

NORTHERN IRELAND

CENTRAL INVESTMENT FUND FOR

CHARITIES

Annual Report and Accounts
to 30 September 2017

**Northern Ireland Central Investment
Fund for Charities Annual Report and Accounts
For the year ended 30 September 2017**

*Laid before the Northern Ireland Assembly under
Section 34 (2) of the Charities Act (Northern Ireland) 1964
by the Department for Communities
15 March 2018*



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Northern Ireland Central Investment Fund for Charities Accounts for the year ended 30 September 2017

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STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Charities Central Investment Scheme (Northern Ireland) 1965, as made under section 25 of the Charities Act (Northern Ireland) 1964, the Department for Communities (DfC), after the Departments (Transfer and Assignment of Functions) Order (Northern Ireland) 1999, has directed the Central Investment Fund for Charities to prepare, for each financial year, a Statement of Financial Position and an Income and Expenditure Account.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Central Investment Fund for Charities and of its income and expenditure for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of UK Generally Accepted Accounting Practice and to:

- observe the accounts direction and include 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 UK Generally Accepted Accounting Practice have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance has appointed the Head of Department as Accounting Officer of the Department. The responsibilities of 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 the Northern Ireland Central Investment Fund for Charities assets, are set out in the Accounting Officer's Memorandum issued by the Department of Finance and published in *Managing Public Money Northern Ireland*.

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the Department's auditors are unaware, that he has taken all the steps necessary to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

He also confirms that the annual report and accounts as a whole are fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

1 Introduction

The Governance Statement for DfC has been compiled from work throughout the year to support stewardship, management and control of the Department. It supplements the annual accounts and explains the framework of governance and risk management operated in support of my role as Departmental Accounting Officer.

2 DfC Governance Framework

2.1 Overview of Arrangements

DfC has a corporate governance framework which specifies organisation and governance structures; roles and responsibilities of those charged with governance; and key internal control, risk management and assurance arrangements. The framework reflects the key principles of good practice set out in "Corporate Governance in Central Government Departments: Code of Good Practice NI 2013" (the Corporate Governance Code).

The Department operates under the direction and control of the Minister for Communities. The Minister is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary for DfC I am the Minister's principal adviser as well as the administrative head of the Department and the Departmental Accounting Officer. As Accounting Officer I am personally responsible and accountable for the effective management and organisation of the Department, the efficient and effective use of its resources and the stewardship of its assets.

I am assisted in my role as Accounting Officer by a Departmental Management Board. The Board is supported in its role by a Departmental Audit and Risk Assurance Committee and an Information Assurance Committee.

2.2 Departmental Management Board

From 9 May the Departmental Management Board encompassed the five DfC Deputy Secretaries along with Independent Board Members (IBMs) operating as a collegiate committee under my leadership.

The Board was supported throughout the year by the Director of Financial Management and Governance, the Director of Finance and Commercial Services, the Director of HR and Estates and the Director of Strategic Policy and Planning who all attended Board meetings.

The Board met on 10 occasions during 2016-17 with attendance as follows:

Board Members	Board Meetings Attended	Out of a Possible
Leo O'Reilly (Chair) <i>Permanent Secretary</i>	10	10
Andrew Hamilton <i>Deputy Secretary</i>	9	10
Denis McMahon <i>Deputy Secretary</i>	9	10
Tommy O'Reilly <i>Deputy Secretary</i>	8	10
Ian Maye <i>Deputy Secretary</i>	8	10
Jackie Kerr <i>Deputy Secretary (from 22 August 2016)</i>	7	7
Tracy Meharg <i>Deputy Secretary (to 31 August 2016)</i>	3	4
Roy Keenan <i>Independent Board Member</i>	7	10
John West <i>Independent Board Member</i>	7	10

Board Members	Board Meetings Attended	Out of a Possible
Deep Sagar <i>Independent Board Member to 31 July 2016</i>	3	3

2.3 Board Committees

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC is a committee of the Board, independent of the Department's executive structure and with no executive powers. Its role is to support the Board on issues of risk control and governance. It does this through reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs and reviewing the reliability and integrity of those assurances.

The committee comprised four independent members and two Independent Board Members (IBMs) up until December 2016 when the number of independent members reduced to three. The committee is chaired by an IBM and executive attendance includes the Deputy Secretary with responsibility for Finance, the two Finance Directors and the Head of Governance. I also attend along with the Head of Internal Audit and the NIAO.

The Committee met four times during 2016-17. The quorum for Committee meetings is three members. All meetings were quorate with attendance as follows:

Audit and Risk Assurance Committee Members	Committee Meetings Attended	Out of a possible
Roy Keenan, IBM (Chair)	4	4
John West, IBM (Member)	4	4
Patrick Anderson (Independent Member)	3	4

Audit and Risk Assurance Committee Members	Committee Meetings Attended	Out of a possible
Michael Donnelly (Independent Member)	3	4
Julie Thompson (Independent Member)	4	4
Lianne Patterson (Independent Member to 31 December 2016)	3	3

Departmental Information Assurance Committee (DIAC)

DIAC is also a committee of the Board. Its role is to ensure that the Department has appropriate policies, management and governance systems to effectively protect the considerable volume of information held by DfC.

DIAC assists the Board and me as Accounting Officer with responsibilities relating to the use, processing, storage, sharing and transmission of information or data and the systems and processes used for those purposes.

Information Assurance encompasses physical, personnel and information security; information management; IT security; information systems security and accreditation; information risk management; and the more effective use of information.

DIAC is chaired by the Department's Senior Information Responsible Officer (SIRO). Membership comprises; the Departmental Security Officer (DSO); the Departmental Information Manager (DIM); the Information Technology Security Officer (ITSO); the Departmental Accreditor; the Head of Internal Audit; the Head of Analytical Services and relevant Information Asset Owners as directed by the SIRO.

3. Ministerial Directions

Arrangements exist to respond to situations where an Accounting Officer believes he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting

Officer may seek a formal Ministerial Direction to proceed. No Ministerial Directions were sought or given during 2016-17.

4. Board Performance

Issues reserved for the Board's attention were scheduled at the start of the year in an annual planner; these were then assigned to specific meetings throughout the year to ensure Board coverage and attention.

Throughout 2016-17, the Board received regular assurance updates from DARAC and scrutinised a range of issues including:

- a regular stewardship report encompassing key financial, budgetary and HR data; and
- a corporate risk register and group risk registers (on a rotation basis).

The Board obtained assurance relating to the quality of information it received through a variety of measures including:

- assurance ratings from Internal Audit reviews;
- statistical information produced by the Department's statisticians; and
- financial information prepared from internal and external finance systems validated by qualified accountants.

A Register of Board Interests is maintained and 'Conflicts of Interest' is a standing agenda item for Board meetings where members are asked to declare any interests relating to items on the Board agenda. No conflicts were declared by any member at any Board meeting during 2016-17.

Minutes of Board meetings incorporating progress on action points are made available on the DfC intranet and DfC website.

Evaluation of Board effectiveness was undertaken following the end of 2016-17 in accordance with the Corporate Governance Code and the Board's Operating Framework. Areas assessed covered Performance Management; Control and Risk; and Information.

Further improvements to enhance the Board's focus on strategic issues and ALB performance are planned for 2017-18.

5. Board Committee Reports

5.1 Departmental Audit and Risk Assurance Committee

DARAC business was conducted in accordance with the Terms of Reference agreed with the Board and the HM Treasury Audit and Risk Assurance Committee Handbook. In addition to its quarterly meetings the chair convenes Audit Focus Sessions whereby Committee members are provided with more in-depth presentations on selected topics in order to enhance the level of assurance provided to the Board and Accounting Officer. A focus session on 'Management of Cyber Threats' was held in March 2017 and a session on 'Sponsorship of the NI Housing Executive' was held in June 2017. Further sessions are planned in respect of DfC Databases/systems and Welfare Reform mitigations. Oral Briefings are also held with individual Deputy Secretaries to discuss/understand the risks and issues in their areas.

The DARAC chair provides a report to the Board following each DARAC meeting. The report covers the Head of Governance Risk and Assurance report along with the Quarterly DARAC report on Fraud and Raising Concerns. Each report provides the chair's assessment of assurances available to meet the Board and Accounting Officer's assurance needs.

As well as quarterly reports the DARAC chair also provides an Annual Report to the Board summarising the schedule of work undertaken during the year and providing assurance in respect of risk management, control and governance in the Department.

DARAC completed an Audit Committee Self-Assessment Checklist at the end of 2016-17 in line with recommended best practice. The assessment confirmed DARAC's compliance with good practice and the strength of the DfC committee arrangements. One area highlighted from the self-assessment exercise for consideration was the centralisation of the Internal Audit function for the NICS from 2017-18. DARAC will keep this change under review to ensure continued effectiveness of audit reviews and consultancy work under the centralised arrangements.

5.2 Departmental Information Assurance Committee

Key issues considered by DIAC included cybersecurity. In relation to data security, departmental guidance is in place to ensure that all information used for operational and financial reporting purposes is handled appropriately. Where information is used by third parties or other parts of government, the Department takes action to ensure that appropriate steps are taken to hold all data securely.

The Department places considerable emphasis on protective security. All major security incidents are fully investigated to see if lessons can be learned and controls improved. During the last financial year there was one major incident where Royal Mail lost a set of duplicate GP notes being sent back to a doctor's surgery via their 'signed for' delivery service.

6 Risk Management Arrangements

6.1 Overview

DfC's risk management framework forms part of the Department's corporate governance system and facilitates compliance with Corporate Governance Code. The framework outlines the Department's approach to risk management and sets out key roles/ responsibilities, risk management processes and reporting procedures.

The framework assists the Department with the identification and management of issues which may hinder the achievement of objectives. It provides a systematic approach that supports improved decision-making, accountability and performance as well as fostering an environment of 'no surprises'. The risk management process is integrated with normal management processes and informs the annual business planning cycle linking risk management and internal control with the Department's ability to fulfil its business objectives.

The Board has agreed its risk appetite which is reflected in risk management tools that are used within the Department. This allows risk owners to establish controls and manage risks in line with Board expectations. The Department maintains risk registers at branch, divisional and corporate level and adopts an escalation methodology informed by the significance of the risk.

6.2 Corporate Risks

The Departmental Management Board agrees the risks to be included in the Department's Corporate Risk Register and assigns ownership for each risk. Six risks were initially identified relating to restructuring, the 2016-17 budget, ALBs, skills and data. Following further review a total of nine corporate risks were identified and remained on the Corporate Risk Register for the remainder of the year. The nine corporate risks are summarised below:

- Inadequate management of increasing demands and the impact on the Senior Management Team;
- Failure to establish clear priorities for resource allocation;
- Failure to exercise good sponsorship and governance arrangements over ALBs;
- Not having the right people in the right place at the right time;
- Loss or unauthorised disclosure of information;
- Cyber attack resulting in failure of business systems and/or loss of data;
- Significant uncertainties impacting on the reform agenda;
- Serious injury to staff, visitors, and/ or service users to DfC facilities or sites as a result of health and safety failures or breaches; and
- Failure to deliver Welfare Reform and Executive agreed supplementary payments due to insufficient staff resources.

The Corporate Risk Register was considered at each Board meeting and assessment made in respect of new risks to be captured.

6.3 Assurance Framework

A key element of the Department's risk management process is the provision of quarterly Assurance Statements by Deputy Secretaries on their risk management processes and internal control arrangements. Deputy Secretaries use their Assurance Statements to identify any exceptions/material concerns within their Groups or the ALBs for which they are responsible. There are sponsor teams across the Department responsible for sponsor arrangements with ALBs. These arrangements together with the ALB Statement of Assurance process inform and support the Deputy Secretary Assurance Statements. Overall, these arrangements form part of the Department's

integrated assurance process which informs the work of the Department's Governance Unit and supports the reporting process for DARAC.

The Head of Internal Audit (HIA) provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2016-17, the HIA provided an overall satisfactory opinion on the Department's arrangements.

DARAC is updated on progress against the internal audit plan and an audit database is used to monitor the implementation of outstanding internal audit recommendations where a limited or unacceptable opinion has been reported. Details of limited opinion reports are included under Significant Issues. The HIA provides an overall opinion based on work undertaken during the year. The HIA opinion for 2016-17 is '**Satisfactory**'.

DARAC is also updated on the Department's arrangements for dealing with fraud and whistleblowing. Cases under enquiry or investigation are reported to DARAC on a quarterly basis. The Department's Fraud Policy details responsibilities regarding the prevention of fraud, bribery or serious irregularity within the Department and its ALBs. The procedures to be followed in the event of any fraud being detected or suspected are detailed in the supporting Departmental Fraud Response Plan.

None of the active or closed cases of potential fraud investigated in-year related to the Department's administration of the NICIFC.

In addition to assurances received from my Deputy Secretaries and HIA I receive an annual and mid-year inter-departmental report from the DoF Accounting Officer on all services provided by DoF to other Departments. The DoF Accounting Officer has advised me that his HIA has provided a satisfactory audit opinion on shared services overall.

6.4 Significant Issues

The DfC Head of Governance provides a quarterly Risk & Assurance Report to DARAC. The report summarises key risks and issues across the Department along with exceptions/material concerns identified through the Department's integrated assurance process. The assurance process facilitates the capture of exceptions/material concerns within the Department and its ALBs and encompasses issues highlighted in 2015-16 Governance Statements. A separate update on issues included in 2015-16 Governance Statements was also provided to DARAC throughout the year.

The only significant issue during 2016-17 which related to the NICIFC was that of registration with the Charities Commission Northern Ireland.

The Department has investigated the issue of being able to register with the Charity Commission for Northern Ireland (CCNI) whilst also having responsibility for administering the NICIFC. DfC is the sponsor Department for CCNI.

The Department engaged with CCNI during 2016-17 on arrangements for managing any perceived conflict of interest in respect of the Department's role as sponsor for CCNI. Pending this no new members were admitted to the NICIFC.

In order to demonstrate the segregation of duties within DfC and to mitigate the perceived conflict of interest a policy document was drafted which sets out the respective roles of the Financial Management Directorate (responsible for administering the NICIFC), the Voluntary and Community Directorate (sponsor body partner to CCNI) and CCNI with regard to sponsorship of charities and resolution of disputes. This document was approved by the CCNI board on 18 September 2017.

There are therefore no longer any obstacles to NICIFC registering as a charity with CCNI and the Fund was reopened to new investment on 11th October 2017.

7 Conclusion

I am satisfied that DfC has effective governance arrangements in place that I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively. Where significant issues have arisen I am satisfied that appropriate action is being taken to address the issues concerned.

A handwritten signature in black ink, appearing to read "Leo O'Reilly", with a horizontal line underneath the name.

Leo O'Reilly

Accounting Officer

Department for Communities

01 March 2018

FUND OVERVIEW

Fund Profile

Fund Name:	Northern Ireland Central Investment Fund for Charities	
Launch Date:	1 March 1965	
Launch Price:	£1	
Accounting Period Ends:	30 September	
Dividends Interim:	1 June	
Final:	1 December	
Share Value at 30 September 2017:	1281.42p	(2015-16: 1224.78p)
Number of shares in issue at 30 September 2017:	3,058,695	(2015-16: 3,069,936)
Number of shareholders in Fund:	419	(2015-16: 426)

Valuation

The Fund is valued monthly, on the last working day in the month. Details are shown on the Department's website under – <https://www.communities-ni.gov.uk/articles/northern-ireland-central-investment-fund-charities>.

Entry to the Fund

On 6 May 2015 the Department wrote to all shareholders informing them that they were conducting a review of the Fund and that new additions to the Fund were being temporarily suspended from this date.* Aside from this, the Fund continues to operate as usual.

During the year £143,163 was withdrawn from the fund.

* On 11th October 2017 the restriction on new additions to the Fund was lifted following the approval of a policy document to mitigate the perceived conflict of interest with CCNI.

Expenses and Remuneration

In line with legislation, the Department carries all day-to-day administrative costs at no charge. The Northern Ireland Audit Office annual audit fee is charged to the Department as a notional cost and reported in the Departmental Resource Accounts. The members of the Advisory Committee received no remuneration.

Management Fee

The management fee is calculated quarterly in arrears at a rate of 0.4% per annum of the value of the portfolio.

Total fees for the year amounted to £186,305.

Management of the Fund

The Northern Ireland Central Investment Fund for Charities (the Fund) was established under the Charities Act (NI) 1964. The Fund aims to provide trustees with the opportunity to invest all or part of their funds with the benefit of expert supervision. It is managed by the Department for Communities through a recognised fund manager but its investment policy is guided by a locally based Advisory Committee appointed by the Department.

The Advisory Committee met four times during the year.

The current members are:

Mr P Keers (Chair)

Mr L Todd

Mr D Murphy

Mr J Stewart

The Department is indebted to the members of the Committee for their continued expert advice and guidance and wishes to express its gratitude on behalf of participating charities.

The Department appoints an external Fund manager who is authorised and regulated by the Financial Conduct Authority to manage the portfolio. The current fund manager is Standard Life Wealth.

Investment Objectives

The primary objective of the Fund is to achieve an annual income return greater than the benchmark yield and thereafter long-term capital growth in real terms. Long-term investors have enjoyed significant capital gains in addition to regular dividends. The value of a share in the Fund increased by 4.6% over the past year whilst the net income has increased by 17.2% over the same period. The Fund's income is distributed to shareholders as dividends, supplemented from a Dividend Equalisation Reserve when necessary.

A Soundly Based Portfolio

The Fund continues to be invested in a mix of fixed interest securities and ordinary shares. The balance between bonds and equities alters from time to time, depending on market conditions. As a proportion of the market value on 30 September 2017, it was 19.4% fixed interest (including convertibles), 76.5% equities and 4.1% cash. Although the risks of equity investment cannot be eliminated, the fund managers seek to moderate them by investing in a broadly diversified portfolio.

Dividends

The gross dividend income from the Fund has increased by 17.2% from last year. The aggregate dividend paid in the current year was 46.0p, which is 5.0 pence more than last year.

Yield on shares

The yield on shares in the Fund for the twelve months to 30 September 2017 was 3.59%.

Investment Outlook Statement

Past performance is not a guide to future returns. The value of investments and the income from them can go down as well as up. Investors may not get back the amount invested. Changes in the currency exchange rates may have an adverse effect on the value of investments and income from them.

The Fund manager continues to analyse the market and make the decisions which it believes will benefit the fund.

The Charities Advisory Committee continues to monitor and evaluate the Fund manager to ensure it is complying with the investment objectives, as per the contract, and is in line with stipulated performance benchmarks.

The current benchmark is reviewed annually by the Fund manager and the Charities Advisory Committee to ensure that it is reflective of the investment objectives.

NORTHERN IRELAND CENTRAL INVESTMENT FUND FOR CHARITIES

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Northern Ireland Central Investment Fund for Charities for the year ended 30 September 2017 under the Charities Central Investment Fund Scheme (Northern Ireland) 1965. These comprise the Income and Expenditure account, the Statement of Financial Position and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the 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 Government Resources and Accounts Act (Northern Ireland) 2001. 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 the circumstances of the Northern Ireland Central Investment Fund for Charities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Central Investment Fund for Charities; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Fund Overview 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 Northern Ireland Central Investment Fund for Charities affairs as at 30 September 2017 and of the expenditure and income and movement in Members' Share Capital for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Central Investment Fund Scheme (Northern Ireland) 1965 and the Department for Communities directions issued thereunder.

Opinion on other matters

In my opinion the information given in the Fund Overview 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 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's guidance.



KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

13 March 2018

Income and Expenditure Account for Year Ended 30 September 2017

	Notes	2016-17 £	2015-16 £
Gross Investment Income	1b	1,452,020	1,246,498
Management Charges	1c	(186,305)	(171,942)
General Expenses	1e	-	(4,812)
Release from Capital	1c	149,305	137,942
Net Income		1,415,020	1,207,686
Distribution of Income:			
Dividends Payable	9	1,410,642	1,276,230
Sum transferred (from)/to Dividend Equalisation Reserve		4,378	(68,544)
		1,415,020	1,207,686

Statement of Financial Position as at 30 September 2017

	Notes	2016-17 £	2015-16 £
Fixed Assets:			
Investments at Mid-Market Value	2,3	38,113,661	36,561,049
Total non-current assets		38,113,661	36,561,049
Current Assets:			
Dividends Received	3	995,809	911,067
Dividends Receivable	1b, 6	138,036	136,102
Sundry Receivables	3,7	639,619	601,814
Dividend Equalisation Reserve Fund	12	120,609	116,231
Bank/Cash		6,818	6,616
Total current assets		1,900,891	1,771,830
Total assets		40,014,552	38,332,879
Current Liabilities:			
Dividends Payable (Final)	9	(771,928)	(688,050)
Accrued Management Fees	10	(47,513)	(45,449)
Total current liabilities		(819,441)	(733,499)
Assets less liabilities		39,195,111	37,599,380
Capital:			
Members' Share Capital	11	39,074,502	37,483,149
Dividend Equalisation Reserve	12	120,609	116,231
Total Capital		39,195,111	37,599,380



Leo O'Reilly

Accounting Officer

Department for Communities

01 March 2018

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of preparation

The accounts have been prepared using the historical cost convention and in accordance with the Charities Act (Northern Ireland) 1964. Investments are valued at mid-market values on the balance sheet date.

(b) Income Policy

Interest on cash temporarily invested and on international bonds, convertible loan stocks and other fixed interest stocks is accrued on a day-to-day basis, gross of UK taxation. It is shown under net assets as dividends receivable, as per paragraph 20 of the Charities Central Investment Fund Scheme (Northern Ireland) 1965.

Special Dividends

There has been a trend, in recent years, by PLCs to make payments to shareholders by way of special dividend and other means. After review in November 2013 the Department (under advice from the Advisory Committee) has taken the decision that these payments should be reviewed on a case by case basis to determine whether it is more appropriate to allocate them to capital or income.

(c) Management Charges

The Department allocates the amount of the management fee which relates to administration costs to the income and expenditure account and the balance to the capital account. In conjunction with the Fund manager, it has been agreed that the most appropriate estimate of the split would be 20% against the income and expenditure account and 80% against the capital account. The total management fee for the 2016-17 year is £186,305. Of this, £37,000 (rounded to the nearest £1,000) has been charged to the income and expenditure account and £149,305 to the capital account.

(d) Gains and Losses

Surplus/deficiency on revaluation and profit/loss arising from sales of investments are taken to the capital account.

(e) General Expenses

Advertising costs for the member positions on the advisory committee and the independent advisor fees.

2. Fixed Asset Investments

Custody of the assets of the Fund is the responsibility of the Department for Communities.

3. Portfolio as at 30 September 2017

	2016-17			2015-16		
	Cost Price £	Market Value ¹ £	%	Cost Price £	Market Value ¹ £	%
Fixed Interest						
Bonds	7,023,383	7,729,853	19.4%	7,497,533	8,558,753	22.5%
Ordinary Shares	22,212,494	30,383,808	76.5%	21,385,118	28,002,296	73.6%
Total Value as per Statement of Financial Position	29,235,877	38,113,661	95.9%	28,882,651	36,561,049	96.1%
Dividends Received Cash held (Sundry receivables)		989,741 ²	2.5%		860,777 ²	2.3%
		639,619	1.6%		601,814	1.6%
Total Value of Portfolio		39,743,021	100.0%		38,023,640	100.0%

¹ Value at mid-market price at 30 September less, in the case of fixed interest stocks, interest accrued to that date.

² The value for dividends received differs from that on the balance sheet due to the amount of £6,068 which was to be transferred from the dividend equalisation reserve for the final dividend payment of the 2016-17 year (2015-16: £50,290).

4. Distribution of Holdings

Holding	2016-17			2015-16		
	Market	Total		Market	Total	
	Value	Market	Value	Value	Market	Value
	£	%		£	%	
FIXED INTEREST						
British Government Bonds	2,966,055	7.46%		3,175,715	8.32%	
GBP Bonds	3,868,684	9.73%		4,483,830	11.50%	
Global/International Bond Funds	1,780,257	895,114	2.25%	1,780,257	899,208	2.37%
EQUITIES						
Oil & Gas Producers						
BP PLC	202,268	965,425	2.43%	155,268	698,706	1.84%
Royal Dutch Shell	47,480	1,089,429	2.74%	47,480	948,176	2.50%
Suncor Energy	-	-	-	9,500	203,364	0.54%
Total SA	19,445	779,275	1.96%	15,344	560,774	1.48%
Chemicals						
Air Liquide SA	4,166	414,634	1.04%	4,166	344,525	0.91%
Covestro AG	9,470	606,958	1.53%	7,840	358,384	0.95%
Basic Resources						
Antofagasta ORD	46,950	445,555	1.12%	-	-	-
Rio Tinto	18,715	649,972	1.64%	20,656	531,789	1.40%
Construction & Materials						
Persimmon	17,100	441,522	1.11%	17,100	310,365	0.82%
Industrial Goods & Services						
CRH	14,690	416,755	1.05%	14,690	376,358	1.00%
Ferguson PLC	8,837	432,659	1.09%	8,837	384,851	1.02%
Automobiles & Parts						
Continental AG	-	-	-	700	113,518	0.30%
Food & Beverages						
Nestle SA	7,938	496,316	1.25%	7,938	482,346	1.27%
Unilever	12,760	551,104	1.39%	18,476	675,205	1.78%

	2016-17			2015-16		
	Holding	Market Value £	Total Market Value %	Holding	Market Value £	Total Market Value %
Personal & Household						
Goods						
Estee Lauder Companies						
INC	5,460	439,486	1.11%	5,460	372,648	0.99%
Reckitt Benckiser	5,299	361,021	0.91%	3,800	276,070	0.73%
Health Care						
AstraZeneca PLC	10,850	537,617	1.35%	11,896	595,276	1.57%
BB Biotech AG	8,730	438,116	1.10%	-	-	-
Dechra Pharmaceuticals	24,700	503,880	1.27%	24,700	344,071	0.91%
GlaxoSmithKline	45,205	672,876	1.69%	65,527	1,076,609	2.84%
Lilly Eli & Co	9,270	591,718	1.49%	9,270	573,240	1.51%
Medtronic	7,933	460,365	1.16%	7,933	528,347	1.40%
Novartis AG	6,170	394,339	0.99%	9,506	576,493	1.52%
Roche Holdings AG	3,930	749,055	1.88%	4,662	891,374	2.35%
Retail						
Amazon Com	546	391,549	0.99%	546	352,306	0.93%
Next PLC	-	-	-	9,207	439,726	1.16%
Media						
Relx PLC	31,430	514,509	1.29%	34,430	459,821	1.21%
WPP	23,000	318,550	0.80%	23,000	417,220	1.10%
Telecommunications						
AT & T Inc	-	-	-	34,430	434,215	1.15%
Deutsche Telekom AG NPV	17,674	245,871	0.62%	17,674	228,904	0.61%
Koninklijke KPN	147,780	378,445	0.95%	-	-	-
Telstra Corp Ltd	-	-	-	59,600	182,488	0.49%
Verizon Communications	-	-	-	11,485	450,064	1.22%
Vodafone Group	355,808	742,927	1.87%	355,808	789,004	2.08%
Utilities						
Enel	-	-	-	116,400	400,399	1.06%
National Grid Plc	92,775	857,798	2.16%	101,210	1,105,213	2.91%
Pennon	46,640	371,721	0.94%	-	-	-
Severn Trent	24,061	522,846	1.32%	24,061	602,728	1.59%

	2016-17			2015-16		
	Market	Total		Market	Total	
Holding	Value	Market	Holding	Value	Market	Value
	£	Value		£	Value	%
		%			%	
Banks						
Danske Bank	20,100	599,426	1.51%	17,400	391,358	1.03%
HSBC Holdings PLC	187,610	1,382,873	3.48%	108,683	628,949	1.66%
Swedbank AB	41,555	857,572	2.16%	16,050	290,334	0.77%
Insurance						
Aviva	63,000	324,135	0.82%	63,000	277,515	0.74%
Phoenix Group Holdings	51,790	391,532	0.99%	-	-	-
Prudential PLC	45,924	820,432	2.06%	45,924	627,551	1.65%
Zurich Insurance	2,357	537,037	1.35%	2,357	467,491	1.23%
Financial Services						
Close Bros Group	19,660	289,985	0.73%	19,660	269,342	0.71%
Real Estate						
American Tower Corp	3,950	402,902	1.01%	-	-	-
Technology						
Accenture	5,856	590,299	1.49%	5,856	551,322	1.46%
Alphabet Inc	690	501,426	1.26%	690	427,563	1.13%
Apple Inc	4,342	499,150	1.26%	4,342	378,214	1.00%
Facebook Inc	3,756	478,899	1.20%	3,756	371,287	0.98%
Microsoft Corporation	11,957	664,431	1.67%	11,957	530,670	1.40%
Nokia OYJ	-	-	-	59,000	263,685	0.70%
Sage Group	83,420	582,689	1.47%	114,973	848,501	2.24%
Taiwan Semiconductor						
Manufacturing Ads	13,605	381,482	0.96%	13,605	320,805	0.85%
UK Equity Funds						
Aberforth Smaller Companies Trust	42,659	557,127	1.40%	42,659	450,052	1.19%
Global/International Equity Funds						
BNY MFM Newton Asian	322,698	399,726	1.01%	322,698	393,659	1.04%

	2016-17			2015-16		
	Holding	Market Value £	Total Market Value %	Holding	Market Value £	Total Market Value %
Property Funds						
Charities Property Fund	318,000	386,640	0.97%	318,000	380,025	1.00%
Empiric Student Property	290,742	294,376	0.74%	254,400	295,104	0.78%
Tritax Big Box	309,421	440,615	1.11%	260,000	361,140	0.95%
UK Commercial Property Trust	-	-	-	292,385	230,838	0.61%
Alternative						
Apax Global Alpha	245,816	371,182	0.93%	245,816	317,717	0.84%
Bilfinger Berger Global	218,091	308,599	0.78%	218,091	308,054	0.81%
HICL Infrastructure Co Ltd	170,299	266,177	0.67%	162,895	276,433	0.73%
International Public P'tnership	264,500	417,646	1.05%	264,500	407,859	1.08%
John Laing Infrastructure Fund	373,860	481,149	1.22%	373,860	481,532	1.27%
The Renewables Infrastructure	341,000	371,008	0.93%	341,000	360,778	0.96%
Total Fixed Interest and Equities						
		38,113,661	95.90%		36,561,049	96.14%
CASH						
Dividends Received		989,741	2.49%		860,777	2.27%
Cash Held (Sundry Receivables)		639,619	1.61%		601,814	1.59%
Total Holdings						
		39,743,021	100.00%		38,023,640	100.00%

5. Future Calls

There were no outstanding calls on partly paid stocks due for payment after the period end.

6. Dividends Receivable

Dividends receivable are made up as follows:

	2016-17	2015-16
	£	£
Accrued interest on bonds	95,847	106,009
Dividends due on equities	42,189	30,093
Dividends Receivable as at 30 September	138,036	136,102

7. Sundry Receivables

This balance represents the cash balance held by the Fund manager on behalf of the Fund.

8. Advance Contributions

This balance represents money received for investment which has not yet been allocated to shares in the Fund.

9. Dividends Payable (Final)

The Department proposed to pay a final dividend for the year of 25p (2015-16: final dividend 22p) per share. This was paid in December 2017.

An interim dividend of 21p was paid in June 2017 (2015-16: interim dividend 19p).

10. Accrued Management Fees

The management fee is calculated quarterly in arrears at a rate of 0.4% per annum of the value of the portfolio.

11. Members' Share Capital

Members' share capital is made up as follows:

	2016-17	2015-16
	£	£
Members' share capital as at 1 October	37,483,149	33,565,288
Withdrawals	(143,163)	(711,598)
Net profit on sale of investments	909,209	1,587,870
Net loss on sale of investments	(179,842)	(595,408)
Appreciation on revaluation of investments	1,154,454	3,774,941
Management fees	(149,305)	(137,944)
Members' Share Capital as at 30 September	39,074,502	37,483,149

No individual material gains or losses were made on the sale of investments for the 2016-17 year. There were no failed investments in the 2016-17 year.

12. Dividend Equalisation Reserve (DER)

The purpose of the DER is to regulate distributions of income in order to avoid or reduce fluctuations in the amounts distributed.

The DER is made up as follows:

	2016-17	2015-16
	£	£
DER as at 1 October	116,231	184,776
Sums transferred from DER	4,378	(68,545)
DER as at 30 September	120,609	116,231

13. Historical Analysis of Share Value and Annual Dividend

Valuation Date	Share Value	Annual Dividend	Yield %
30 September 2007	1036.16p	40.00	3.86
30 September 2008	856.11p	44.00	5.14
30 September 2009	881.43p	39.00	4.42
30 September 2010	942.75p	39.00	4.14
30 September 2011	893.25p	40.00	4.48
30 September 2012	973.84p	40.00	4.11
30 September 2013	1057.62p	40.00	3.78
30 September 2014	1116.58p	40.00	3.58
30 September 2015	1078.25p	43.00	3.99
30 September 2016	1224.78p	41.00	3.35
30 September 2017	1281.42p	46.00	3.59

14. Related Party Transactions

Under the Charities Act (NI) 1964 and the Charities Order 1987 the Department acts as trustee to some 300 charitable donations and bequests. It is the Department's policy to invest the capital of these in the Northern Ireland Central Investment Fund for Charities unless prevented by the charity's governing instruments. In the 2016-17 year dividends to the value of £298,712 were paid to these charities (2015-16: £266,373).

In addition related party transactions occur when the investment management company (Standard Life Wealth) invests NICIFC funds in its own products/funds. This is only permitted with full approval of the Advisory Committee and the Department.

The following are the related party transactions and balances for the year ended 30 September 2017:

1) Investment – BNY MFM Newton Asian Inc	2016-17			2015-16		
	Number	Market	Total	Number	Market	Total
	of shares	Value	Market	of shares	Value	Market
		£	Value		£	Value
		%			%	
Balance at 1 October	322,698	393,659	1.04	322,698	294,268	0.86
Movement		6,067			99,391	
Balance as at 30 September	322,698	399,726	1.01	322,698	393,659	1.04

2) Investment - SLW (CI) Ltd Offshore Stgy Fixed Int	2016-17			2015-16		
	Number	Market	Total	Number of	Market	Total
	of shares	Value	Market	shares	Value	Market
		£	Value		£	Value
		%			%	
Balance at 1 October	1,780,258	899,208	2.63	1,780,258	907,610	2.63
Movement		(4,094)			(8,402)	
Balance as at 30 September	1,780,258	895,114	2.25	1,780,258	899,208	2.37

15. Events after the Reporting Period

There were no other adjusting or non-adjusting events between the end of the reporting period and the date that the financial statements were authorised for issue.