review and in the main body of the Invest NI Annual Report and Accounts.

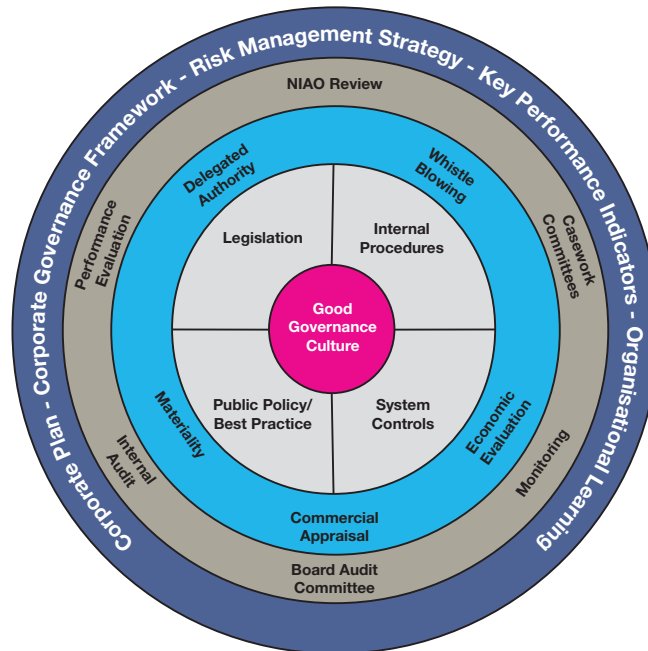
## **Relationships with Arms Length Bodies**

Written contractual or partnership agreements are in place with Arms Length Bodies (known as External Delivery Organisations (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, a full review and update of which was completed during 2013-14. As part of the overall internal audit service provided by DETI, an annual rolling inspection programme on EDOs and their management by Invest NI is carried out by external consultants. A summary of the outcomes of the reviews carried out during 2013-14 can be seen in the Internal Audit section of this statement.

## **Ministerial directions**

One ministerial direction was received during 2013-14 which related to the provision of a grant for the strategic development of a local client company. This grant was required to make up a project funding shortfall and, having considered the options and taken into account the wider social and regional factors surrounding the case, the NI Executive concluded that Invest NI should proceed with provision of the grant.

## The risk and control framework



A formal review of the Control Environment and the Risk Management System in Invest NI was undertaken during 2013-14 and an updated Risk Register was introduced with effect from January 2014. 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.

### Risk Management policy

The Board, Chief Executive, and Executive Leadership Team have overall responsibility for determining risk management policy. This includes designing, implementing and maintaining risk management systems which are designed to identify and manage those risks that could adversely impact the achievement of the organisation's objectives. During 2013-14 a Risk Manager was appointed to the organisation and a full review of the risk management framework completed, resulting in a revised Risk Management Strategy and Policy being issued to all staff.

Regular reports are sent to the sponsoring Department, DETI, for monitoring. In addition, 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 DETI, providing an account of the internal control matters arising in each of the reporting periods. Through these processes, the Board and Executive Leadership Team demonstrate that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

The Risk Register is subject to a quarterly review by Business Performance, EU and Risk Management Division, which undertakes a challenge function and works closely with Divisions to refine, articulate and manage risks at Corporate and Group level.

Any fully managed risks are relegated to a Risk Log (and kept under review), while new risks, both at Corporate and Group level, are brought forward as considered necessary. New risks identified in the year are (i) changes to regional aid guidelines on assisted areas (ii) if a large number of Board members are replaced then experience at that level will be lost resulting in a lack of governance continuity and (iii) failure to account for and report on new subsidiary companies in an accurate and timely manner. Principal risks and uncertainties have been discussed in detail on page 19.

The Board Audit Committee and the Internal Audit Committee meet on a quarterly basis to review and advise on the risk management, control and governance arrangements. These include audit issues arising during the period, key projects, ongoing operational matters and investigations.

## **Business Continuity**

Business Continuity and Recovery Plans have been developed for each Invest NI location and Business Continuity responsibilities and corporate governance structures have been clearly defined and communicated. Business Continuity arrangements are continually monitored, tested and improved and a full review of plans was commenced in early 2014. One incident occurred during the year and the plan was successfully implemented.

## **Data Security**

Invest NI continues to maintain an Information Security Management System certified to ISO 27001 to protect the confidentiality, integrity and availability of corporate information. This standard is compliant with the HMG Security Policy Framework. Security matters are reviewed by an Information Governance Group which met four times during the year. All approved USB devices, Invest NI laptops and mobile data devices are encrypted. Mandatory compliance training, internal risk assessments and external penetration tests are performed on a regular basis to drive information security improvements.

During this period there were a number of losses involving portable data storage devices and unauthorised disclosure of information. None of these incidents were classed as significant as they posed no major threat to individuals or client companies. Two incidents had a mitigated risk rating of 'Medium' whilst the remaining incidents had a mitigated risk rating of 'Low'. There were therefore no reported Personal Data Related Incidents in the year and no significant lapses of protective security identified.

## **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Invest NI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Report to those Charged with Governance and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Group Assurance Statements on Internal Control

During 2013-14 each of the Executive Directors conducted a quarterly review and provided me with Assurance Statements on Internal Control for their areas of responsibility. These reviews and the completion of the Assurance Statements were supported by the completion of Internal Control checklists. Key findings were discussed with me and this work helped inform my bi-annual Assurance Statements to the DETI Permanent Secretary.

## Internal Audit

DETI IAS, the internal auditor of Invest NI, operates to standards defined in the Public Sector Internal Audit Standards (PSIAS). The work of IAS carried out in the year was based on an agreed plan, formulated with due consideration given to the key corporate and operational risks to which Invest NI is exposed. The analysis of risks and the internal audit plans and reports are reviewed by the Board Audit Committee and Internal Audit Committee. IAS submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Invest NI's system of internal control and the management of key business risks, together with recommendations for improvement.

In line with PSIAS, an Internal Quality Assessment of IAS was performed in 2013 and the results reported to the November 2013 BAC. In summary, it considered the current Internal Audit Service to be satisfactory and in compliance with requirements in most areas. An External Quality Assessment was performed in May 2014 with the final report to be agreed in July 2014. The overall conclusion is expected to confirm that IAS generally conform with the Public Service Internal Audit Standards.

The table below provides a summary of the audit activity completed in line with the 2013-14 audit plan.

	Substantial	Satisfactory	Limited
<b>Final Reports</b>	1	5	1*
<b>Draft Reports</b>	0	7	0

\* the area receiving a limited opinion has taken suitable action to rectify the issues identified and has been subsequently upgraded to Satisfactory

In 2013-14 one IAS Audit Report, related to the Business Improvement Agent (BIA) programme, provided a limited opinion. One further limited opinion was also carried forward from the 2012-13 audit year regarding Programme Evaluation. In both cases, action has been taken by Invest NI Management to implement the recommendations made and the opinions have subsequently been upgraded by IAS to satisfactory. In the case of BIA the Category 3 EU Audit Opinion was also lifted to a Category 2 EU Audit Opinion (working but some improvements needed). A further two reports are still to be issued.

During 2013-14 work was completed on the 3 year contract of EDO inspection and sponsor control review programme, with a new contract being awarded for the next 3 years in January 2014. The results of these audits can be seen in the table below. A further five reports related to EDO inspections are still to be issued.



Status		Substantial	Satisfactory	Limited
Final	EDO Sponsor Control	0	1	0
	EDO Inspection	0	0	0
Draft	EDO Sponsor Control	0	6	0
	EDO Inspection	0	3	0

In addition to the above a number of reports emerging from prior year have also been issued. With the exception of one limited opinion anticipated all others have provided satisfactory opinions. The anticipated limited opinion is in relation to an EDO inspection but in light of the value of the offer of support which is under £30k and the fact that Invest NI has not made any payments under the contract it is not seen as having a material impact. Further details can be seen in the table below.

Status		Substantial	Satisfactory	Limited
Final	Internal Audit	0	14	0
	EDO Sponsor Control	0	2	0
	EDO Inspection	0	1	0
Draft	EDO Sponsor Control	0	1	0
	EDO Inspection	0	1	1

The management and I are encouraged to note that IAS has provided an overall satisfactory audit opinion with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes for the 2013-14 year. IAS's overall audit opinion reflects the overall generally positive results from the audit work undertaken in the year.

## Accountability Grids

Since the early 1980's a number of reports have been presented by bodies such as the Northern Ireland Audit Office (NIAO) and Public Accounts Committee (PAC), Westminster or Stormont, making recommendations relevant to corporate governance arrangements within Invest NI or its predecessor bodies. All recommendations that directly related to DETI and/or Invest NI were recorded in an 'accountability grid' to ensure that all actions necessary were being progressed. This was supplemented by recommendations made in reports related to other organisations which also had an impact on, or potential relevance to, Invest NI. To date 282 recommendations have been included and a review of these was carried out in November 2013, to ensure Invest NI remains compliant with the requirements stated, or to identify areas of potential improvement.

While some minor enhancements to existing arrangements are still under way it is not felt there are any major gaps or system issues. A recent review of the grids completed by Internal Audit Service provided a draft satisfactory opinion of the work completed.

## NIAO Reports

No NIAO Reports relating to Invest NI were published in 2013-14.

## **Significant Internal Control Problems**

No significant internal control problems have been identified.

## **Public Accounts Committee Issues**

A value-for-money Report, "Invest NI: A performance review" which was published on 27 March 2012 was the subject of a Public Accounts Committee hearing on 13 February 2013. Additional information was provided to the PAC in response to a number of queries and the Report of the PAC was published on 22 May 2013. A memorandum of reply was subsequently laid before the NI Assembly on 11 September 2013 and the Department and Invest NI are implementing those Public Accounts Committee recommendations that were accepted.

## **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 Board Audit Committee. I conclude that Invest NI has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.



**Alastair Hamilton**  
Accounting Officer

Date: 26 June 2014

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

I certify that I have audited the financial statements of Invest Northern Ireland for the year ended 31 March 2014 under the Industrial Development (Northern Ireland) Act 2002. These comprise the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Industrial Development (Northern Ireland) Act 2002. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Invest Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Invest Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

## **Opinion on regularity**

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Invest Northern Ireland's affairs as at 31 March 2014 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial Development (Northern Ireland) Act 2002 and the Department of Enterprise, Trade and Investment directions issued thereunder.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department of Enterprise, Trade and Investment directions made under the Industrial Development (Northern Ireland) Act 2002; and
- the information given in the Strategic Report and Directors' 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

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

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

### Report

I have no observations to make on these financial statements.



**KJ Donnelly**

Comptroller and Auditor General  
Northern Ireland Audit Office  
706 University Street  
Belfast  
BT7 7EU

1 July 2014

# Consolidated Statement of Comprehensive Net Expenditure – For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Expenditure</b>			<b>(restated)</b>
Grants and programme related costs			
grants and programme related costs	3	(123,363)	(111,230)
asset development, maintenance and related costs		(168)	381
Cost of servicing contracts		(10,327)	(8,017)
Administrative expenses			
staff costs	4	(25,971)	(25,115)
other	5	(5,254)	(7,672)
notional costs	7	(375)	(364)
Debt and financial assets provision release/(charge)	8	(4,728)	(7,258)
Asset depreciation and amortisation	9 (i)	(1,353)	(1,089)
Asset impairment		(16,282)	(20,898)
Share of results of associates	18	(4,154)	(885)
<b>Total expenditure</b>	<b>2</b>	<b>(191,975)</b>	<b>(182,147)</b>
<b>Income</b>			
Income from operating activities			
Non surrenderable income	10	3,196	3,006
Income surrenderable to DETI but retained	11	4,100	5,970
Core programme receipts from EU		21,398	21,125
Consolidated fund income	12	-	-
NI-CO - turnover		10,342	9,493
Loss on property, plant and equipment disposals		(63)	(1,105)
Profit on financial asset disposals		425	2,635
Gain on settlement of contract	33	15,347	-
<b>Total income</b>	<b>2</b>	<b>54,745</b>	<b>41,124</b>
<b>Net expenditure before interest and taxation</b>		<b>(137,230)</b>	<b>(141,023)</b>
Finance costs - net	6	(360)	(18)
Tax on ordinary activities	13	(186)	(16)
<b>Net expenditure after taxation</b>		<b>(137,776)</b>	<b>(141,057)</b>
Credit reversal of notional costs	7	375	364
<b>Net expenditure for the financial year</b>		<b>(137,401)</b>	<b>(140,693)</b>
<b>Other Comprehensive Net Expenditure</b>			
Net loss on revaluation of property, plant and equipment	14	(705)	(5,472)
Net gain/(loss) on revaluation of available for sale financial assets taken to equity	19	28	1
<b>Total Comprehensive Net Expenditure for the financial year</b>		<b>(138,078)</b>	<b>(146,164)</b>

All activities derive from continuing operations. Notes 1 to 38 form part of these accounts.

# Statement of Comprehensive Net Expenditure - Invest NI For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Expenditure</b>			
Grants and programme related costs			
grants and programme related costs	3	(123,363)	(111,230)
asset development, maintenance and related costs		(168)	381
Administrative expenses			
staff costs	4	(24,929)	(24,247)
other	5	(8,787)	(7,171)
notional costs	7	(375)	(364)
Debt and financial assets provision charge	8	(4,728)	(7,258)
Asset depreciation and amortisation	9 (i)	(1,222)	(1,078)
Asset impairment		(7,297)	(20,898)
Share of results of associates	18	(4,154)	(885)
<b>Total expenditure</b>		<b>(175,023)</b>	<b>(172,750)</b>
<b>Income</b>			
Income from operating activities			
Non surrenderable income	10	3,009	3,006
Income surrenderable to DETI but retained	11	4,100	5,970
Core programme receipts from EU		21,398	21,125
Consolidated fund income	12	-	-
Loss on property, plant and equipment disposals		(63)	(1,105)
Profit on financial asset disposals		425	2,635
<b>Total income</b>		<b>28,869</b>	<b>31,631</b>
<b>Net expenditure before interest and taxation</b>		<b>(146,154)</b>	<b>(141,119)</b>
Finance costs - net	6	-	-
Tax on ordinary activities	13	-	-
<b>Net expenditure after taxation</b>		<b>(146,154)</b>	<b>(141,119)</b>
Credit reversal of notional costs	7	375	364
<b>Net expenditure for the financial year</b>		<b>(145,779)</b>	<b>(140,755)</b>
<b>Other Comprehensive Net Expenditure</b>			
Net loss on revaluation of property, plant and equipment	14	(705)	(5,472)
Net gain/(loss) on revaluation of available for sale financial assets taken to equity	19	28	1
<b>Total Comprehensive Net Expenditure for the financial year</b>		<b>(146,456)</b>	<b>(146,226)</b>

All activities derive from continuing operations. Notes 1 to 38 form part of these accounts.

# Consolidated Statement of Financial Position

## As at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	14	73,525	61,229
Investment property	15	4,600	-
Intangible assets	16	21,312	1,467
Investments in associates	18	20,463	12,778
Investments in other financial assets	19	12,634	14,657
<b>Total non-current assets</b>		<b>132,534</b>	<b>90,131</b>
<b>Current assets</b>			
Trade and other receivables	20	47,933	43,828
Cash and cash equivalents	21	8,323	4,731
Assets classified as held for sale	22	-	326
Current tax asset		37	237
<b>Total current assets</b>		<b>56,293</b>	<b>49,122</b>
<b>Total assets</b>		<b>188,827</b>	<b>139,253</b>
<b>Current liabilities</b>			
Trade and other payables	23	(38,118)	(43,413)
Current tax liability		-	-
<b>Total current liabilities</b>		<b>(38,118)</b>	<b>(43,413)</b>
<b>Non-current assets less net current liabilities</b>		<b>150,709</b>	<b>95,840</b>
<b>Non-current liabilities</b>			
Provisions	25	(30,204)	(21,163)
Cash and cash equivalents	24	(18,790)	-
Assets classified as held for sale	28	(4,729)	-
<b>Total non-current liabilities</b>		<b>(53,723)</b>	<b>(21,163)</b>
<b>Total assets less liabilities</b>		<b>96,986</b>	<b>74,677</b>
Revaluation reserve		1,951	2,662
General reserve		95,035	72,015
		<b>96,986</b>	<b>74,677</b>

Notes **1 to 38** form part of these accounts. The financial statements on pages **57 to 127** were approved by the Board on 25 June 2014 and signed on its behalf by



**Alastair Hamilton**  
Accounting Officer

# Statement of Financial Position – Invest NI

## As at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	14	53,498	61,203
Intangible assets	16	1,281	1,467
Investments in subsidiaries	17	17,593	200
Investments in associates	18	20,463	12,778
Investments in other financial assets	19	12,634	14,657
<b>Total non-current assets</b>		<b>105,469</b>	<b>90,305</b>
<b>Current assets</b>			
Trade and other receivables	20	44,772	40,979
Cash and cash equivalents	21	277	808
Assets classified as held for sale	22	-	326
Current tax asset		-	250
<b>Total current assets</b>		<b>45,049</b>	<b>42,363</b>
<b>Total assets</b>		<b>150,518</b>	<b>132,668</b>
<b>Current liabilities</b>			
Trade and other payables	23	(33,517)	(38,597)
<b>Total current liabilities</b>		<b>(33,517)</b>	<b>(38,597)</b>
<b>Non-current assets less net current liabilities</b>		<b>117,001</b>	<b>94,071</b>
<b>Non-current liabilities</b>			
Provisions	25	(30,159)	(21,160)
<b>Total assets less liabilities</b>		<b>86,842</b>	<b>72,911</b>
<b>Taxpayers' Equity</b>			
Revaluation reserve		1,951	2,662
General reserve		84,891	70,249
		<b>86,842</b>	<b>72,911</b>

Notes **1 to 38** form part of these accounts. The financial statements on pages **54 to 127** were approved by the Board on 25 June 2014 and signed on its behalf by



**Alastair Hamilton**  
Accounting Officer



# Consolidated Statement of Cash Flows

## Year ended 31 March 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Cash flows from operating activities</b>					
Net expenditure after interest before tax			(137,590)		(141,041)
Corporation tax (credit)/expense		186		(16)	
Adjustments for other non-cash transactions	27	10,914		27,317	
Decrease/(increase) in trade and other receivables		(9,574)		4,557	
Decrease in trade payables		(7,521)		(4,357)	
Use of provisions		8,995		1,412	
			3,000		28,913
<b>Net cash (outflow) from operating activities</b>			<b>(134,590)</b>		<b>(112,128)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(2,875)		(6,782)	
Purchase of intangible assets		(453)		(503)	
Acquisition of subsidiary, net of cash acquired		3,871		-	
Proceeds of disposal of property, plant and equipment		904		413	
Repayments from other bodies		6,219		1,370	
Investment in venture capital fund		(11,839)		(8,201)	
Investment in share capital		(2,367)		(1,644)	
Loans made to client companies		(925)		(6,492)	
Loan Interest received		312		228	
Dividend received		126		56	
Interest paid		-		(505)	
Corporation tax paid		(285)		(8)	
<b>Net cash (outflow) from investing activities</b>			<b>(7,312)</b>		<b>(22,068)</b>
<b>Cash flows from financing activities</b>					
Financing from DETI		160,387		137,322	
Consolidated fund payments to DETI		(112)		(387)	
Repayment of borrowings		(10,526)		-	
Repayment of other payables		(5,230)		-	
<b>Net financing</b>			<b>144,519</b>		<b>136,935</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>			<b>2,617</b>		<b>2,739</b>
<b>Cash and cash equivalents at the beginning of the year</b>			<b>4,731</b>		<b>1,992</b>
<b>Cash and cash equivalents at the end of the year</b>	21		<b>7,348</b>		<b>4,731</b>

Notes 1 to 38 form part of these accounts.

# Consolidated Statement of Changes in Taxpayers' Equity Year ended 31 March 2014

	General reserve £'000	Revaluation reserve £'000	Total reserves £'000
<b>Balance at 31 March 2012</b>	<b>75,040</b>	<b>8,479</b>	<b>83,519</b>
<b>Changes in Taxpayers' Equity for 2012-13</b>			
Transfers between reserves	345	(345)	-
Comprehensive expenditure for the financial year	(140,692)	(5,472)	(146,164)
	<b>(140,347)</b>	<b>(5,817)</b>	<b>(146,164)</b>
Grant in aid from DETI:			
Resource	105,779	-	105,779
Capital	31,543	-	31,543
<b>Balance at 31 March 2013</b>	<b>72,015</b>	<b>2,662</b>	<b>74,677</b>
<b>Changes in Taxpayers' Equity for 2013-14</b>			
Transfers between reserves	6	(6)	-
Comprehensive expenditure for the financial year	(137,373)	(705)	(138,078)
	<b>(137,367)</b>	<b>(711)</b>	<b>(138,078)</b>
Grant in aid from DETI:			
Resource	119,536	-	119,536
Capital	40,851	-	40,851
<b>Balance at 31 March 2014</b>	<b>95,035</b>	<b>1,951</b>	<b>96,986</b>

Notes **1 to 38** form part of these accounts.

## Statement of Changes in Taxpayers' Equity – Invest NI Year ended 31 March 2014

	General reserve £'000	Revaluation reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2012</b>	<b>73,336</b>	<b>8,479</b>	<b>81,815</b>
<b>Changes in Taxpayers' Equity for 2012-13</b>			
Transfers between reserves	345	(345)	-
Comprehensive expenditure for the financial year	(140,754)	(5,472)	(146,226)
	<b>(140,409)</b>	<b>(5,817)</b>	<b>(146,226)</b>
Grant in aid from DETI:			
Resource	105,779	-	105,779
Capital	31,543	-	31,543
<b>Balance at 31 March 2013</b>	<b>70,249</b>	<b>2,662</b>	<b>72,911</b>
<b>Changes in Taxpayers' Equity for 2013-14</b>			
Transfers between reserves	6	(6)	-
Comprehensive expenditure for the financial year	(145,751)	(705)	(146,456)
	<b>(145,745)</b>	<b>(711)</b>	<b>(146,456)</b>
Grant in aid from DETI:			
Resource	119,536	-	119,536
Capital	40,851	-	40,851
<b>Balance at 31 March 2014</b>	<b>84,891</b>	<b>1,951</b>	<b>86,842</b>

Notes **1 to 38** form part of these accounts.

# Notes to the Accounts Year ended 31 March 2014

## 1. ACCOUNTING POLICIES

### Statement of accounting policies

The financial statements of Invest NI have been prepared in a form directed by DETI, and in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by DFP. 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 which 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, intangible assets and assets classified as available for sale which are held at their fair value.

### Adoption of new and revised standards

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these financial statements. Management consider that these are unlikely to have a significant impact on the financial statements in the period of initial application.

### Basis of consolidation

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

Where material, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

### Property, plant and equipment

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

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

## Depreciation

Freehold land and assets in the course of construction are 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
Furniture, fixtures and fittings	10 years
Office equipment	5 years
Computer equipment	3-5 years
Plant and machinery	10 years
Motor vehicles	4 years

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

## Assets in the course of construction

Assets in the course of construction are valued at cost.

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

## Investment property

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

## **Non-current assets held for sale**

Non-current assets classified as held for sale are measured at expected net selling price.

Non-current 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 which 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 5 years. The minimum level of capitalisation is £1,000.

### **Impairment of tangible and intangible assets**

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

## Financial instruments

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

### Financial assets

#### General description

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

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

#### Effective interest method

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

#### Loans and receivables

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

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

#### Available-for-sale

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

## **Impairment of financial assets**

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

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

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

## **Financial assets carried at amortised cost**

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

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

## **Financial assets carried at fair value**

When a decline in the fair value of a financial asset classified as AFS has been recognised directly in reserves and there is objective evidence that the asset is impaired, the cumulative loss is removed from reserves and recognised in Net Expenditure. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on AFS equity instruments are not reversed through profit or loss, but those on AFS debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

## **Financial liabilities**

### **Classification as debt or equity**

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



## Financial liabilities

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

## Derecognition

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

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

## Derivative financial instruments

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

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

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

The following fair value measurement hierarchy has been used by the group for calculating the fair value of financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

### **Cash and cash equivalents**

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

### **Trade receivables**

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

### **Trade Payables**

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

### **Borrowings**

Borrowings are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the year-end.

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

### **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 does not control or jointly control those policies.

Investments in associates are carried at Invest NI's share of the net assets of the associate.

## Taxation (including Value Added Tax)

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

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

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

## Provisions

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

## Financing from DETI

Financing represents net funding received from DETI and is credited to the General Reserve.

## Revenue

Revenue from operating activities represents:

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

In accordance with the budget classifications as issued by DETI/DFP, income from operating activities is further classified into the following categories:

**i) Consolidated Fund Income**

The amount owed to DETI is shown as a payable and a charge is made to Net Expenditure to reflect the income which Invest NI cannot retain. The debt to the sponsor department is settled once Invest NI has received money from the relevant client companies or organisations. The amount owed to DETI (and the associated charge in Net Expenditure) is adjusted to take account of movements in the bad debts provision relating to this income.

**ii) EU Income**

All EU receipts relating to core expenditure are treated as accruing resources in support of expenditure incurred, that is budgeted receipts or income surrenderable but retained.

**iii) Income that is surrenderable but can be retained by Invest NI for further utilisation**

Invest NI generates income which it is permitted to keep and use up to an agreed budget level thus reducing the gross funding received from DETI. This income includes EU receipts used for funding the core programme expenditure. Any income above the budget level is treated as 'excess receipts' and it is paid over to DETI (same treatment as consolidated fund income).

**iv) Any other income that does not fall within category (i), (ii) and (iii) comprising non surrenderable income which Invest NI can retain.**

The majority of this income represents programme contributions received and recovery of costs of certain expenditure for which Invest NI has a net budget agreed with DETI.

**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 which 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 DETI 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 DETI and accounted for on an accruals basis.

## **Pensions**

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)), which is a defined benefit scheme and is unfunded.

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 PCSPS (NI) 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 year-end is recognised as a liability. An accrual for the estimated cost of total employee annual leave at the year-end has been included in the financial statements.

## **Early Departure Costs**

Invest NI is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early. Invest NI recognises in full for this cost when the early retirement programme has been committed.

For employees directly employed by DETI who are seconded to Invest NI, early departure costs are charged to Net Expenditure when incurred.

## **Leases**

Operating lease rentals are charged to Net Expenditure over the period of the lease. There are a number of 999 year leases arrangements in place with Invest NI being the lessor in receipt of a peppercorn rent. These arrangements are in place in order to control the future use of the properties in line with property best practice.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **PFI contracts**

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

## **Notional Charges**

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

## Foreign currency translation

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

## Judgements and key sources of uncertainty

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

Further information regarding the preparation of the provision for grants expenditure is detailed in note 26.

## 2. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

As a result of the organisational restructure under Transform, the following Invest NI operating segments have been identified under IFRS 8 Operating Segments:

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

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

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

## 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 and grow.
- The Business and Sector Development Group is made up of six teams. Four of these teams manage client portfolios organised on a sectoral basis. The Growth and Scaling team focuses more on companies according to their stage of development rather than sector. The Sector and Cluster Development team has responsibility for the development of key sectors.
- The Finance and Operations Group provides a range of corporate functions to the wider organisation including financial management, EU structured funds, procurement, corporate risk management, legal advice, equality, information technology, business appraisal, offers and claims management and general governance advice.
- The Regional Business Group supports new and existing businesses, through the Regional Office Network, offering advice and relevant support. The primary objective of the Regional Business Group is to improve the capacity of local businesses to compete in export and global markets.
- The International Business Group develops relationships to secure new business for Northern Ireland either through increased exports, new Foreign Direct Investment or collaborations, supporting the internationalisation of the Northern Ireland economy.
- The Human Resources Group manages Human Resources, People Development and Facilities.
- The Communications Group is responsible for developing and implementing an integrated marketing and communications strategy for the organisation in both foreign and domestic markets.
- The role of the Strategy Group is to lead the development of Invest NI's corporate strategy in response to the NI Executive's economic agenda and DETI's policy objectives.
- The Board and CEO are responsible for Invest NI's performance and strategic direction.

Further information about the structure of the organisation is detailed on page 10.

2014	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	72,263	2,380	69,883
Business and Sector Development	51,590	542	51,048
Finance and Operations	21,696	41,370	(19,674)
Regional Business	9,868	2	9,866
International Business	9,106	2	9,104
Human Resources	8,433	-	8,433
Communications	7,436	55	7,381
Strategy	1,013	-	1,013
Board and CEO	760	86	674
NI-CO	10,204	10,342	(138)
<b>Total (inc. finance costs)</b>	<b>192,369</b>	<b>54,779</b>	<b>137,590</b>
Finance costs	(394)	(34)	(360)
<b>Total per SoCNE</b>	<b>191,975</b>	<b>54,745</b>	<b>137,230</b>

2013	Gross expenditure £'000	Income £'000	Total net expenditure per CSoCNE £'000
Business Solutions	75,082	1,275	73,807
Business and Sector Development	48,638	584	48,054
Finance and Operations	14,908	29,653	(14,745)
Regional Business	9,596	-	9,596
International Business	9,208	91	9,117
Human Resources	8,362	-	8,362
Communications	5,539	-	5,539
Strategy	717	-	717
Board and CEO	700	28	672
NI-CO	9,415	9,493	(78)
<b>Total (inc. finance costs)</b>	<b>182,165</b>	<b>41,124</b>	<b>141,041</b>
Finance costs	(18)	-	(18)
<b>Total per SoCNE</b>	<b>182,147</b>	<b>41,124</b>	<b>141,023</b>



### 3. GRANTS AND PROGRAMME RELATED COSTS

(i) Analysis:	Group and Invest NI	
	2014 £'000	2013 £'000
Industrial development grants	23,942	27,691
Research and development programme including grants	37,535	30,008
Enterprise programme including grants	20,892	17,263
Business improvement training programme	4,904	6,075
Business support grants	729	438
Jobs Fund	8,441	6,440
Property support	3,092	2,808
Property assistance	172	413
Third party grants	1,371	530
Tourism grants	(3)	220
Trade and market access support	4,003	3,936
Overseas operation support	5,147	4,591
Project consultancy and appraisal	1,533	1,266
Board related expenditure	215	204
Promotion and marketing support	8,889	7,029
Programme support activities	1,684	1,559
Other	817	759
	<b>123,363</b>	<b>111,230</b>

Included within the total above is £19,559,000 (2013: £16,658,000) paid to public sector recipients.

£39,363,000 (2013: £39,094,000) of grants and programme expenditure has been part funded by EU under the European Regional Development Fund.

Other expenditure primarily includes special market initiatives, e-business and broadband business support costs.

	Invest NI	
<b>(ii) Segmental analysis:</b>	2014 £'000	2013 £'000
Business Solutions	56,688	47,349
Business and Sector Development	42,972	43,250
International Business	7,521	7,423
Regional Business	7,506	6,999
Communications	6,578	4,700
Finance and Operations	1,582	1,212
Board and CEO	324	236
Strategy	192	61
	<b>123,363</b>	<b>111,230</b>

#### 4. STAFF COSTS AND EMPLOYEE INFORMATION

**(i) The average number employed, including Executive Leadership Team but excluding board members and staff on career break, within each category was:**

	Group		Invest NI	
	2014 No	2013 No	2014 No	2013 No
Chief Executive	1	1	1	1
Business Solutions	185	172	185	172
Finance and Operations	116	116	116	116
Business and Sector Development	105	110	105	110
Regional Business	55	59	55	59
International Business	31	33	31	33
Human Resources	20	21	20	21
Communications	21	20	21	20
Strategy	18	14	18	14
NI-CO staff	25	24	-	-
<b>Total</b>	<b>577</b>	<b>570</b>	<b>552</b>	<b>546</b>

The above includes 2 civil servants seconded from DETI (2013: 2), 8 temporary staff/ external secondees (2013: 6) and 13 employees who are engaged on a fixed term contract (2013: 8). The remaining staff included above have a permanent contract.

**(ii) The total administrative staff costs, including Executive Leadership Team but excluding board members was:**

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Salaries and wages	24,156	22,895	23,328	22,218
Social security costs	1,791	1,774	1,720	1,705
	<b>25,947</b>	<b>24,669</b>	<b>25,048</b>	<b>23,923</b>
Pension scheme contribution	4,490	4,290	4,347	4,168
Total costs in respect of permanent and long term contract employees*	<b>30,437</b>	<b>28,959</b>	<b>29,395</b>	<b>28,091</b>
Less: recoveries in respect of outward secondments and others	(134)	(54)	(134)	(54)
Less: staff costs treated as programme expenditure	(4,673)	(4,020)	(4,673)	(4,020)
	<b>25,630</b>	<b>24,885</b>	<b>24,588</b>	<b>24,017</b>
External secondees and temporary staff costs including irrecoverable VAT	341	230	341	230
<b>Total administrative staff costs</b>	<b>25,971</b>	<b>25,115</b>	<b>24,929</b>	<b>24,247</b>

\*including civil servants seconded from DETI

**(iii) Contracted and programme related staff**

In addition to the above, Invest NI engages a varying number of contracted staff, in its overseas offices and to deliver specific programmes in Northern Ireland. The average number of programme funded staff is 72 (2013: 62) and the average number of staff engaged locally overseas is 36 (2013: 34). These staff members are separately funded and the associated recoupment of administrative costs or expenditure is reflected in note 3 'Grants and programme related costs'.

**(iv) Pension Costs**

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme but Invest NI is unable to identify its share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was as at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employers' contributions of £4,347,000 (2013: £4,168,000) were payable to the PCSPS (NI) at one of four rates in the range 18 to 25 per cent (2013: 18 to 25 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15, the rates will remain in the range 18% to 25%.

The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £16,000 (2013: £13,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,000, 0.8 per cent of pensionable pay, were payable to the PCS (NI) 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 year-end were £Nil (2013: £Nil). Contributions prepaid at that date were £Nil (2013: £Nil).

During the year, no (2013: two) individuals left on ill-health grounds. The accruing superannuation liabilities amounted to £Nil (2013: £3,000).

There were no early retirements during the year (2013: none).

There were no payments made in accordance with the provisions of the Civil Service Compensation Scheme (2012: one payment of £5,000 for end of contract costs).

NI-CO contributed £144,000 (2013: £122,000) to a defined contribution scheme during the year.

## 5. ADMINISTRATIVE EXPENSES

	Group		Invest NI	
	2014 £'000	2013 £'000 (restated)	2014 £'000	2013 £'000
Travel and subsistence	271	248	32	31
Overseas offices costs	105	111	105	111
Vehicle costs	18	14	18	14
Telephone, mobile costs and data communications	336	322	311	309
Stationery and postage	57	50	47	42
Printing and publications	51	65	51	65
Training and conference costs	501	296	501	296
Computer maintenance and related costs	647	775	634	767
Advertising and recruitment costs	174	70	164	60
Office consumables and related costs	17	17	17	17
Professional fees	24	33	(2)	17
Headquarters PFI service and related charges	1,638	5,720	5,490	5,720
Admin property rental	393	525	422	454
Other admin property maintenance and related expenses	86	241	86	128
Light, heat and power	29	46	29	34
Rates	670	694	670	660
Security costs	-	1	-	1
Contract cleaning	12	12	12	12
Insurance and subscription	(34)	59	(53)	27
Hospitality	17	16	13	12
Other employee related costs	41	44	41	44
Bank charges	5	8	2	6
Exchange difference	251	(1,647)	249	(1,647)
Miscellaneous expenses	(55)	(48)	(52)	(9)
<b>Total administrative expenditure excluding notional costs</b>	<b>5,254</b>	<b>7,672</b>	<b>8,787</b>	<b>7,171</b>
Notional administrative costs (note 7 (i))	375	364	375	364
<b>Total administrative expenditure including notional costs</b>	<b>5,629</b>	<b>8,036</b>	<b>9,162</b>	<b>7,535</b>

Included within professional fees above were no fees (2013: £2,000) payable to NIAO in respect of non-audit services, £27,000 (2013: £7,000) of fees payable by subsidiaries to the companies auditors for audit of the subsidiaries financial statements and fees of £49,000 (2013: £10,000) for non-audit services.

Comparative figures have been restated by £18,000 to reflect bank interest in finance costs, refer to note 6.

## 6. FINANCE COSTS - NET

	Group		Invest NI	
	2014 £'000	2013 £'000 (restated)	2014 £'000	2013 £'000
Finance costs:				
Interest payable on bank loans and overdrafts	889	18	-	-
Fair value adjustment in respect of derivative financial instruments	(508)	-	-	-
Other finance costs	13	-	-	-
	<b>394</b>	<b>18</b>	-	-
Finance income:				
Interest receivable on cash and cash equivalents	(34)	-	-	-
	<b>(34)</b>	-	-	-
<b>Finance costs net</b>	<b>360</b>	<b>18</b>	-	-

Comparative figures have been restated by £18,000 to reflect bank interest within finance costs.

## 7. NOTIONAL COSTS

	Group and Invest NI	
	2014 £'000	2013 £'000
<b>(i) Notional administrative costs</b>		
Personnel and training services	1	1
External Audit	92	92
Internal Audit	282	271
	<b>375</b>	<b>364</b>
<b>(ii) Credit reversal of notional costs</b>		
Notional administrative costs	375	364
	<b>375</b>	<b>364</b>

## 8. DEBT AND FINANCIAL ASSET PROVISION CHARGE

Movement in provision and write off:	Group and Invest NI			
	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Share investment:				
Increase/(decrease) in provision for shares	2,037		(1,435)	
amount written off (note 19)	-		1,794	
		<b>2,037</b>		<b>359</b>
Fixed rate loan investment:				
Increase/(decrease) in provision	1,179		(19)	
amount written off (note 19)	80		840	
		<b>1,259</b>		<b>821</b>
		<b>3,296</b>		<b>1,180</b>
Adjustment to fair value on remeasurement of loans and receivables under IAS39		165		(150)
Increase in other bad debts provisions		1,267		6,228
		<b>4,728</b>		<b>7,258</b>

## 9. ASSET DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>(i) Depreciation and amortisation</b>				
Property, plant and equipment depreciation (note 14)	816	645	685	634
Intangible asset amortisation (note 16)	537	444	537	444
	<b>1,353</b>	<b>1,089</b>	<b>1,222</b>	<b>1,078</b>

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>(ii) Impairment</b>				
Property, plant and equipment (note 14) (I&E)	7,195	21,038	7,195	21,038
Property plant and equipment (note 14) (revaluation reserve)	705	5,472	705	5,472
Intangible asset (note 16) (I+E)	9,087	(140)	102	(140)
	<b>16,987</b>	<b>26,370</b>	<b>8,002</b>	<b>26,370</b>

## 10. NON SURRENDERABLE INCOME

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Property rent	1,848	1,656	1,661	1,656
Fixed rate loan interest	297	230	297	230
Variable rate loan interest	7	9	7	9
Share dividend income	185	249	185	249
Recoupment of programme expenditure and related costs from client companies and third parties	603	718	603	718
Other	256	144	256	144
	<b>3,196</b>	<b>3,006</b>	<b>3,009</b>	<b>3,006</b>

## 11. INCOME SURRENDERABLE TO DETI BUT RETAINED

	Group and Invest NI	
	2014 £'000	2013 £'000
Grant clawback	4,100	5,970
<b>Gross income surrenderable</b>	<b>4,100</b>	<b>5,970</b>

## 12. CONSOLIDATED FUND INCOME

The amounts collected by Invest NI acting as agent for the consolidated fund (which are otherwise excluded from these financial statements) were:

	2014 £'000	2013 £'000
Other property income	67	29
Other income	22	26
<b>Total</b>	<b>89</b>	<b>55</b>
Amount payable to the consolidated fund (note 23(iii))	(89)	(55)
	-	-

The movement in the year in the balances due to DETI in respect of the consolidated fund are outlined in note 23 (iii).



## 13. TAXATION

### (i) Taxation charge / (credit) in the year

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Analysis of charge in year (estimate)</b>				
Current tax:				
UK corporation tax on taxable income for the current year	186	17	-	-
Adjustments to tax charge in respect of previous periods	-	(1)	-	-
<b>Total current tax</b>	<b>186</b>	<b>16</b>	<b>-</b>	<b>-</b>

### (ii) Factors affecting tax charge

	Group	
	2014 £'000	2013 £'000
Net expenditure before taxation	(137,590)	(141,041)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 23% (2013: 24%)	(31,646)	(33,850)
Tax effects of:		
Add: expenditure not deductible for tax purposes	44,340	41,461
Less: income not subject to tax	(12,504)	(7,591)
Impact of differing tax rates within the group	(4)	(3)
Tax overprovided in previous periods	-	(1)
<b>Current tax charge/(credit)</b>	<b>186</b>	<b>16</b>

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

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

### (iii) Deferred tax

Invest NI has not recognised deferred tax assets of £1.2m in relation to brought forward tax losses at 1 April 2013 of £5.9m, 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. Invest NI tax losses arising in 2013-14 have been offset against taxable profits of subsidiary companies.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Land £'000	Property £'000	Motor vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost / Valuation:</b>						
At 1 April 2013	51,990	12,589	17	2,329	267	67,192
Acquisition of subsidiary (note 33)	4,000	15,105	-	-	-	19,105
Additions*	1,529	1,004	-	342	-	2,875
Disposals	(954)	-	(17)	(539)	(7)	(1,517)
Revaluation loss	(570)	(135)	-	-	-	(705)
Amount written down / indexation (note 9(ii))	(6,875)	(260)	-	(180)	-	(7,315)
<b>At 31 March 2014</b>	<b>49,120</b>	<b>28,303</b>	<b>-</b>	<b>1,952</b>	<b>260</b>	<b>79,635</b>
<b>Depreciation:</b>						
At 1 April 2013	-	4,167	3	1,568	225	5,963
Charge for year (note 9(i))	-	371	1	423	21	816
Disposals	-	-	(4)	(538)	(7)	(549)
Backlog / Indexation (note 9(ii))	-	-	-	(120)	-	(120)
<b>At 31 March 2014</b>	<b>-</b>	<b>4,538</b>	<b>-</b>	<b>1,333</b>	<b>239</b>	<b>6,110</b>
<b>Net book value:</b>						
1 April 2013	51,990	8,422	14	761	42	61,229
<b>31 March 2014</b>	<b>49,120</b>	<b>23,765</b>	<b>-</b>	<b>619</b>	<b>21</b>	<b>73,525</b>

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

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

	Invest NI					
	Land £'000	Property £'000	Motor vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost / Valuation:</b>						
At 1 April 2013	51,990	12,589	17	2,233	267	67,096
Additions*	1,529	-	-	319	-	1,848
Disposals	(954)	-	(17)	(486)	(7)	(1,464)
Revaluation loss	(570)	(135)	-	-	-	(705)
Amount written down / indexation (note 9(ii))	(6,875)	(260)	-	(180)	-	(7,315)
<b>At 31 March 2014</b>	<b>45,120</b>	<b>12,194</b>	<b>-</b>	<b>1,886</b>	<b>260</b>	<b>59,460</b>
<b>Depreciation:</b>						
At 1 April 2013	-	4,167	3	1,498	225	5,893
Charge for year (note 9(i))	-	252	1	411	21	685
Disposals	-	-	(4)	(485)	(7)	(496)
Backlog / Indexation (note 9(ii))	-	-	-	(120)	-	(120)
<b>At 31 March 2014</b>	<b>-</b>	<b>4,419</b>	<b>-</b>	<b>1,304</b>	<b>239</b>	<b>5,962</b>
<b>Net book value:</b>						
1 April 2013	51,990	8,422	14	735	42	61,203
<b>31 March 2014</b>	<b>45,120</b>	<b>7,775</b>	<b>-</b>	<b>582</b>	<b>21</b>	<b>53,498</b>

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

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

	Group					
	Land £'000	Property £'000	Motor vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost / Valuation:</b>						
At 1 April 2012	73,641	13,931	12	1,872	280	89,736
Additions*	6,436	90	17	936	-	7,479
Disposals	(2,510)	-	(13)	(767)	(25)	(3,315)
Transfer to assets held for sale (note 22)	(161)	(231)	-	-	-	(392)
Revaluation loss	(4,755)	(717)	-	-	-	(5,472)
Amount written down / indexation (note 9(ii))	(20,661)	(484)	1	288	12	(20,844)
<b>At 31 March 2013</b>	<b>51,990</b>	<b>12,589</b>	<b>17</b>	<b>2,329</b>	<b>267</b>	<b>67,192</b>
<b>Depreciation:</b>						
At 1 April 2012	-	3,952	12	1,812	220	5,996
Charge for year note 9(i))	-	281	4	339	21	645
Disposals	-	-	(13)	(768)	(25)	(806)
Transfer to assets held for sale (note 22)	-	(66)	-	-	-	(66)
Backlog / Indexation (note 9(ii))	-	-	-	185	9	194
<b>At 31 March 2013</b>	<b>-</b>	<b>4,167</b>	<b>3</b>	<b>1,568</b>	<b>225</b>	<b>5,963</b>
<b>Net book value:</b>						
1 April 2012	73,641	9,979	-	60	60	83,740
<b>31 March 2013</b>	<b>51,990</b>	<b>8,422</b>	<b>14</b>	<b>761</b>	<b>42</b>	<b>61,229</b>

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

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

	Invest NI					
	Land £'000	Property £'000	Motor vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Cost / Valuation:</b>						
At 1 April 2012	73,641	13,931	12	1,771	280	89,635
Additions*	6,436	90	17	916	-	7,459
Disposals	(2,510)	-	(13)	(742)	(25)	(3,290)
Transfer to assets held for sale (note 22)	(161)	(231)	-	-	-	(392)
Revaluation loss	(4,755)	(717)	-	-	-	(5,472)
Amount written down / indexation (note 9(ii))	(20,661)	(484)	1	288	12	(20,844)
<b>At 31 March 2013</b>	<b>51,990</b>	<b>12,589</b>	<b>17</b>	<b>2,233</b>	<b>267</b>	<b>67,096</b>
<b>Depreciation:</b>						
At 1 April 2012	-	3,952	12	1,728	220	5,912
Charge for year note 9(i))	-	281	4	328	21	634
Disposals	-	-	(13)	(743)	(25)	(781)
Transfer to assets held for sale (note 22)	-	(66)	-	-	-	(66)
Backlog / Indexation (note 9(ii))	-	-	-	185	9	194
<b>At 31 March 2013</b>	<b>-</b>	<b>4,167</b>	<b>3</b>	<b>1,498</b>	<b>225</b>	<b>5,893</b>
<b>Net book value:</b>						
1 April 2012	73,641	9,979	-	43	60	83,723
<b>31 March 2013</b>	<b>51,990</b>	<b>8,422</b>	<b>14</b>	<b>735</b>	<b>42</b>	<b>61,203</b>

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

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

### (iii) Analysis of Invest NI land and property balance (net book value):

	Group								
	2014 Land £'000	2014 Property £'000	2014 Total £'000	2013 Land £'000	2013 Property £'000	2013 Total £'000	2012 Land £'000	2012 Property £'000	2012 Total £'000
Administrative	4,047	16,061	20,108	51	76	127	60	190	250
Occupied	35,564	7,704	43,268	40,518	8,177	48,695	56,764	9,596	66,360
Unoccupied	9,510	-	9,510	11,420	170	11,590	16,817	193	17,010
<b>Included in non-current assets</b>	<b>49,121</b>	<b>23,765</b>	<b>72,886</b>	<b>51,989</b>	<b>8,423</b>	<b>60,412</b>	<b>73,641</b>	<b>9,979</b>	<b>83,620</b>
Included in assets held for sale (note 22)	-	-	-	161	165	326	-	-	-
	<b>49,121</b>	<b>23,765</b>	<b>72,886</b>	<b>52,150</b>	<b>8,588</b>	<b>60,738</b>	<b>73,641</b>	<b>9,979</b>	<b>83,620</b>

	Invest NI								
	2014 Land £'000	2014 Property £'000	2014 Total £'000	2013 Land £'000	2013 Property £'000	2013 Total £'000	2012 Land £'000	2012 Property £'000	2012 Total £'000
Administrative	47	71	118	51	76	127	60	190	250
Occupied	35,564	7,704	43,268	40,518	8,177	48,695	56,764	9,596	66,360
Unoccupied	9,510	-	9,510	11,420	170	11,590	16,817	193	17,010
<b>Included in non-current assets</b>	<b>45,121</b>	<b>7,775</b>	<b>52,896</b>	<b>51,989</b>	<b>8,423</b>	<b>60,412</b>	<b>73,641</b>	<b>9,979</b>	<b>83,620</b>
Included in assets held for sale (note 22)	-	-	-	161	165	326	-	-	-
	<b>45,121</b>	<b>7,775</b>	<b>52,896</b>	<b>52,150</b>	<b>8,588</b>	<b>60,738</b>	<b>73,641</b>	<b>9,979</b>	<b>83,620</b>

IAS 16 requires measurement at fair value. Land and property was re-valued by Land and Property Services on 31 March 2014, 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.

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 the region's long term strategic economic development. Invest NI owns all its assets and has no finance leases.

## 15. INVESTMENT PROPERTY

	2014 £'000
Beginning of year	-
Acquisition of subsidiary (note 33)	4,600
<b>End of year</b>	<b>4,600</b>

## 16. INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Software licences £'000	Software development £'000	Total £'000
<b>Cost / Valuation:</b>				
At 1 April 2013	-	1,279	2,733	4,012
Additions	-	-	453	453
Acquisition of subsidiary (note 33)	29,016	-	-	29,016
Disposals	-	(45)	(579)	(624)
Amount written down/ Indexation (note 9(ii))	(8,985)	(93)	(207)	(9,285)
<b>At 31 March 2014</b>	<b>20,031</b>	<b>1,141</b>	<b>2,400</b>	<b>23,572</b>
<b>Amortisation:</b>				
At 1 April 2013	-	936	1,609	2,545
Charge for year (note 9(i))	-	128	409	537
Disposals	-	(44)	(580)	(624)
Backlog/Indexation (note 9(ii))	-	(85)	(113)	(198)
<b>At 31 March 2014</b>	<b>-</b>	<b>935</b>	<b>1,325</b>	<b>2,260</b>
<b>Net book value:</b>				
1 April 2013	-	343	1,124	1,467
<b>31 March 2014</b>	<b>20,031</b>	<b>206</b>	<b>1,075</b>	<b>21,312</b>

## 16. INTANGIBLE ASSETS (CONTINUED)

	Invest NI		
	Software licences £'000	Software development £'000	Total £'000
<b>Cost / Valuation:</b>			
At 1 April 2013	1,279	2,733	4,012
Additions	-	453	453
Disposals	(45)	(579)	(624)
Indexation (note 9(ii))	(93)	(207)	(300)
<b>At 31 March 2014</b>	<b>1,141</b>	<b>2,400</b>	<b>3,541</b>
<b>Amortisation:</b>			
At 1 April 2013	936	1,609	2,545
Charge for year (note 9(i))	128	409	537
Disposals	(44)	(580)	(624)
Backlog/Indexation (note 9(ii))	(85)	(113)	(198)
<b>At 31 March 2014</b>	<b>935</b>	<b>1,325</b>	<b>2,260</b>
<b>Net book value:</b>			
1 April 2013	343	1,124	1,467
<b>31 March 2014</b>	<b>206</b>	<b>1,075</b>	<b>1,281</b>



## 16. INTANGIBLE ASSETS (CONTINUED)

	Group and Invest NI		
	Software licences £'000	Software development £'000	Total £'000
<b>Cost / Valuation:</b>			
At 1 April 2012	1,309	2,098	3,407
Additions	23	480	503
Disposals	(195)	(144)	(339)
Indexation (note 9(ii))	142	299	441
<b>At 31 March 2013</b>	<b>1,279</b>	<b>2,733</b>	<b>4,012</b>
<b>Amortisation:</b>			
At 1 April 2012	899	1,240	2,139
Charge for year (note 9(i))	119	325	444
Disposals	(195)	(144)	(339)
Backlog/Indexation (note 9(ii))	113	188	301
<b>At 31 March 2013</b>	<b>936</b>	<b>1,609</b>	<b>2,545</b>
<b>Net book value:</b>			
1 April 2012	410	858	1,268
<b>31 March 2013</b>	<b>343</b>	<b>1,124</b>	<b>1,467</b>

### Impairment tests for goodwill

The carrying amount of goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill.

Goodwill is monitored by management at the operating segment level. The recoverable amount of the cash generating unit (CGU) has been determined at its fair value less costs to sell. This calculation uses a cashflow based on financial projections covering the life of the PFI contract. The cash flows have been discounted at 10%. No class of asset other than goodwill was impaired as a result of this impairment review.

## 17. INVESTMENTS IN SUBSIDIARIES

	Invest NI	
	2014 £'000	2013 £'000
Beginning of year	200	200
Additions in year (note 33)	2,208	-
Capital Contribution	15,185	-
<b>End of year</b>	<b>17,593</b>	<b>200</b>

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

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

## 18. INVESTMENTS IN ASSOCIATES

### (i) Investments in associates:

	Group and Invest NI	
	2014 £'000	2013 £'000
<b>Aggregate amount relating to associates:</b>		
Total assets	20,698	13,007
Total liabilities	(235)	(229)
<b>Net investment in associates</b>	<b>20,463</b>	<b>12,778</b>

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

	Group and Invest NI	
	2014 £'000	2013 £'000
<b>Share of net assets of associates:</b>		
At 1 April	12,778	5,951
Amounts transferred to Investments in other financial assets*	-	(489)
<b>Revised balance</b>	<b>12,778</b>	<b>5,462</b>
At 31 March	20,463	12,778
<b>Increase/(Decrease)</b>	<b>7,685</b>	<b>7,316</b>
Less additional capital paid in during year	(11,839)	(8,201)
<b>Share of results recorded in Net Expenditure</b>	<b>(4,154)</b>	<b>(885)</b>

\* Investments of £489,000 made via the Co-Fund in 2011-12 were reclassified as Investments in Other Financial Assets (note 19)

### NITECH Growth Fund Limited Partnership (NITECH)

Invest NI is the primary partner of the NITECH Growth Fund. The Fund is managed by Clarendon Fund Managers Limited and the principal place of business is in Belfast. The partnership had a term of 10 years which terminated on 21 January 2013. Invest NI did not wish to extend the fund life to January 2014 as authorised by the Limited Partnership Agreement (LPA). Invest NI are currently seeking recommendations as to how the portfolio can be managed and ultimately realised.

### Crescent Capital II

Invest NI is a partner of Crescent Capital II LP, a Limited Partnership registered with the Registrar of Limited Partnerships, under the Limited Partnership Act 1907, on 31 March 2004. Its principal place of business is in Belfast and it is managed by Crescent Capital II GP Limited. The partnership has a term of 10 years of which one year remains from the year-end. The purpose of the partnership is to carry on the business of an investor by arranging purchases and sales, or through investing in manufacturing and tradable services based industrial SMEs located in Northern Ireland.

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

### **Queen's University of Belfast Innovation Fund (QUBIF)**

Invest NI is a partner of QUBIF. The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2009-10 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed corn funds for the development of post-research spin-out companies from QUB.

### **Ulster Innovation Fund (UIF)**

Invest NI is a partner of UIF. The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2009-10 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed corn funds for the development of post-research spin-out companies from University of Ulster.

### **Invest Growth Fund**

Invest NI is a partner of the Invest Growth Fund. The fund is managed by E-Synergy Limited and the principal place of business is in Belfast. The partnership was established in 2008 and has a term of ten years. It is formed for the purpose of raising a fund to make equity and equity-related investments in connection with providing seed capital and other early stage funding to the technology sector with a particular focus on manufacturing and private tradable services.

### **NI Growth Loan Fund**

Invest NI is a limited partner of the NI Growth Loan Fund, the partnership was established in May 2012. The fund is managed by Whiterock Capital Partners LLP. The Growth Loan Fund will provide loans, primarily unsecured in nature, of between £50,000 and £500,000 over the next 5 years to Small and Medium Enterprises (SMEs). Loans will be made to businesses that can demonstrate sales and profitability growth or growth potential. The Fund targets businesses with export potential which are mainly in the manufacturing, engineering or tradable services sectors. The partnership has a term of 10 years of which the first 5 years is to actively make investments with the remaining 5 years being to manage/collect the investments.

Finance for the Fund is provided by Invest NI, partly through the European Regional Development Fund, with matched private investment provided by NILGOSC (Northern Ireland Local Government Officers' Superannuation Committee).

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

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

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

### **Crescent Capital III LP**

Invest NI is a partner of Crescent Capital III LP. This is a limited partnership registered in Northern Ireland and it is managed by Crescent Capital III General Partner Limited. Invest NI and Crescent provide funding up to a maximum of £15m each into the fund and this will be used to make investments (largely equity) into Small and Medium Enterprises (SMEs).

The investments will be high risk in early stage companies and Invest NI ranks behind Crescent investors in terms of returns. Crescent has entered the fund in order to achieve returns and expects to make returns in the region of 12%. Invest NI does not yet have a projection of returns or defaults at this early stage in the fund. The partnership was established in July 2013 and has a term of 10 years of which the first 5 years is to actively make investments with the remaining 5 years being to manage/collect the investments.

### **Kernel Capital Growth Fund (NI)**

Invest NI is a partner of Kernel Capital. This is a Limited partnership registered in Northern Ireland and is managed by Kernel Limited (Kernel) (the General Partner). Invest NI and Kernel provide funding up to a maximum of £15m each into the fund and this will be used to make investments (largely equity) in to Small and Medium Enterprises (SME's). The initial 'first close' funding is £12.5m each from Kernel (who are funded by Bank of Ireland) and Invest NI.

The investments will be high risk in early stage companies and Invest NI ranks behind Kernel in terms of returns. Kernel has entered the fund in order to achieve returns and expects to make returns in the region of 12%. Invest NI does not yet have a projection of returns or defaults at this early stage in the fund. The partnership was established in October 2013 and has a term of 10 years of which the first 5 years is to actively make investments with the remaining 5 years being to manage/collect the investments.

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

### **Reporting date of associates' financial statements**

NITECH and Crescent Capital II both have a statutory accounting reference date of 31 March. In respect of the year ended 31 March 2014, Crescent Capital II has been included based on unaudited financial statements drawn up to 30 September 2013, but taking into account any changes in the subsequent period from 1 October 2013 to 31 March 2014 that would materially affect the results, to the extent that such information is available.

The NITECH fund has been included based on its valuation as at 31 March 2013, given that the decision to terminate the fund was taken in January 2013 last year, and delays in implementing the exit strategy has meant it is still included in the financial statements this year.

Invest Growth Fund, QUBIF and UIF all have a statutory accounting reference date of 31 December. In respect of the year ended 31 March 2014, these entities have been included based on audited financial statements to 31 December 2013, but taking into account any changes in the subsequent period from 1 January 2014 to 31 March 2014 that would materially affect the results, to the extent that such information is available.

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

The NI Growth Loan Fund and NI Small Business Loan Fund LP both have a statutory accounting reference date of 31 March. These entities have been included based on management accounts drawn up to 31 March 2014.

Both the Crescent Capital III LP Fund and the Kernel Capital Growth Fund (NI) were established during the year. The Crescent Capital III LP has been included based on the portfolio overview information as at 31 March 2014, whereas the Kernel Capital Growth Fund (NI) has been included based on management accounts drawn up to 31 March 2014.

## 19. INVESTMENTS IN OTHER FINANCIAL ASSETS

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

	Group and Invest NI				
	Investments in ordinary shares £'000	Investments in preference shares £'000	Fixed rate loans £'000	Variable rate loans £'000	Total £'000
<b>Gross amount:</b>					
At 1 April 2013	3,569	11,230	17,241	6,205	38,245
Adjustment to carrying amount of loans and receivables under IAS39	-	(75)	(58)	-	(133)
Additions	2,298	69	925	-	3,292
Changes in fair value of available for sale assets	28	-	-	-	28
Repayments and disposals	(138)	(318)	(1,474)	(274)	(2,204)
Amount waived and written off (note 8)	-	-	(80)	-	(80)
<b>At 31 March 2014</b>	<b>5,757</b>	<b>10,906</b>	<b>16,554</b>	<b>5,931</b>	<b>39,148</b>
<b>Provision:</b>					
At 1 April 2013	1,676	8,198	8,643	5,071	23,588
Charge for year	1,202	734	1,311	-	3,247
Reversal of provision	(29)	(160)	(52)	-	(241)
Amount waived and written off	-	-	(80)	-	(80)
<b>At 31 March 2014</b>	<b>2,849</b>	<b>8,772</b>	<b>9,822</b>	<b>5,071</b>	<b>26,514</b>
<b>Net balance:</b>					
1 April 2013	1,893	3,032	8,598	1,134	14,657
<b>31 March 2014</b>	<b>2,908</b>	<b>2,134</b>	<b>6,732</b>	<b>860</b>	<b>12,634</b>

Included within investments in ordinary shares, Invest NI participates in Co-Fund NI. Co-Fund NI is a £14m fund (of which £4.4m has been provided by Invest NI), which aims to co-invest in SMEs based in Northern Ireland on the same terms in deals led by business angels and other private investors. The fund can provide co-investment in deals typically valued between £250,000 and £450,000, at a ratio of up to 45%. Clarendon Fund Managers Limited deliver the fund through a six-year Management Services Agreement.

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

	Group and Invest NI				
	Investments in ordinary shares £'000	Investments in preference shares £'000	Fixed rate loans £'000	Variable rate loans £'000	Total £'000
<b>Gross amount:</b>					
At 1 April 2012	1,594	14,489	12,255	6,385	34,723
Adjustment to carrying amount of loans and receivables under IAS39	-	403	(47)	-	356
Additions	1,644	-	6,492	-	8,136
Transfer from Investments in Associates*	489	-	-	-	489
Changes in fair value of available for sale assets	1	-	-	-	1
Repayments and disposals	(9)	(2,018)	(619)	(180)	(2,826)
Amount waived and written off (note 8)	(150)	(1,644)	(840)	-	(2,634)
<b>At 31 March 2013</b>	<b>3,569</b>	<b>11,230</b>	<b>17,241</b>	<b>6,205</b>	<b>38,245</b>
<b>Provision:</b>					
At 1 April 2012	1,288	10,021	8,662	5,071	25,042
Charge for year	538	217	851	-	1,606
Reversal of provision	-	(382)	(23)	-	(405)
Amount waived and written off	(150)	(1,658)	(847)	-	(2,655)
<b>At 31 March 2013</b>	<b>1,676</b>	<b>8,198</b>	<b>8,643</b>	<b>5,071</b>	<b>23,588</b>
<b>Net balance:</b>					
1 April 2012	306	4,468	3,593	1,314	9,681
<b>31 March 2013</b>	<b>1,893</b>	<b>3,032</b>	<b>8,598</b>	<b>1,134</b>	<b>14,657</b>

\* Investments of £489,000 made via the Co-Fund in 2011-12 have been reclassified from Investments in Associates (note 18)



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

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

	Group and Invest NI			
	2014 Investments in preference shares £'000	2014 Fixed rate loans £'000	2014 Variable rate loans £'000	2014 Total £'000
<b>Amount due:</b>				
Within 1 year	28	1,451	355	1,834
Within 2 to 5 years	952	3,475	505	4,932
Greater than 5 years	1,154	1,806	-	2,960
	<b>2,134</b>	<b>6,732</b>	<b>860</b>	<b>9,726</b>
Secured	-	5,008	860	5,868
Unsecured	2,134	1,724	-	3,858
<b>Total</b>	<b>2,134</b>	<b>6,732</b>	<b>860</b>	<b>9,726</b>

	Group and Invest NI			
	2013 Investments in preference shares £'000	2013 Fixed rate loans £'000	2013 Variable rate loans £'000	2013 Total £'000
<b>Amount due:</b>				
Within 1 year	254	2,613	355	3,222
Within 2 to 5 years	867	3,517	681	5,065
Greater than 5 years	1,911	2,468	98	4,477
	<b>3,032</b>	<b>8,598</b>	<b>1,134</b>	<b>12,764</b>
Secured	-	6,616	1,134	7,750
Unsecured	3,032	1,982	-	5,014
<b>Total</b>	<b>3,032</b>	<b>8,598</b>	<b>1,134</b>	<b>12,764</b>

#### Investments in ordinary quoted shares

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

#### Investments in ordinary unquoted shares

These financial assets are held as part of the overall financial assistance to client companies. These instruments do not have a quoted market price in an active market and their fair value cannot be reliably measured as there are a wide range of variables that need to be taken into account when assessing the fair value of an unquoted investment.

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

The range of reasonable fair value estimates for the unquoted shares is likely to be significant and the probabilities of the various estimates may not be able to be reasonably assessed as such a fair value cannot be determined.

### Investments in preference shares

Invest NI has a large number of investments in unquoted preference shares. The types of non-convertible preference share investment in existence are:

- Redeemable cumulative preference shares;
- Redeemable preference shares;
- Redeemable non-cumulative preference shares.

For investments with dividend rights, dividends are paid annually.

In addition, Invest NI has a small number of investments in unquoted preference shares which are convertible into equity such as:

- Convertible preference shares; and
- Cumulative convertible redeemable preference shares.

### Loans and receivables

Invest NI has issued loans and receivables with maturity dates that range between three months and 25 years and have interest rates that range within zero per cent and 10.3 per cent. The carrying value of the variable rate loans approximate their fair value as the interest rates are at market rate. The carrying value of the fixed rate loans approximate their fair value as the interest rates are at market rate, which include the credit risk rating of each investment.

### Collateral

Invest NI takes collateral in support of its lending activities when deemed appropriate. In some instances, depending on the individual client circumstances, Invest NI may lend unsecured.

The main types of collateral for loans and receivables to clients are fixed and floating charges over property and other assets.

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

As at 31 March 2014, Invest NI has £8,679,245 (2013: £8,928,000) of gross investments in preference shares, £12,410,861 (2013: £11,112,000) fixed rate loans and £5,277,000 (2013: £5,277,000) variable rate loans, which are either past due or considered to be impaired. These investments are included in the financial statements at their anticipated recoverable amounts. Invest NI has continued to work with client companies to achieve a suitable repayment program.

As at 31 March 2014, Invest NI has a total of £318,000 (2013: £463,000) investments in preference shares, which were past due but no provision was provided, on the basis that these are not considered to be impaired.

## 20. TRADE RECEIVABLES AND OTHER RECEIVABLES

(i)

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Amounts falling due within one year:</b>				
Trade receivables	4,193	5,531	1,486	2,846
Other receivables	13,923	14,809	13,791	14,707
EU receivables	25,524	21,587	25,524	21,587
Prepayments	1,292	864	970	802
<b>Accrued income</b>				
Variable rate loan interest	9	14	9	14
Other	2,452	55	2,452	55
	<b>47,393</b>	<b>42,860</b>	<b>44,232</b>	<b>40,011</b>
<b>Amounts falling due after more than one year:</b>				
Other receivables	540	968	540	968
<b>Total receivables at 31 March</b>	<b>47,933</b>	<b>43,828</b>	<b>44,772</b>	<b>40,979</b>

(ii) Intra-government balances

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	200	743	52	135
Balances with bodies external to government	47,193	42,117	44,180	39,876
<b>Total</b>	<b>47,393</b>	<b>42,860</b>	<b>44,232</b>	<b>40,011</b>
<b>Amounts falling due after more than one year:</b>				
Balances with bodies external to government	540	968	540	968
<b>Total</b>	<b>540</b>	<b>968</b>	<b>540</b>	<b>968</b>
<b>Total receivables at 31 March</b>	<b>47,933</b>	<b>43,828</b>	<b>44,772</b>	<b>40,979</b>

The Carbon Trust Energy Loan Scheme (ELS) is a Government backed initiative providing energy loans. SMEs based in Northern Ireland who wish to invest in energy saving equipment, either to upgrade or replace existing facilities, may qualify for interest free loans of between £5,000 and £50,000.

During the year, Invest NI contributed £1,700,000 (2013: £1,000,000) to ELS. At the year-end, a cumulative gross contribution of £11,871,000 (2013: £10,171,000) has been made to ELS.

## 20. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

This balance, after deduction of fees and provisions, is included within the other receivables category. As at each year-end the carrying value of trade, other and EU receivables approximate their fair value due to their short term nature.

## 21. CASH AND CASH EQUIVALENTS

	Group	
	2014 £'000	2013 £'000
Balance at 1 April	4,731	1,992
Net change in cash and cash equivalent balances	2,617	2,739
<b>Balance at 31 March</b>	<b>7,348</b>	<b>4,731</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	8,323	1,148
Short term bank deposits	-	3,583
Bank overdrafts (note 24)	(975)	-
<b>Balance at 31 March</b>	<b>7,348</b>	<b>4,731</b>

	Invest NI	
	2014 £'000	2013 £'000
Balance at 1 April	808	486
Net change in cash and cash equivalent balances	(1,506)	322
<b>Balance at 31 March</b>	<b>(698)</b>	<b>808</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	277	808
Bank overdrafts (note 24)	(975)	-
<b>Balance at 31 March</b>	<b>(698)</b>	<b>808</b>

## 22. ASSETS HELD FOR RESALE

	Group and Invest NI	
	2014 £'000	2013 £'000
Property, plant and equipment	-	326
	-	<b>326</b>

Assets held for resale were disposed of during 2013-14 for proceeds of £338,000, profit on disposal has been recognised in the Statement of Comprehensive Expenditure.

## 23. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>(i) Amounts due within one year:</b>				
Bank loans and overdraft	1,667	-	975	-
Trade payables and accruals	10,437	14,238	6,873	9,422
Accrued grant payables	21,474	24,933	21,474	24,933
Other taxation and social security	532	529	529	529
Other payables	1,291	1,309	1,268	1,309
Deferred income	649	313	330	313
<b>Amounts due to DETI (note 23(iii))</b>				
other income surrendered	2,068	2,091	2,068	2,091
	<b>38,118</b>	<b>43,413</b>	<b>33,517</b>	<b>38,597</b>

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>(ii) Intra-government balances</b>				
Balances with other central government bodies	5,562	4,560	5,418	4,436
Balances with local authorities	847	1,555	847	1,555
Balances with NHS bodies	5	9	5	-
<b>Subtotal: Intra-government balances</b>	<b>6,414</b>	<b>6,124</b>	<b>6,270</b>	<b>5,991</b>
Balances with bodies external to government	31,704	37,289	27,247	32,606
<b>Total payables at 31 March</b>	<b>38,118</b>	<b>43,413</b>	<b>33,517</b>	<b>38,597</b>

### (iii) Movement in DETI payable balance in respect of total income surrendered:

	2014 £'000	2013 £'000
At 1 April	2,091	2,423
Other income surrendered (note 12)	89	55
Amount paid by Invest NI	(112)	(387)
<b>At 31 March</b>	<b>2,068</b>	<b>2,091</b>

As at each year-end the carrying values of the instruments approximate their fair value due to their short term nature.

## 24. BORROWINGS

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Current</b>				
Bank overdraft (note 23 (i))	975	-	975	-
Bank Loans (note 23 (i))	692	-	-	-
	<b>1,667</b>	<b>-</b>	<b>975</b>	<b>-</b>
<b>Non-current</b>				
Bank loans	18,790	-	-	-
	<b>18,790</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

The carrying amount of the group's borrowings is denominated in Sterling.

The effective interest rates at the year-end date of bank term loans is 1 month LIBOR plus 0.95%.

### Maturity of financial liabilities

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

Bank Loans	Group	
	2014 £'000	2013 £'000
Amounts due in less than one year	692	-
In more than one year but not more than two years	452	-
In more than two years but not more than five years	1,303	-
After more than five years	17,035	-
	<b>19,482</b>	<b>-</b>

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

Bank Loans	Group	
	2014 £'000	2013 £'000
Amounts due in less than one year	1,870	-
In more than one year but not more than two years	1,592	-
In more than two years but not more than five years	4,569	-
After more than five years	26,562	-
	<b>34,593</b>	<b>-</b>

## 25. PROVISIONS FOR LIABILITIES AND CHARGES

	Group			
	Grants £'000	Land & Property £'000	Others £'000	Total £'000
<b>At 1 April 2012</b>	<b>17,786</b>	<b>1,465</b>	<b>500</b>	<b>19,751</b>
Charge to Net Expenditure	15,732	382	3	16,117
Release of provisions not required	(1,905)	-	-	(1,905)
Utilised in year	(12,544)	(256)	-	(12,800)
<b>At 31 March 2013</b>	<b>19,069</b>	<b>1,591</b>	<b>503</b>	<b>21,163</b>
Charge to Net Expenditure	20,672	735	140	21,547
Release of provisions not required	(2,172)	-	-	(2,172)
Utilised in year	(10,078)	(256)	-	(10,334)
<b>At 31 March 2014</b>	<b>27,491</b>	<b>2,070</b>	<b>643</b>	<b>30,204</b>

	Invest NI			
	Grants £'000	Land & Property £'000	Others £'000	Total £'000
<b>At 1 April 2012</b>	<b>17,786</b>	<b>1,465</b>	<b>500</b>	<b>19,751</b>
Charge to Net Expenditure	15,732	382	-	16,114
Release of provisions not required	(1,905)	-	-	(1,905)
Utilised in year	(12,544)	(256)	-	(12,800)
<b>At 31 March 2013</b>	<b>19,069</b>	<b>1,591</b>	<b>500</b>	<b>21,160</b>
Charge to Net Expenditure	20,672	735	98	21,505
Release of provisions not required	(2,172)	-	-	(2,172)
Utilised in year	(10,078)	(256)	-	(10,334)
<b>At 31 March 2014</b>	<b>27,491</b>	<b>2,070</b>	<b>598</b>	<b>30,159</b>

### Grants

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

### Land and Property

Provision has been made for potential liabilities in respect of land transactions undertaken in the early 2000's by a predecessor agency. The amount provided is based on professional advice in respect of the anticipated settlements. In addition, provisions have been made for estimated future expenditure in respect of a number of vacant properties.

## 25. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Information usually disclosed under the requirements of IAS 37 is not provided on the grounds of commercial sensitivity, as to do so may seriously prejudice the outcome of the negotiation and settlement process.

The effect of discounting land and property provisions is considered to be immaterial.

### Other

Included in other provisions are potential funding repayments due to other grant authorities. The effect of discounting other provisions is considered to be immaterial.

## 26. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE

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 accrual under financial assistance agreements is based on a review of claims existing at the year-end and claims paid post year-end, to determine which period the claims relate to.

The estimation methodology to calculate grant provisions takes into consideration the following factors:

- enterprise, capital and revenue grants are derived from various internal statistics and financial analysis;
- for other grants such as business support and research and development related grants, the estimation of liability for unclaimed grants is calculated based on:
  - a review of claims paid post year-end relating to the prior year;
  - trend analysis of claims;
  - grant commitments existing at the year-end; and
  - claims and payment profile.

The diverse range of grants offered by Invest NI requires a variety of methodologies to be used in order to calculate the provision amounts. 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.

In previous years, this review indicated that not all grant provisions appeared to be subsequently claimed. The result of this was that an element of the provision amount was required to be released in the following financial year.

During 2012-13 we carried out a formal review of the methodology for calculating provisions to identify if any enhancements should be introduced. As a result of our review, we have identified some changes to the methodology and to the annual assessment of the utilisation of the previous year provisions.



## 26. PROVISIONS AND ACCRUALS FOR GRANTS EXPENDITURE (CONTINUED)

The introduction of the Offers and Claims Management System has improved our capability to report on grant offers and we are now using this system to match provisions to subsequent payments at project level which in previous years was only done for the larger offers.

This increased analysis has resulted in a more robust assessment of the provision that has subsequently been claimed by client companies and has therefore enabled us to report more accurately on the annual utilisation of grant provisions. Going forward, we will continue to keep the methodology under review.

## 27. CASH FLOW STATEMENT

### Adjustments for non-cash transactions

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment (note 9(i))	816	645
Amortisation of intangible assets (note 9(i))	537	444
Notional costs (note 7)	375	364
Loss on disposal of property, plant and equipment	63	1,105
Profit on assets classified as held for sale	(12)	-
Profit on financial asset disposal	(425)	(2,635)
Impairment of property, plant and equipment (note 9(ii))	7,195	21,038
Indexation of intangible assets (note 9(ii))	102	(140)
Gain on settlement of contract (note 33)	(15,347)	-
Impairment of intangible assets (note 9(ii))	8,985	-
Debt and financial asset provision release/charge (note 8)	4,728	7,258
Share of results of associates (note 18)	4,154	885
Fair value movement on derivative financial instrument (note 28)	(508)	-
Foreign exchange gain (note 5)	251	(1,647)
<b>Total non-cash transactions</b>	<b>10,914</b>	<b>27,317</b>

## 28. FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

2014	Available for sale – fair value £'000	Available for sale – cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	-	8,323	-	8,323
Receivables	47,932	-	-	47,932
Investments in ordinary shares	61	2,847	-	2,908
Investments in preference shares	-	-	2,134	2,134
Fixed rate loans	-	-	6,732	6,732
Variable rate loans	-	-	860	860
	<b>47,993</b>	<b>11,170</b>	<b>9,726</b>	<b>68,889</b>
<b>Financial liabilities</b>				
Trade payables	2,683	-	-	2,683
Grant payables	21,474	-	-	21,474
Borrowings	-	19,482	-	19,482
Derivative financial instrument	4,729	-	-	4,729
	<b>28,886</b>	<b>19,482</b>	<b>-</b>	<b>48,368</b>
<b>2013</b>				
2013	Available for sale – fair value £'000	Available for sale – cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	-	4,731	-	4,731
Receivables	40,979	-	2,849	43,828
Investments in ordinary shares	34	1,859	-	1,893
Investments in preference shares	-	-	3,032	3,032
Fixed rate loans	-	-	8,598	8,598
Variable rate loans	-	-	1,134	1,134
	<b>41,013</b>	<b>6,590</b>	<b>15,613</b>	<b>63,216</b>
<b>Financial liabilities</b>				
Trade payables	3,438	-	-	3,438
Grant payables	24,933	-	-	24,933
	<b>28,371</b>	<b>-</b>	<b>-</b>	<b>28,371</b>

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

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

2014	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	8,323	-	-	8,323
Receivables	-	-	47,932	47,932
Investments in ordinary shares	-	-	2,908	2,908
Investments in preference shares	-	2,134	-	2,134
Fixed rate loans	-	6,732	-	6,732
Variable rate loans	860	-	-	860
	<b>9,183</b>	<b>8,866</b>	<b>50,840</b>	<b>68,889</b>

2013	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	4,731	-	-	4,731
Receivables	-	-	43,828	43,828
Investments in ordinary shares	-	-	1,893	1,893
Investments in preference shares	-	3,032	-	3,032
Fixed rate loans	-	8,598	-	8,598
Variable rate loans	1,134	-	-	1,134
	<b>5,865</b>	<b>11,630</b>	<b>45,721</b>	<b>63,216</b>

### Remaining maturity

As at 31 March 2014 100 per cent (2013: 100 per cent) of trade and grant payables are due within three months of year-end. The maturity is based on the earliest date on which Invest NI can be required to pay.

### Derivative financial instruments

The group has entered into an interest 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 Statement of Financial Position with fair value movements being reported in the statement of comprehensive income under net finance costs.

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

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

	£'000
Acquisition of subsidiary (note 33)	5,237
Fair value adjustment (note 6)	(508)
<b>Liability at 31 March 2014</b>	<b>4,729</b>

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

The following fair value measurement hierarchy has been used by the group for calculating the fair value of financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

## 29. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements:

	Group and Invest NI	
	2014 £'000	2013 £'000
Property, Plant and Equipment	634	1,405

### 30. OPERATING LEASE ARRANGEMENTS

#### Invest NI as lessee

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

	Group		Invest NI	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Obligations under operating leases comprise:				
<b>Property leases</b>				
Not later than one year	953	920	953	910
Later than one year and not later than five years	2,615	1,929	2,615	1,929
Later than five years	331	668	331	668
	<b>3,899</b>	<b>3,517</b>	<b>3,899</b>	<b>3,507</b>

	Group and Invest NI	
	2014 £'000	2013 £'000
Obligations under operating leases comprise:		
<b>Other leases</b>		
Not later than one year	10	12
Later than one year and not later than five years	-	10
	<b>10</b>	<b>22</b>

Operating lease payments represent rentals payable by Invest NI for certain of its regional and international office properties. Leases are negotiated for periods of up to 25 years. There are no purchase options in the leases, but certain 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 £1,661,000 (2013: £1,656,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. At 31 March, Invest NI had contracted with tenants for the following future minimum lease payments:

	Group	
	2014 £'000	2013 £'000
Obligations under operating leases comprise:		
<b>Property leases</b>		
Not later than one year	2,031	1,738
Later than one year and not later than five years	7,475	5,969
Later than five years	8,753	9,063
	<b>18,259</b>	<b>16,770</b>

### 30. OPERATING LEASE ARRANGEMENTS (CONTINUED)

	Invest NI	
	2014 £'000	2013 £'000
Obligations under operating leases comprise:		
<b>Property leases</b>		
Not later than one year	1,660	1,738
Later than one year and not later than five years	5,991	5,969
Later than five years	7,899	9,063
	<b>15,550</b>	<b>16,770</b>

### 31. OTHER FINANCIAL COMMITMENTS

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

	Group and Invest NI	
	2014 £'000	2013 £'000
Segmental analysis:		
Business and Sector Development	75,027	82,734
Business Solutions	19,924	55,410
Regional Business	84,661	16,545
International Business	4,122	2,106
	<b>183,734</b>	<b>156,795</b>

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

### 32. 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. During the year Invest NI acquired the BSDL Group who manages the PFI contract, as such the asset now forms part of the consolidated Statement of Financial Position.

## 32. COMMITMENTS UNDER PFI CONTRACT (CONTINUED)

The asset has been revalued by Land and Property Services on 31 March 2014 at £19.0m. At the year-end, the total future minimum payments due under this PFI contract is as follows:

	Invest NI	
	2014 £'000	2013 £'000
Within one year	4,745	4,695
In the second to fifth years	18,980	18,780
After five years	54,769	58,887
	<b>78,494</b>	<b>82,362</b>

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

## 33. BUSINESS COMBINATIONS

### Bedford Street Developments Limited (“BSDL”)

On the 9 July 2013, Invest NI acquired 100% share capital of Bedford Street Developments Limited (“BSDL”) a commercial property leasing entity for initial consideration of £1.2m in cash.

The BSDL group controlled the Private Finance Initiative agreement for the Bedford Square building which includes the provision of the Invest NI HQ and all associated services.

The analysis carried out identified that significant financial savings could be realised for Government by acquiring the BSDL group. Therefore following the completion of the due diligence process, the acquisition was completed in July 2013.

Further additional consideration of £1.0m was payable by Invest NI under the terms of the Sale and Purchase Agreement.

Effective consideration on acquisition has been calculated as follows:

	2014 £'000
<b>Effective consideration:</b>	
Consideration transferred on acquisition	1,186
Deferred consideration payable	1,022
Fair value of net identifiable liabilities acquired	11,461
	<b>13,669</b>
Gain on settlement of contract	15,347
<b>Goodwill</b>	<b>29,016</b>

### 33. BUSINESS COMBINATIONS (CONTINUED)

	Acquiree's carrying amount £'000	Fair value adjustments £'000	Fair value £'000
Cash and cash equivalents	6,079	-	6,079
Investment property	4,390	210	4,600
Property, plant & equipment	23,141	(4,036)	19,105
Receivables	179	-	179
Payables	(41,559)	-	(41,559)
Net deferred tax liabilities	183	(48)	135
<b>Net identifiable liabilities acquired</b>	<b>(7,587)</b>	<b>(3,874)</b>	<b>(11,461)</b>

Outflow of cash to acquire the business, net of cash acquired:

	£'000
Cash consideration on acquisition	(2,208)
Cash and cash equivalents in the subsidiary acquired	6,079
	<b>3,871</b>

The revenue included in the consolidated statement of comprehensive net expenditure since 9 July 2013 contributed by the BSDL Group was £187,000. BSDL Group also contributed a loss of £5,476,000 over the same period. Had the BSDL Group been consolidated from 1 April 2013, the consolidated statement of comprehensive net expenditure would show pro-forma revenue of £257,000 and a loss of £6,091,000.

### 34. CONTINGENT LIABILITIES

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

Invest NI does not have any other contingent liabilities which are required to be disclosed under IAS 37 or for parliamentary reporting and accounting purposes (2013: none).



### 35. LOSSES AND RELATED INFORMATION REQUIRED BY MANAGING PUBLIC MONEY NORTHERN IRELAND (MPMNI)

Invest NI is required by MPMNI to disclose losses and related information, which were either incurred within the responsibility of Invest NI or through external parties such as its managing agents, including any waiver of Invest NI's entitlement to fees, income and write off.

Details are as follows:

#### (i) Operating loan / investment grants

There are a number of organisations receiving operating loan and investment grants who have received support from LEDU (pre 1 April 2002) and Invest NI alongside funding from other government departments, the International Fund for Ireland, and Peace and Reconciliation (Peace I & II). These organisations include: The Prince's Trust; Women in Enterprise; West Belfast Enterprise Board Limited (WBEB); Ulster Community Investment Trust Limited (UCIT); and Northern Ireland Screen (NIS).

There have been no losses reported by NIS and UCIT and Women in Enterprise in the current and previous financial years. Other organisations which received funding from Invest NI have reported the following losses:

- West Belfast Enterprise Board: No losses reported (2013: none)
- The Prince's Trust: £8,000 relating to 11 cases (2013: £1,000 relating to 6 cases)

Invest Growth Fund and Carbon Trust received operating loans and grants assistance from Invest NI. Whilst a provision on investments is reported in their financial statements, no actual amount has been written off.

#### (ii) Other losses

Waiver / Write off	Group and Invest NI					
	2014 Losses £'000	2014 No. of cases >£250k*	2014 No. of cases <£250k	2013 Losses £'000	2013 No. of cases >£250k*	2013 No. of cases <£250k
Others:						
Grants recoverable	935	1	16	3,455	4	48
Others including investments and accrued income	111	-	3	2,835	3	8

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

At the year-end there are 26 cases of potential losses totalling £19,284,000 (2013: 15 cases totalling £17,356,000) which are under management review. These cases have been notified to DETI and DFP as potential losses. The review process is on-going and since the year-end approvals for waivers/write offs have been obtained for 3 of these cases totalling £471,000. Individual company names not disclosed due to commercial sensitivity.

### 35. LOSSES AND RELATED INFORMATION REQUIRED BY MANAGING PUBLIC MONEY NORTHERN IRELAND (MPMNI) (CONTINUED)

Provisions for bad and doubtful debts (including claims), financial assets and diminution in property, plant and equipment and intangible asset valuation, have been reflected in the financial statements.

#### (iii) Constructive losses

	Group and Invest NI					
	2014 Losses £'000	2014 No. of cases >£250k*	2014 No. of cases <£250k	2013 Losses £'000	2013 No. of cases >£250k*	2013 No. of cases <£250k
Total	735	1	-	382	1	-

Invest NI acquires and leases properties for the long term benefit of economic development and for the use of existing and potential clients. Properties may remain vacant for a period of time. One of the existing leased properties has not yet been leased to client companies. Invest NI is continuing to actively market the vacant property and will keep its status under constant review.

#### (iv) Special payments

There were no special payments made during the year (2013: no special payments made).

### 36. RELATED PARTY TRANSACTIONS

#### Transactions with the Parent and other Government Departments

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

	2014 £'000	2013 £'000
Payables (amounts due within one year (note 23(iii)): Balances with other central government bodies	2,068	2,091

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

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Register of interests

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

#### Transactions with associates

The relationships with associates are detailed in note 18. The following payments were made to associates during the year:

	2014 £'000	2013 £'000
NITECH	-	-
Crescent Capital	-	375
QUBIF	26	35
UIF	26	35
Invest Growth Fund	3,180	1,583
NI Growth Loan Fund	5,000	4,973
NI Small Business loan Fund	1,232	1,200
Crescent Capital III LP	1,500	-
Kernel Capital	875	-

#### Transactions involving Executive Leadership Team

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.

ELT Member	Company / Individual in receipt of assistance	Nature of relationship	New financial assistance offered 2014 £'000	Amount paid 2014 £'000	New financial assistance offered 2013 £'000	Amount paid 2013 £'000
Tracy Meharg	Alistair Frew t/a Zoodles	(a)	-	-	4	-
Jeremy Fitch	Banah (UK) Limited	(a)	782	10	4	25

## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

### 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.

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 DFP guidelines. All proposals and transactions are approved in line with the delegation policies approved by DETI.

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 2012-13 for bodies from which Board members resigned or retired during 2012-13, these are not replicated in the 2013-14 financial statements. Similarly, where a Board member retired from Invest NI in 2012-13 no disclosure has been made in respect of this individual for 2013-14. The 2012-13 information has been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2013-14, no comparative information for 2012-13 has been provided in respect of this individual.

Where a Board member has resigned/retired from another organisation during the year, transactions with that 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.

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Financial assistance transactions:

Board Member	Company	Nature of relationship	New financial assistance offered 2014 £'000	Amount paid 2014 £'000	New financial assistance offered 2013 £'000	Amount paid 2013 £'000
Mark Ennis	Creative Composites Limited	(a)	130	102	29	25
	Intelesens Limited (b)	Non Executive Director and shareholder	25	147	393	101
	First Derivatives PLC	(a)	-	67	645	913
Roy Adair	Citibank International PLC	(a)	496	2,204	641	2,354
	Belfast Harbour Commissioners	Chief Executive	-	-	3	-
Tim Brundle	University of Ulster	Director	18,582	1,140	4,771	567
	Short Brothers plc	(a)	20,000*	1,209	762	5,013
	AirPOS Limited (c)	Chairman	39	28	-	23
David Dobbin	United Dairy Farmers Limited	Group Chief Executive	-	-	122	19
	Dale Farm Limited	Subsidiary company of United Dairy Farmers Limited	8	143	13	1,632
	Belfast Harbour Commissioners	Board member	-	-	3	-
Frank Hewitt	NI Science Park	Chairman	74	229	11	161

## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

### Financial assistance transactions: (Continued)

Board Member	Company	Nature of relationship	New financial assistance offered 2014 £'000	Amount paid 2014 £'000	New financial assistance offered 2013 £'000	Amount paid 2013 £'000
Alan Lennon	Off the Wall Creations Limited	Chairman and shareholder	-	-	-	2
	The Wright Group Limited	Chairman	(d)	(d)	3,919	1,137
Rose Mary Stalker	NI Science Park	Non-Executive Director & Chair Remuneration Committee	74	229	11	161
	Catagen Limited	Chairperson	376	196	46	16
	McMullen Group Holdings Limited	Employee	(d)	(d)	-	20
	MJM Marine Limited	Consultant	66	1	134	34
	Springfarm Architectural Mouldings Limited	Business Growth Mentor	145	12	143	27
Scott Rutherford	Queen's University, Belfast	Director	13,076	3,438	5,146	2,211
Ken Nelson	Larne Enterprise Development Company Limited	Chief Executive	-	-	4	-
Gerard O'Hare	Belfast Harbour Commissioners	Board member	-	-	3	-

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board Member	Company	Nature of relationship	Amount paid 2014 £'000	Amount paid 2013 £'000
Mark Ennis	Airtricity Holdings Limited and subsidiaries	Director	20	18
Tim Brundle	Innovation Ulster Limited	Executive Director	523	425
	University of Ulster	Director	8	7
Scott Rutherford	Queen's University, Belfast	Director	585	446
Frank Hewitt	Strategic Investment Board	Non-Executive Director	60	-
David Dobbin	Strategic Investment Board	Director	60	-
Gerry McGinn	Strategic Investment Board	Chairman and Director	60	-
	Deloitte LLP	(a)	88	(e)

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

Board Member	Company	Nature of relationship	Amount invoiced 2014 £'000	Amount invoiced 2013 £'000
Mark Ennis	Intelesens Limited (b)	Non-Executive Director and shareholder	1	2
Tim Brundle	University of Ulster	Director	11	1
	Short Brothers plc	(a)	-	5
David Dobbin	Dale Farm Limited	Subsidiary company of United Dairy Farmers Limited	5	7
	Strategic Investment Board	Director	2	-

## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Board Member	Company	Nature of relationship	Amount invoiced 2014 £'000	Amount invoiced 2013 £'000
Rose Mary Stalker	McMullen Group Holdings Limited (d)	Employee	(d)	290
	MJM Marine Limited	Consultant	-	12
	Springfarm Architectural Mouldings Limited	Business Growth Mentor	3	-
	NI Science Park	Non-Executive Director & Chair Remuneration Committee	7	-
Scott Rutherford	Queen's University of Belfast	Director	10	2
Frank Hewitt	NI Science Park	Chairman	7	-
	Strategic Investment Board	Non-Executive Director	2	-
Gerry McGinn	Strategic Investment Board	Chairman and Director	2	-

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

Board Member	Company	Nature of relationship	Balance 31-03-14 £'000	Balance 31-03-13 £'000
Mark Ennis	Ulster Bank Limited	(a)	2	2
	Intelesens Limited (b)	Non-Executive Director and shareholder	60	21
	Airtricity Holdings Limited and subsidiaries	Director	2	-
	First Derivatives PLC	(a)	264	-
Tim Brundle	University of Ulster	Director	559	222
	Innovation Ulster Limited	Executive Director	30	38
	Short Brothers plc	(a)	247	983
	AirPOS Limited (c)	Chairman	-	6



### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Balance owed to the company at 31 March: (Continued)

Board Member	Company	Nature of relationship	Balance 31-03-14 £'000	Balance 31-03-13 £'000
David Dobbin	United Dairy Farmers	Group Chief Executive	-	7
	Dale Farm Limited	Subsidiary company of United Dairy Farmers Limited	3	2
Frank Hewitt	NI Science Park	Chairman	101	152
Rose Mary Stalker	Springfarm Architectural Mouldings Limited	Business Growth Mentor	64	13
	MJM Marine Limited	Consultant	-	2
	NI Science Park	Non-Executive Director & Chair Remuneration Committee	101	152
	Catagen Limited	Chairperson	54	-
Scott Rutherford	Queen's University of Belfast	Director	1,634	1,080
Roy Adair	Citibank International PLC	(a)	852	-
Gerry McGinn	Deloitte	(a)	24	(e)

#### Loan balances owed from the company at 31 March

There were no loans outstanding to any company with whom a Board member had a beneficial relationship at 31 March 2014 (2013: None).

## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

### Balance owed from the entity at 31 March:

Board Member	Company	Nature of relationship	Balance 31-03-14 £'000	Balance 31-03-13 £'000
Tim Brundle	Short Brothers plc	(a)	-	4
David Dobbin	Dale Farm Limited	Subsidiary company of United Dairy Farmers Limited	1	2
Scott Rutherford	Queen's University of Belfast	Director	1	2

There were no provisions held against the above balances.

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

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

Board Member	Company	Nature of relationship
Mark Ennis	Intelesens Limited (b)	Non-Executive Director and Shareholder
Rose Mary Stalker	Springfarm Architectural Mouldings Limited	Business Growth Mentor

Details of the number of shares held in each of the above companies can be found in Appendix A.

No dividends were received in respect of any of the shareholdings above.

### Key

- (a) Connected via family relations.
  - (b) NITECH holds an investment of £200,000 in Intelesens Limited. NITECH is an associate of Invest NI. The relationship between Invest NI and this body is described in note 18.
  - (c) Invest Growth Fund holds an investment of £140,000 in AirPOS Limited. Invest Growth Fund is an associate of Invest NI. The relationship between Invest NI and this body is described in note 18.
  - (d) The Board member retired/resigned from this organisation during 2012-13, therefore disclosure has been made of transactions with the company during the 2012-13 but not of balances with the company at either year-end on the grounds that no beneficial relationship existed at that date.
  - (e) A related party relationship was only established from September 2013 through family relations, therefore disclosure of transactions has only been made from this date.
- \* Awaiting EU Approval

### **37. INVEST NI OFFICE NETWORK**

In addition to the Bedford Square headquarters, Invest NI has offices in Northern Ireland, Great Britain, Republic of Ireland, Continental Europe, North America, India, the Middle East and the Far East.

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. These overseas offices have the status of Invest NI branches or representative offices. Most of the offices operate under trade or governance licences, or equivalent, with a number operating on the FCO / UK Trade & Investment platform.

The activities and expenditure relating to these offices are incorporated in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position.

### **38. EVENTS AFTER THE REPORTING PERIOD**

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

#### **Date of authorisation for issue**

The Accounting Officer authorised the issue of these financial statements on 1 July 2014.

# Appendix A - Share Investments in Client Companies

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

Company	Type of shares	No of shares 2014	No of shares 2013 (restated)
Aerospace Metal Finishers Limited	£1 5.5% non cumulative redeemable preference shares	250,000	250,000
Axis Three Limited	'A' ordinary shares	1,469,986	1,469,986
Axis Three Limited	Ordinary Shares	81,364	81,364
Axis Three Limited	£0.0001 ordinary shares	780,000,000	780,000,000
Balcas Timber Limited	£1 "C" preferred ordinary shares	1,350,000	1,350,000
Biznet IIS Limited	£1 8% redeemable cumulative preference shares	37,500	37,500
Biznet Solutions Limited	£1 8% redeemable cumulative preference shares	89,550	89,550
Bubblebum Holdings Limited	£1.00 ordinary shares	2,000	2,000
CargoBox Limited	£0.01 ordinary shares	4,428	4,428
Chieftain Trailers Limited	5.5% non cumulative redeemable preference shares	-	122,500
Cirdan Imaging Limited	£1.00 ordinary shares	120,000	120,000
Country Inns (Ulster) Limited	£1 8% "A" redeemable cumulative preference shares	250,000	250,000
CTS Corporation	Common stock	4,964	4,964
Datactics Limited	£1 redeemable cumulative preference shares	100,000	100,000
Datactics Limited	£0.01 B ordinary shares	51,949	51,949
Eventmap Limited	£1 4% redeemable cumulative preference shares	81,000	81,000
Embedded Monitoring Systems Limited	£1 7.5% convertible redeemable cumulative preference shares	-	75,000
Fin Engineering Group Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Fusion Antibodies Limited	Ordinary shares	4,200	4,200
Fusion Antibodies Limited	£1.00 preferred ordinary Shares	24,500	24,500

Company	Type of shares	No of shares 2014	No of shares 2013 (restated)
Gyrobike Limited	£0.01 Ordinary Shares	2,924	-
Heartsine Technologies Limited	Series D preferred stock	232,192	232,192
Heartsine Technologies Limited	Common stock	293,141	293,141
IceMOS Technology Corporation (USA)	Series A1 preferred stock	2,500	2,500
IceMOS Technology Corporation (USA)	Series A2 preferred stock	9,997,500	9,997,500
IceMOS Technology Corporation (USA)	\$0.01 Series "B" convertible preferred stock	5,000,000	5,000,000
Identity Exploration Limited	£1 convertible redeemable preference shares	60,000	60,000
Ingresso Group Limited	£1.00 C ordinary shares	50,000	50,000
Intelesens Limited	Preferred A ordinary shares	30,087	30,087
Intelesens Limited	Preferred B ordinary shares	15,044	15,044
International Net & Twine Limited	£1 "A" redeemable cumulative preference shares	125,000	125,000
Intune Networks (Belfast) Limited	B preference shares	3,436,322	3,436,322
Intune Networks (Belfast) Limited	€0.001 "C" ordinary Shares	1,855,163	1,855,163
Itradein.com Ltd	£0.01 ordinary shares	134	134
K-L Partners Holdings LLC (Kana Software Limited)	Common Stock	-	193,783
Loch Rainbow Fisheries Limited	£1 redeemable preference shares	60,000	60,000
Medevol Limited	£1 ordinary shares	85,567	100,000
Medevol Limited	£0.05 ordinary shares	200,000	200,000
Microsense Solutions Limited	£0.01 ordinary shares	250,000	-
MSO Cleland Limited	Ordinary shares	30,318	2,500
Path XL Limited	£0.001 preferred ordinary Shares	8,277,207	4,431,053

Company	Type of shares	No of shares 2014	No of shares 2013 (restated)
Phlok Limited	£1 ordinary shares	27	-
Provita Eurotech Limited	£1 redeemable non cumulative preference shares	60,000	60,000
Quizfortune Limited	£0.10 B ordinary shares	710	710
Replify Limited	Preferred ordinary shares	333,333	333,333
Shnuggle Limited	£0.01 ordinary shares	8,580	-
Silform Technologies Ltd	£0.10 ordinary shares	891	-
SISAF Limited	Ordinary shares	1,097	540
Springfarm Architectural Mouldings Limited	£1 redeemable non cumulative preference shares	330,000	330,000
Taggled Ltd	£0.01 ordinary shares	3,549	-
Trace Assured Limited	£1 7% "B" cumulative redeemable preference shares	540,000	540,000
Trace Assured Limited	£1 ordinary shares	12,000	12,000
Tri-met Engineering Limited	£1 redeemable non cumulative preference shares	75,000	75,000
Ulster Engineering Limited	£1 redeemable non cumulative preference shares	100,000	100,000
Woodmarque Arch Joinery Limited	£1 redeemable non cumulative preference shares	160,000	160,000

The 2013 figures have been restated to accurately reflect the shareholdings in place by Invest NI.

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

Company	Type of shares	No of shares 2014	No of shares 2013 (restated)
Adamshill Limited	£1 redeemable cumulative preference shares	250,000	250,000
BL Manufacturing Limited	£1 redeemable non cumulative preference shares	20,000	20,000
Buchanan Wire Mesh Limited	5.5% cumulative redeemable preference shares	75,000	75,000
CNC Components (UK) Limited	£1 redeemable cumulative preference shares	220,000	220,000
D Hopkins & Sons Limited	Ordinary shares	13,400	13,400
D Hopkins & Sons Limited	£1 redeemable non cumulative preference shares	11,600	11,600
Energy Conservation Systems (NI) Limited	£1 redeemable preference shares	260,000	260,000
Hartstone Group plc	£0.10 Ordinary shares	121,043	121,043
Hydris Systems Limited	Ordinary shares	10,000	10,000
International Leathers (NI) Limited	£1 "C" redeemable cumulative preference shares	250,000	250,000
John Henning Limited	£1 "A" redeemable cumulative preference shares	149,000	149,000
Kathrina Fashions Limited	£1 redeemable preference shares	25,000	25,000
Leaf Plastics Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Mallon Bros Limited	£1 redeemable preference shares	27,000	27,000
Modac (NI) Limited	£1 redeemable non cumulative preference shares	35,000	35,000
Northern Ireland Export Company Limited	£1 redeemable non cumulative preference shares	102,000	102,000
Northern Ireland Export Company Limited	Ordinary Shares	98,000	98,000
Oberon Enterprises Limited	£1 redeemable non cumulative preference shares	90,000	90,000

Company	Type of shares	No of shares 2014	No of shares 2013 (restated)
PAM Electronic Limited	Ordinary shares	10,000	10,000
Pacific Tooling Limited	£1 redeemable non cumulative preference shares	45,000	45,000
Pinewick (Manufacturing) Limited	£1 redeemable cumulative preference shares	55,000	55,000
Premier Frame Homes Limited	£1 redeemable cumulative preference shares	45,000	45,000
Reflex Mouldings Limited	£1 cumulative redeemable preference shares	200,000	200,000
Sarcon (No 19) Limited (GK)	“B” redeemable cumulative preference shares	70,000	70,000
Sheelin Products Limited	£1 redeemable preference shares	40,000	40,000
Softcom Limited	£1 redeemable preference shares	50,000	50,000
The Lowden Guitar Co. Limited	£1 redeemable preference shares	25,000	25,000
The Slimmers Network Limited	£1 redeemable cumulative preference shares	75,000	75,000
Ulster Partitions Limited	£1 redeemable non cumulative preference shares	35,000	35,000
United Fashion (Strelitz) Limited	£1 “A” redeemable preference shares	250,000	250,000
Viking Cycles Limited	£1 redeemable preference shares	150,000	150,000
Whiteabbey Mechanical Services Limited	£1 redeemable preference shares	20,000	20,000
William Taylor (Import/Export) Limited	£1 redeemable non cumulative preference shares	15,000	15,000

The 2013 figures have been restated to accurately reflect the shareholdings in place by Invest NI.

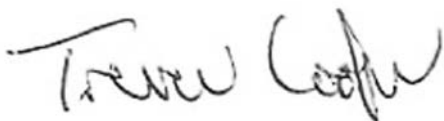


## Appendix B - Accounts Direction

### INVEST NORTHERN IRELAND

#### **ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT (DETI), WITH THE APPROVAL OF THE DEPARTMENT OF FINANCE AND PERSONNEL (DFP), IN ACCORDANCE WITH PARAGRAPH 17 (2) OF SCHEDULE 1 TO THE INDUSTRIAL DEVELOPMENT ACT (NORTHERN IRELAND) 2002**

- 1 This direction applies to Invest Northern Ireland (Invest NI).
- 2 Invest NI shall prepare accounts for the financial year ended 31 March 2014 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the department.
- 3 The accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2014 and subsequent financial year-ends, and of the income and expenditure, changes in tax payer's equity and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the Northern Ireland Assembly or material transactions that have not conformed to the authorities which govern them.
- 4 Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with DETI and DFP.
- 6 This direction supersedes the direction dated 13 February 2013.



**TREVOR COOPER**

Head of Finance Division

Department of Enterprise, Trade and Investment

19 February 2014

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