

Ulster Community Investment Trust Limited

Trustees' report for the year ended 31 December 2023

The trustees, who are also directors of the Ulster Community Investment Trust Limited ("the Trust") for the purposes of company law, submit their annual report and the audited financial statements for the year ended 31 December 2023.

Basis of preparation

The financial statements of Ulster Community Investment Trust Limited have been prepared in compliance with Statement of Recommended Practice applicable to charities (SORP FRS 102) and United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969.

Principal activities and Business Review

The principal activity of the Trust is to provide social finance to organisations operating in the third sector. The directors consider the results for the year and the position of the Trust at the year-end to be satisfactory.

Objectives and activities

Summary description of the charitable purposes

The principal activities of the Trust are to promote the enhancement of employment prospects, education, skills and wellbeing of local people, through cross community projects and the establishment of a community based financial institution.

The objectives of the Trust are the promotion for the public benefit of urban and rural regeneration in areas of social and economic deprivation (and in particular in Northern Ireland and the Republic of Ireland) through the provision of financial and other assistance to organisations which are involved in regeneration work including those which perform all or any of the following activities:

- The relief of poverty;
- The relief of unemployment;
- The advancement of education, training or retraining particularly among unemployed people, and providing the unemployed with work experience;
- The provision of financial assistance, technical assistance or business advice or consultancy in order to provide training, employment and opportunities for self employment for unemployed people in cases of financial or other charitable need through help in setting up their own business or to existing business;
- The creation of training and employment opportunities by the provision of workspace, buildings and/or land for use on favourable terms;
- The provision of housing for those who are in conditions of need and the improvement of housing in the public sector or in charitable ownership provided that such power shall not extend to relieving any local authorities or other bodies of a statutory duty to provide or improve housing;
- The maintenance, improvement or provision of public amenities;
- The provision or assistance in the provision of recreational facilities for the public at large and/or those who by reason of their youth, age, infirmity or disablement, poverty or social circumstances have need of such facilities;
- The protection of conservation of the environment;
- The provision of public health facilities and childcare;
- The promotion of public safety and prevention of crime; and
- The support of any charities or charitable purposes as the Trustees in their absolute discretion see fit.

The Trust's strategy for achieving its objectives is to provide affordable loans to organisations, such as community and voluntary groups, local economic agencies, social enterprises, and relevant charities who are involved in providing services in line with its objectives.

Ulster Community Investment Trust Limited

Trustees' report for the year ended 31 December 2023 (continued)

Activities, achievements and performance

Public benefit statement

In setting the Trust's objectives and planning our activities for the year, the Trustees have given careful consideration to the Charity Commission for Northern Ireland's guidance on public benefit to ensure that the activities have helped to achieve the Charity's purposes and provide a benefit to the beneficiaries. The Trustees believe that the Trust satisfies both elements of the public benefit requirement, that all the organisation's purposes must fall under one or more of the list of 12 descriptions of charitable purposes in the Charities Act, and be for the public benefit.

The first element of the public benefit requirement is demonstrated by the Trust's purpose Community Development being consistent with the listed purpose of 'The advancement of citizenship or community development'.

Evidence of the second element of the public benefit requirement is evidenced by the direct public benefits which flow from this purpose including:

- Increased employment opportunities through the financing of education and training, and workspaces and buildings;
- Better access to and quality of housing;
- Improved access to and quality of public amenities and recreational facilities;
- Better protection and conservation of the environment; and
- Improved provision of public health facilities and childcare.

The trustees do not judge there to be a possibility of harm from the charity's activities. The Trust's beneficiaries are the general public, particularly those living in areas of high deprivation and disadvantage. The only private benefit flowing from this purpose may be the benefit to trustees from training in good governance, finance etc. Through this training trustees gain skills and experience which are transferrable to other settings. These benefits are incidental and necessary to ensure the benefit is provided to our beneficiaries.

Public Benefit Reporting

The Trust continued lending and other core activities associated with a community based financial institution during the year.

In pursuance of its objectives, the Trust has developed the following Mission and Aims:-

Mission Statement:

"We want to create a world class community finance system that works tirelessly towards ensuring positive social impact is felt, not dreamt, amongst those that need it most."

Aims:

- To assist in job creation and the growth of the social economy in Ireland;
- To contribute to self-sustainability of third sector organisations;
- To attract investment to the sector;
- To work in partnership with others; and
- To maintain a mixed portfolio including a focus on disadvantage and exclusion.

In the year to 31 December 2023 the Trust (trading as Community Finance Ireland) considered and approved 33 applications (2022: 34) totalling £6,536,000 (2022: £5,034,963) in Northern Ireland. A further 88 applications (2022: 96) were approved in the Republic of Ireland, totalling €9,466,000 (2022: €11,224,964).

During the year £4,623,000 of new loans (2022: £2,049,000) were actually drawn down in Northern Ireland with a further €7,405,000 (2022: €5,861,000) in the Republic of Ireland. In both cases, the figures included loans approved in prior years. Finance has been provided for a wide variety of purposes including capital builds and working capital. In turn this has enabled local communities as well as communities of interest to access improved facilities and opportunities.

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Trustees' report for the year ended 31 December 2023 (continued)

Activities, achievements and performance (continued)

Public Benefit Reporting (continued)

During 2018, the Trust successfully tendered for the Northern Ireland Small Business Loan Fund II ("NISBLF II") contract with Invest Northern Ireland ("Invest NI"). This is the successor fund to the Northern Ireland Small Business Loan Fund ("NISBLF"), the investment period for NISBLF having ended. The purpose of these funds is to provide finance to small existing and start-up businesses who have experienced difficulty accessing finance from the traditional providers. An investment of £9,164 continues to be held by one of the Trust's subsidiaries (UCI GP Limited) in NI Small Business Loan Fund LP, while investments of £27,585 and £114 are held by two of the Trust's other subsidiaries (UCI GP II Limited and UCI FP Limited respectively) in NISBLF II LP.

In total, 378 loans, amounting to £7,644,044 were made during NISBLF's investment period which ended during 2018.

In NISBLF II, 53 loans (2022: 35) amounting to £1,927,881 (2022: £1,369,628) had been approved in the year to 31 December 2023. 51 loans (2022: 34) were drawn in the year to 31 December 2023, amounting to £1,853,102 (2022: £1,416,684). The drawn figures included loans approved in the prior year.

The funds provided have enabled many small owner-managed businesses to develop and expand their business, thereby maintaining existing jobs, providing opportunities for further employment and generally enhancing the local economy.

Financial review

During the year, the Group's total incoming resources were £2,028,131 (2022: £2,069,331).

After net administrative expenditure of £1,563,958 (2022: £1,598,631) the net surplus amounted to £464,173 (2022: £470,700). The amount of £413,987 (2022: £591,140) has been added to the Group's total funds giving a balance of £19,193,059 (2022: £18,779,072) at the balance sheet date. Expenditure in the year has provided the Group with the resources necessary to make loans into those sectors consistent with its aims and to subsequently monitor its portfolio.

The total gross amount of the loan portfolios transferred in 2001 from the Department of Social Development and the Department of Agriculture and Rural Development was £5,100,000 and £1,500,000 respectively. The portfolios were recorded in the Group's accounts at fair value, after provisions made of £3,012,000. The Group is committed to recovering these loans, and recoveries of £7,200 have been made in 2023 (2022: £7,200). The outstanding balance of this portfolio at 31 December 2023 is £15,269 (2022: £21,849).

The Group's policy on reserves is to retain a level of unrestricted reserves which meets the operating needs of the Group for at least six months and provides sufficient liquidity for the current and projected level of loans approved and drawn down.

Unrestricted reserves are those reserves which are available for general use. At the end of the year, the Group held £4,771,660 in cash reserves (2022: £7,358,407).

The main sources of funding for the Group in the year have been existing cash reserves, the repayment of loans from clients, and donations from trading subsidiaries.

As noted, the Group holds investments in the Northern Ireland Small Business Loan Fund LP and NISBLF II LP. The objectives of these funds are consistent with the Trust's own objectives.

The Trust continues to hold 100% of the capital of Ulster Community Investment Trust (Ireland), which also trades as Community Finance Ireland. In 2016, to ensure the subsidiary's sustainability, the Trust converted the outstanding amount owed to it by the subsidiary to equity. This resulted in the Trust's investment in the subsidiary's share capital increasing by £1,291,584 with the subsidiary's share capital increasing by £1,583,910.

Two new members joined the Trust during the year, buying 250 shares each at a cost of £1 per share. This increased the Trust's share capital to £27,750 (2022: £27,250).

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Trustees' report for the year ended 31 December 2023 (continued)

Funding

The directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. As a result of the government and health agency announcements and advice given regarding COVID-19, the directors have implemented detailed business continuity arrangements, adapting internal work practices, client service delivery, and comprehensive communications to all stakeholders so as to best deliver certainty of supply in a safe and consistent manner. The directors have considered the potential financial impact of these current measures on the financial performance of the business in the immediate future and in their view do not expect COVID-19 to have a significant impact on financial performance – however the directors continue to review the position in the light of ever changing circumstances.

Structure, Governance and Management

Details of the charity's Rules

The Trust is a charitable organisation established as a Registered Society (registered number IP 374) on 2 June 1999, under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and 1976 and is governed by the Rules of the Trust. It was registered with the Charity Commission for Northern Ireland on 27 November 2014 (charity registration number NIC 100325), having previously registered as a charity on 5 June 2000 with the Inland Revenue and having renewed this registration with HMRC on 25 November 2013 (HMRC Charity Ref No. NI00181). However, due to the Court of Appeal judgement in the case of McKee & Others v Charity Commission for Northern Ireland, all charity registrations made prior to May 2019 are currently void. The Trust remains a charity in law.

On 6 April 2018, operational responsibility for the registration of Northern Ireland credit unions and Industrial and Provident Societies moved to the Financial Conduct Authority (FCA) from the Department for the Economy. On the same date the remaining provisions of the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 came into force.

Under the rules of the Trust the members of the Trust shall be the persons holding the minimum number of shares in the Trust and whose names are entered in the register of members. The trustees may in their discretion admit to membership any individual persons over the age of 16 years (including the nominees of bodies unincorporated), societies and companies who shall have completed the required application form and paid at least the minimum shareholding of £250.

The Directors of the Trust are also charity trustees for the purpose of charity law. The Board of Directors comprises not less than six persons nor more than twenty persons elected by the members at the Annual General Meeting of the Trust, and the Chief Executive of the Trust from time to time by virtue of his office.

The trustees may, from time to time, co-opt to fill any vacancies in the positions of trustees, for any period, any suitable persons (whether members of the Trust or not) to serve as trustees. The trustees may also remove such persons. Such persons may take part in the deliberations of the trustees and vote at any meetings thereof. Not more than four such persons, whose period of office shall last to the annual general meeting following their appointment when they may stand for re-election, may serve as trustees at any one time.

At the conclusion of every Annual General Meeting one-third or the nearest number thereto of trustees retire from office. The trustees to retire are those who have been longest in office since they last became trustees, but as between those who became trustees on the same day shall be selected by lot unless otherwise agreed amongst themselves. A retiring trustee is eligible for re-election without nomination.

Governance and management

The induction process for all newly appointed trustees comprises an initial meeting with the Chair, followed by a meeting with the Company Secretary, where they are provided with an induction pack. This contains a brief history of the Trust, a copy of board and sub-committee minutes, a copy of the latest annual report and financial statements and a copy of the rules of the Trust.

The business of the Trust is conducted by the Board. The Board exercises all such powers as may be exercised by the Trust and are not by the rules or by statute required to be exercised by the Trust in a General Meeting, subject nevertheless to the provisions of the rules and any regulations not inconsistent with the rules made from time to time by the Trust in a General Meeting. Any person acting in good faith and without prior notice shall not be concerned to see or inquire whether the powers of the Board have been restricted by any regulations so made. The Board, in all things, acts for and in the name of the Trust.

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Trustees' report for the year ended 31 December 2023 (continued)

Structure, Governance and Management (continued)

Governance and management (continued)

Individual loans to the value of £250,000 or €300,000 can be jointly authorised by a Client Relationship Executive and the Head of Community Finance Ireland NI or RoI (as appropriate). Individual loans between £250,000 and £1,250,000 or €300,000 and €1,500,000 must also be approved by the Credit Committee, while any individual loans above £1,250,000 or €1,500,000 must get the approval of the full board.

The Trust has a subsidiary based in the Republic of Ireland, Ulster Community Investment Trust (Ireland), a Designated Activity Company with 1,583,912 shares, all of which are owned outright by the Trust.

The Trust also has another limited company subsidiary, Ulster Community Finance Limited. This is a trading subsidiary performing fund management which donates all profits to the Trust.

Ulster Community Finance Limited has three further subsidiaries, UCI GP Limited, UCI GP II Limited, and UCI FP Limited. UCI GP Limited, together with Invest NI, forms the Northern Ireland Small Business Loan Fund Limited Partnership, while UCI GP II Limited and UCI FP Limited (a dormant company) form NISBLF II Limited Partnership, also with Invest NI.

A small number of trustees are involved in organisations which have applied for or hold loans with the Trust. All trustees are asked about potential conflicts of interest at the start of each board or sub-committee meeting and where a relevant application or loan is to be discussed, a trustee with conflicts must remove themselves from that part of the meeting. Where loans have been made to parties that trustees are involved with, disclosure is made in the Annual Report.

Management pay is decided upon by the Board of the Trust, following recommendation from the HR & Governance subcommittee.

Risk management

The trustees have considered all the major risks to which the Trust is exposed and have reviewed those risks and established systems and procedures to manage them. The Trustees deem the main risk to be within the lending portfolio but an appropriate grading system has been established which ensures a constant monitoring of the lendings to moderate any potential bad debt. The Trustees continue to work to ensure that sufficient capital is available to enable the Trust maintain its work in the sector.

Credit risk

The Trust has implemented policies that require appropriate due diligence on potential borrowers before loans are advanced. The amount of exposure to individual borrowers is subject to limits, which are reassessed regularly by the board.

Financial risk management

As the Trust has only limited borrowings it has no significant liquidity issues but as its main source of income is derived from lending, provided on a fluctuating basis, it is subject to interest rate risk. The Trustees have, however, put in place measures to mitigate this risk into the future.

Since the start of 2020, the Covid-19 pandemic has undoubtedly had a negative impact on all our clients. The Trust continues to work closely with all organisations to ensure that measures are put in place to help them 'weather the storm' and to ensure that they receive the specialist assistance needed. To this end, ongoing support is provided by the UCIT executive team and in partnership with other providers of assistance to the social economy sector to enable UCIT clients to access appropriate support where needed.

Work on the recovery of bad debt, which was taken over at the time of establishment of the Trust, has been ongoing in the year. Most of the remaining clients are working closely with us to resolve their problems and we are confident that we will be able to make arrangements with them to deal with their debts within a reasonable time scale.

Reference and administrative information

Details of the charity, trustees, company secretary and other advisers are listed on page 1.

Exemptions from disclosure

As the ultimate parent company the Trust has not taken exemptions from disclosures available under FRS 102.

Funds held as custodian trustees on behalf of others

The Trust holds no funds as custodian trustees on behalf of others.

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Trustees' report for the year ended 31 December 2023 (continued)

Plans for future periods

In pursuance of its mission the Trust and its subsidiaries will continue to provide competitive, flexible and tailored lending, investment and business support to the third sector throughout Ireland. The Trust will continue to develop strategic alliances and work with other organisations within the social economy for the overall benefit of the third sector. Signposting along with training and mentoring will continue to play a big part in skilling and building the capacity of the sector and with its knowledge and financial expertise the Trust will continue to impart that information to its clients. The Trust expects to make a similar level of loans in 2024 as it did in 2023.

Statement of trustees' responsibilities

The trustees, who are also directors of Ulster Community Investment Trust Limited for the purposes of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law) and have been prepared in accordance with the Companies Act 2014, Charities Act (Northern Ireland) 2008 and regulations 8, 14, and 15 of The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. Under company law the directors must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969.

They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as each of the trustees in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the charity's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Small companies' exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Independent auditors

The auditors, Grant Thornton (NI) LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



C Blackbourne
Chairperson
20th June 2024