
Microfinance Ireland

(A private designated activity company limited by shares)

Directors' Report and Financial Statements

For the year ended 31 December 2016

Microfinance Ireland

Directors' Report and Financial Statements

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Microfinance Ireland

DIRECTORS AND OTHER INFORMATION Board of Directors

Cyril Forbes (Chairperson)
Gerard Cleary
Sheelagh Daly
Páraig Hennessy
John Irwin
Harry McDaid
Gerry O'Neill
Mary O'Shaughnessy
Anne Reilly
Brendan Whelan

Secretary and Registered Office

Bradwell Ltd
10 Earlsfort Terrace
Dublin 2

Registered Number: 516555

Registered Charity Number: CHY 20447

Charities Regulator Registered Number: 20081102

Date of Incorporation: 17th August 2012

Auditors

Comptroller and Auditor General
3A Mayor St. Upper
Dublin 1

Principal Bankers

Bank of Ireland
2 College Green
Dublin 2

Solicitors

Mason Hayes and Curran
South Bank House
Barrow Street
Dublin 4

Contact Information

Garrett Stokes, Chief Executive Officer
Patrick Kilbane, Head of Finance and Risk

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Clonskeagh,
Dublin 14.

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Microfinance Ireland

CHAIRMAN'S STATEMENT

On behalf of the Directors of Microfinance Ireland, I am pleased to present the audited financial statements for the 12 months ending 31st December 2016. Microfinance Ireland ("MFI") commenced operations in September 2012 and these financial statements represent the fourth full year in business.

MFI, set up to manage the Microenterprise Loan Fund Scheme, supports economic and job growth across Ireland through its lending activities to micro-enterprises that have difficulty in accessing bank credit. Under the terms of the scheme, MFI provide loans up to €25,000 repayable over a maximum period of 5 years.

The business continues to see growth in demand for its lending facilities. In 2016, funding of €5.4 million was approved for 397 small businesses throughout the country, supporting an additional 990 jobs. Since its launch in September 2012, the fund has approved €17m in loans to 1,167 businesses and supported 2,811 jobs. Most of our customers are start-ups, which find it difficult to obtain loan finance elsewhere.

Through their vision, commitment and dedication, these microentrepreneurs create and retain jobs by delivering their goods and services in cities, towns and villages throughout the whole country, enhancing the quality of their own, and in many cases, their community's lives.

During the year, the Board reviewed and approved a new five-year strategic plan which when delivered will see the annual level of loans granted double by 2021. The plan will continue to concentrate on delivering loans and supporting job creation in all regions of the country.

As the business grows, it is essential we ensure we have a strong management and strong structures in place. Garrett Stokes joined MFI in May as our new CEO. In addition, several other changes were made in the senior management team, enhancing the existing team by bringing strong skills and business disciplines.

To optimise awareness of MFI, significant marketing, promotional and business development activities were undertaken throughout 2016 with a range of business support agencies, partners, and representative groups. The business was also successfully rebranded, improving awareness and clarity of our offering to potential customers.

By its nature, the business carries a degree of risk beyond that of normal lenders. Significant progress was made during the year to enhance credit management and credit processes. This is to ensure that all viable, genuine and credit worthy projects or individuals are given a prompt, full and fair credit assessment and offered affordable lending through MFI, while equally striving to ensure that no borrower takes on unsustainable debt.

A key milestone was achieved by the business post year-end. MFI was successfully certified under the European Code of Good Conduct for Microcredit Provision. This positions the business as a best in class microfinance company and one of only four organisations in Europe currently with this accreditation. This further strengthens our relationship with the EIF.

We are most grateful to the Local Enterprise Offices (LEOs), which are our primary partner and source of loan applicants and which assist microenterprises with their loan application, business training and mentoring support. This mentoring support is vital to the viability and sustainability of our customers. We wish the LEOs continued success and look forward to working with them on further joint initiatives for job support and job creation.

Our other partners, Bank of Ireland, AIB, Ulster Bank and the Irish Local Development Network continue to be a further source of applications. Their continued support is much appreciated and acknowledged.

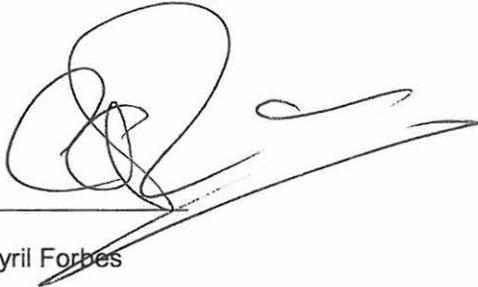
The Minister for Jobs, Enterprise and Innovation and the Minister for Employment and Small Business and their officials at the Department of Jobs Enterprise and Innovation provide not only funding but ongoing support and assistance to MFI. They are an integral part of the success of the Microenterprise Loan Fund Scheme. We would like to extend our appreciation to the Department for their support throughout 2016 and for gaining approval of the second grant of €10 million into the Microfinance Loan Fund.

The EIF is also a vital partner to MFI. Their assistance through the European Progress Microfinance Facility (EPMF) and the Employment and Social Innovation Facility (EASI) is critical in enabling MFI to lend money to microenterprises that do not meet the conventional lending criteria of the commercial banks.

Our appreciation and gratitude also goes to our parent body The Social Finance Foundation (SFF), its Board and management for the ongoing assistance and support of MFI.

I would like to thank all my fellow board members who give generously of their time and extensive business experience and expertise for the benefit of MFI.

Finally, and most importantly, on behalf of the Board I wish to thank each of the staff in the Microfinance Ireland Team and our panel of external Loan Assessors for their commitment throughout 2016 and look forward to achieving, with them, more in the current year.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Cyril Forbes

Chair

25 May 2017

Microfinance Ireland

REPORT OF THE CHIEF EXECUTIVE

2016 was another year of growth, progress and significant change for Microfinance Ireland (MFI).

Business Activity

2016 was a record year for the business with lending activity and the number of jobs supported continuing to grow. Application volumes were up 15% in the year, highlighting the ongoing need for micro finance initiatives. €5.4m in loans was approved to 397 businesses and the numbers of jobs supported increased by 990.

The rationale for the investment made by the Irish Government has always been that of job creation. Microfinance Ireland lends to those who cannot raise finance from conventional sources and we measure our success not only on our lending volumes, but also by measuring the employment we have supported in the enterprises we have invested in. To date, MFI has approved €17m in loans to 1,167 businesses, supporting 2,811 jobs.

Strategy

Following a complete review of the business by the management team, a new 5 Year Strategic Plan was approved by the Board in September. This new plan will not change the focus of the business but provides clarity on the primary drivers and targets for the coming years. The plan, when delivered, will see MFI double its annual business volumes over the lifetime of the Plan.

Marketing and Branding

As part of our strategic plan and to increase awareness and clarity of our offering, a rebranding of the business was completed in late 2016. This rebranding includes the launch of a revised product offering, new website and logo.

The new logo "Microfinance Ireland – Small Business Loans", brings greater clarity to our purpose and has been well received.

Our revised product offering consists of four loan packages - Start-Up Loans, Cashflow Loans, Expansion Loans and Small Loans – which deliver a customer focused simplification of our services.

The business has also increased its activities on Social Media and continues to draw a growing amount of traffic to our website and social media pages, with an increased level of inquiries to the business.

The combined impact of all elements of the rebranding and our marketing activities has resulted in better clarity of our offering, online supports and a greater focus on our customers' needs.

Pricing

Following a reduction in the rate of interest we pay on our own borrowings, we were delighted to introduce a rate reduction in July. Our new partner rate is a fixed rate of 6.8% APR, while our direct rate is fixed 7.8% APR. Both these rates are competitive for the market we serve.

Mentoring

In addition to our lending services, MFI now provides post approval mentoring services to our borrowers. This is an important additional support to our customers, increasing the sustainability of their businesses. These mentoring services are paid for by MFI on our customers' behalf and delivered through the Local Enterprise Office network.

Organisational Structure

To gain additional key skillsets, ensure continued strong governance of the business, and create an appropriate organisational structure for the future, employee numbers were increased from 9 to 12 during the year. Credit Underwriting and Loan Administration have been separated to ensure an appropriate division of activities and a small dedicated Marketing and Business Development team was put in place. An experienced five-person Management Team was established in 2016, four of whom are new to the business.

Government Capital Funding

In December 2016, The Minister for Jobs, Employment and Innovation obtained approval from the Government for the injection of the second €10m grant funding to MFI. This funding which is greatly appreciated, was provided under the provisions of the Microfinance Loan Fund Act 2012 and ensures the continued operation of Microfinance Ireland.

Other Funding

In 2015, a syndicated loan of €15m was provided by Bank of Ireland, AIB and Ulster Bank through our parent company the Social Finance Foundation. This funding, provides the working capital which is used to fund our lending activities. To date €10m of this facility has been drawn to support our lending activities.

Channel Partners

Microfinance Ireland continued to maintain strong relationships with all our referral partners.

The partnership between Microfinance Ireland and the Local Enterprise Offices (LEOs) continues to develop and grow. The LEOs offer significant help to our potential clients through guidance, mentoring and support in submitting their loan application.

MFI also continued to work with the Irish Local Development Network (ILDN), who deal with many clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA).

2016 saw significant progress in relation to the Bank channel, consisting of Bank of Ireland, AIB and Ulster Bank. Bank referrals have increased significantly since mid-year. Engagement with the Banks is ongoing with a view to building a steady pipeline of leads from all the Banks on an ongoing basis.

European Investment Fund (EIF)

The business continues to receive strong support from EIF. Under the EIF programme, EaSI, MFI enjoys a loan guarantee for its lending. This support which commenced in 2015, will last for two years and should apply to some €13M of lending activity. This very significant support from the EIF allows us to consider risk profiles otherwise outside our capacity to fund. The programme requires the provision of mentoring along with the loan support and provides an integrated approach to microenterprises.

A significant achievement for the business was to achieve certification under European Code of Good Conduct for Microcredit Provision in early 2017 from the EU Commission. This code reviews all aspect of a micro finance business against best in class behaviours, with an emphasis on customer support, transparency and credit management.

Risk Management

As Microfinance Ireland evolves as an organisation and learns more about the outcomes of its underwriting practices through the performance of its loan portfolio, modifications to lending practices are taking place. Microfinance Ireland is mandated to take risks that commercial lenders cannot. However the balance between risk orientation and the sustainability of the business model which underpins the long term sustainability of the organisation is critical. A range of measures undertaken throughout 2016 are focused on maintaining this balance and led to a reduced approval rates in 2016 of 44%, compared to 48% in 2015. Our provisioning is prudent and previous negative trends in bad debts are now being reversed. There is an active portfolio management approach to credit in place to ensure that we always maintain an equilibrium between risk and sustainability.

Human Resources

Our employees are our most important asset and critical to our success. During 2016 a review of Human Resource practices in MFI was completed and based on it a number of small contractual and benefit changes are underway.

Key Objectives 2017

- To continue to support the economy and job creation through our lending activities with micro-enterprises.
- To grow the business in line with our financial projections.
- Achieve an appropriate balance between growth and risk management.
- Review processes and systems to deliver continued improvements in our customer experience and a scalable efficient operating model.
- Introduce an integrated HR Proposition to support our employees in their careers and roles and attract new talent as necessary.



Garrett Stokes

Chief Executive

25 May 2017

Microfinance Ireland

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the financial year ended 31st December 2016.

Principal Activities

Microfinance Ireland was incorporated by the Social Finance Foundation (SFF) on 17 August 2012 pursuant to the Microenterprise Loan Fund Act 2012 on the initiative of the Minister for Jobs, Enterprise and Innovation. This dedicated subsidiary of SFF was established to manage the Microenterprise Loan Fund. Following incorporation, the Minister for Jobs, Enterprise and Innovation made an initial grant of €10m into the Fund. A further grant of €10m was approved in December 2016.

The main object of the company is to lend money to create the optimum number of jobs in the microenterprise sector. Applicants will be supported from all industry sectors with commercially viable proposals that do not meet the conventional risk criteria applied by commercial banks.

In recognition of the higher risk profile of the activities of Microfinance Ireland, the company secured support for its activities from the European Investment Fund (EIF). Under the European Progress Microfinance Facility (EPMF) for employment and social inclusion signed on 7 December 2012 and the Employment and Social Innovation Guarantee Facility (EASI) signed on 14 October 2015, EIF as Guarantor will partially cover the risk of the Microfinance Ireland loan portfolio subject to specific ceiling levels at both portfolio and individual client loan level and subject to specific terms and conditions.

Legal Status

Microfinance Ireland is a single-member private designated activity company. In accordance with the Microenterprise Loan Fund Act 2012, Part 3, sections 11 and 12 Microfinance Ireland is a subsidiary of the Social Finance Foundation. The authorised share capital of Microfinance Ireland is €1. Microfinance Ireland has issued the one share of €1 to the Social Finance Foundation which holds this share in accordance with sub sections 3 and 4 of Section 12 of the Act.

Microfinance Ireland has been granted charitable status (Registered Charity No. CHY 20447) and is registered with the Charities Regulatory Authority (Registration Number 20081102).

Accounting Records

The measures taken by the directors to secure compliance with the requirements of section 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at 13 Richview Office Park, Clonskeagh, Dublin 4.

Results for the period

The Company's outturn for the financial year is set out on Page 17 to 20 and is considered satisfactory. The Deficit on ordinary activities was €1,567,000.

Post Balance Sheet Events

On the 3rd January 2017, Microfinance Ireland received a grant of an additional €10m into the Microfinance Loan Fund Account in accordance with section 5(1) of The Microenterprise Loan Fund Act 2012. Under section 5(3), Microfinance Ireland is not liable to repay the Minister any moneys paid to it.

Business Risks and Management

It is the company's policy to develop and implement a risk management process which:

- Enables identification and assessment of risks that could impact the achievement of the Business remit and objectives
- Establishes risk appetite by key risk category
- Ensures that appropriate mitigating measures and controls are adopted and implemented
- Ensures ownership, reporting and review of risk at Management, Board subcommittee and Board level on a regular and ongoing basis
- Ensures periodic review and approval of policies for managing risk

Overall, the Company has classified business risks over seven key headings, the most significant being:

- Managing credit risk within the agreed appetite under Credit Risks
- Liquidity and funding risks under Financial Risks
- Awareness, distribution and client mentoring support under Strategic Risks

Directors

The names of the persons who were directors during the year to 31st December 2016 are set out below. The Board of Directors held seven meetings in the period of review;

	Number of meetings attended
Cyril Forbes	7
Gerard Cleary	6
Sheelagh Daly	7
Páraig Hennessy	7
John Irwin	6
Harry McDaid	5
Gerry O'Neill	7
Mary O'Shaughnessy	5
Anne Reilly	5
Brendan Whelan	7

The Audit and Risk Committee met four times in the period under review. The Committee is chaired by Gerry O'Neill and membership also includes Páraig Hennessy and Brendan Whelan.

The Credit Committee met four times in the period under review. The Committee is chaired by Harry McDaid and membership also includes Gerard Cleary and John Irwin.

The Business Development and Marketing Committee met once in the period under review. The Committee is chaired by Anne Reilly and also includes Sheelagh Daly and Mary O'Shaughnessy.

Health and Safety

The wellbeing of the company's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and Microfinance Ireland takes the necessary actions to ensure compliance with that Act.

Confidential Disclosures

The Board has approved the Company's policy to ensure that employees have the opportunity to raise concerns about possible irregularities in financial reporting or other matters.

Corporate Governance

Microfinance Ireland was incorporated pursuant to the Microenterprise Loan Fund Act 2012 ('Act 2012'). The company operates on an ongoing basis within the Act 2012, the Microenterprise Loan Fund Scheme (SI No 343 of 2012 and SI No 393 2015) and the Arrangement (pursuant to Section 19 of the Act 2012).

These legal requirements, together with the Combined Code, published in June 1998 and updated by the Committee on Corporate Governance, and all subsequent guidance on its application and the Code of Practice for the Governance of State Bodies are the foundations on which corporate governance is based. Maintaining high standards of corporate governance is a priority of the directors.

Disclosure of Interests

As set down in Section 16 of the Microenterprise Loan Fund Act 2012, Microfinance Ireland has adopted procedures in relation to the disclosure of interests of directors and those procedures have been adhered to.

Directors' Responsibilities Statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with the Financial Reporting Standard 102 ('FRS102') with the Accounting Standards issued by the Financial Reporting Council, and promulgated by the Institute of Chartered Accountants in Ireland for periods beginning before 1 January 2015. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, and financial position of the company as at the financial year end date and of the income and expenditure of the company for the financial year end and otherwise comply with the Companies Act 2014.

In preparing the financial statements, the directors are required to

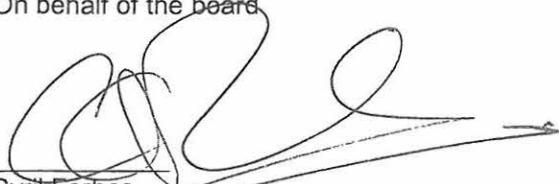
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with the relevant financial reporting framework, identify those standards, and note the effect and the reasons for any material departure from those standards;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and income and expenditure of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors report comply with the Companies Acts 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 20 of the Microenterprise Loan Fund Act 2012, the Comptroller and Auditor General is the auditor of the company.

On behalf of the board



Cyril Forbes



Gerry O'Neill

25 May 2017

Microfinance Ireland

Chair's Statement on the System of Internal Financial Control

On behalf of the Board of Microfinance Ireland, I acknowledge the Board's responsibility for ensuring that an effective system of internal financial control is maintained and operated for the organisation.

The system can provide only reasonable assurance and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely manner. In considering the effectiveness of internal financial controls the Board has regard, among other things, to the requirements of the Code of Practice for the Governance of State Bodies bearing in mind the size and scale of the organisation.

Key control procedures

The Board has taken steps to ensure an appropriate control environment by:

- Clearly defining management's responsibilities
- Establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken
- Establishing a dedicated Audit and Risk Committee and Credit Committee
- Clear separation of Board and Management functions
- Engaging a professional internal audit service to assess, recommend and execute internal audit plans based on the risks in the business. These plans aim to cover the key controls on a rolling basis over a reasonable period.

The Board has established processes to identify and evaluate business risks by:

- Identifying the nature, extent and possible implications of risks facing the Board including the extent and categories which it regards as acceptable
- Assessing the likelihood of identified risks occurring
- Assessing the Board's ability to manage and mitigate the risks that do occur
- Having regard to the costs of operating controls relative to the benefits obtained

The framework of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability as evidenced by:

- Setting targets to measure financial and other performance
- Regular review by Credit Committee and Board of credit risk and credit management information
- Review by Audit and Risk Committee (ARC) and Board of all non-credit related risks
- Regular review by Board of financial performance versus Budget

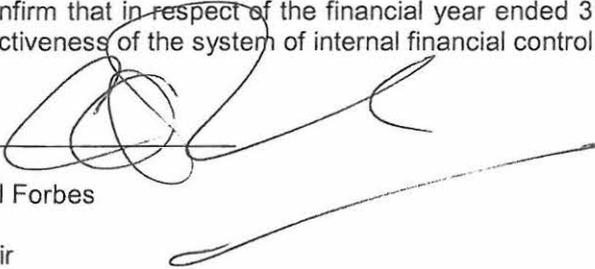
Correspondence with the Comptroller and Auditor General and any issues raised therein were addressed by Management and Audit and Risk Committee and subsequently brought to the Board.

Microfinance Ireland

Chair's Statement on the System of Internal Financial Control - continued

Annual review of controls

I confirm that in respect of the financial year ended 31 December 2016 the Board conducted a review of the effectiveness of the system of internal financial control.



Cyril Forbes

Chair

25 May 2017



Microfinance Ireland

I have audited the financial statements of Microfinance Ireland for the year ended 31 December 2016 under the Microenterprise Loan Fund Act 2012. The financial statements comprise the statement of income and expenditure, the statement of financial position, the statement of changes in reserves and capital account, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the Companies Act 2014 and generally accepted accounting practice in Ireland.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and otherwise comply with the Companies Act 2014 and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to bodies in receipt of substantial funding from the State in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of 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 company's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the company's 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 report.

Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2016 and of its income and expenditure for 2016;
- have been properly prepared in accordance with generally accepted accounting practice in Ireland; and
- have been properly prepared in accordance with the Companies Acts 2014.

Matters on which I am required to report by the Companies Act 2014

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

In my opinion, the information given in the directors' report is consistent with the financial statements.

Matters on which I report by exception

I report by exception if I find

- any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the company's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the Chair's statement on the system of internal financial control does not reflect the company's compliance with the Code of Practice for the Governance of State Bodies, or
- the disclosures of directors' remuneration and transactions as specified by the Companies Act 2014 are not made, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Patricia Sheehan
For and on behalf of the
Comptroller and Auditor General

31 May 2017

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Microfinance Ireland

STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 December 2016

		Financial Year Ended 31 December 2016 €'000	Financial Year Ended 31 December 2015 €'000
	Notes		
Interest Income	3	518	410
Interest Expense	3	(177)	(95)
Income	3	341	315
Administrative expenses	5	(1,477)	(1,111)
Bad debts	9		
-Specific charge		(944)	(1,231)
-Collective charge		(196)	(409)
-Cash Recoveries		73	
-Guarantee callable under EIF	10	636	712
Total		(431)	(928)
Deficit for the financial year		(1,567)	(1,724)

All income and expenditure for the year relates to continuing activities at the reporting date. The Statement of Income and Expenditure includes all gains and losses recognised in the year. The Statement of Changes in Reserves and Capital Account, the Statement of Cash Flows and Notes 1 to 23 form part of these Financial Statements.

Approved by the board and authorised for issue on 25 May 2017.


Cyril Forbes
Director


Gerry O'Neill
Director

Microfinance Ireland

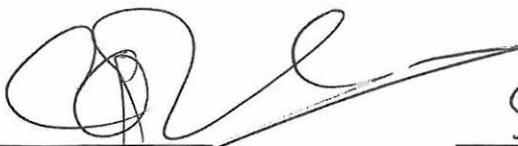
STATEMENT OF FINANCIAL POSITION

31st December 2016

		31 December 2016 €'000	31 December 2015 €'000
Tangible fixed assets	Notes 8	<u>15</u>	<u>16</u>
Current assets			
Loans and advances to customers net of provisions	9	4,870	4,017
Amounts recoverable from EIF	10	959	1,187
Accrued income		8	9
Short term deposits		6,908	5,054
Cash at bank and in hand		<u>45</u>	<u>64</u>
		12,790	10,331
Creditors – (amounts falling due within one year)	11	<u>(1,528)</u>	<u>(779)</u>
Net current assets		<u>11,262</u>	<u>9,552</u>
Creditors – (amounts falling due after one year)	12	(7,094)	(3,818)
Net assets		<u>4,183</u>	<u>5,750</u>
Capital and reserves			
Issued share capital	14	-	-
Microenterprise Loan Fund	15	<u>4,183</u>	<u>5,750</u>
		<u>4,183</u>	<u>5,750</u>

The Statement of Changes in Reserves and Capital Account, the Statement of Cash Flows and Notes 1 to 23 form part of these Financial Statements.

On behalf of the board on 25 May 2017.


Cyril Forbes
Director


Gerry O'Neill
Director

Microfinance Ireland

STATEMENT OF CHANGES IN RESERVES AND CAPITAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Revenue Reserves €'000	Microfinance Loan Fund Account €'000	Total €'000
At 1 January 2015	0	7,474	7,474
Deficit for the year	(1,724)	0	(1,724)
Transfer from Microfinance Loan Fund Account	1,724	(1,724)	0
At 31 December 2015	0	5,750	5,750

	Revenue Reserves €'000	Microfinance Loan Fund Account €'000	Total €'000
At 1 January 2016	0	5,750	5,750
Deficit for the year	(1,567)	0	(1,567)
Transfer from Microfinance Loan Fund Account	1,567	(1,567)	0
At 31 December 2016	0	4,183	4,183

Microfinance Ireland

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

		Financial Year Ended 31 December 2016 €'000	Financial Year Ended 31 December 2015 €'000
Net cash (outflow) from operating activities	16	(2,143)	(3,555)
Cash flows from investing activities			
Purchase of tangible fixed assets		(7)	(4)
Net cash flows from investing activities		(7)	(4)
Cash flows from financing activities			
Increase in Borrowings	11&12		
Drawdown of Parent Company funding		5,000	5,000
Repayment of Parent Company funding		(1,015)	(501)
Net cash flows from financing activities		3,985	4,499
Net increase in cash and cash equivalents		1,835	940
Cash and cash equivalents at the beginning of financial year	16	5,118	4,178
Cash and cash equivalents at the end of financial year		6,953	5,118
Cash and cash equivalents consists of:			
Cash at bank and in hand		45	64
Short term deposits		6,908	5,054
Cash and cash equivalents	16	6,953	5,118

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

1.1 General Information Ownership and operations

Microfinance Ireland was incorporated by the Social Finance Foundation on 17 August 2012 pursuant to the Microenterprise Loan Fund Act 2012 on the initiative of the Minister for Jobs, Enterprise and Innovation. The Social Finance Foundation (SFF) is a company, limited by guarantee, without a share capital whose members and Directors are nominated by the Minister for Finance. The authorised and issued share capital of Microfinance Ireland is €1 which is held by SFF. SFF may not transfer that share without Ministerial consent.

1.2 Format of Accounting Statements

The company has not traded for the acquisition of gain by the members. In accordance with Section 291 of the Companies Act 2014, the company is required to prepare in respect of each financial year, entity financial statements which comply with the formats as set out in Schedule 3 of the Companies Act 2014. The company has availed of Section 291(5) of the Companies Act 2014 and prepared an income and expenditure account in place of a profit or loss account. The directors of the company believe that the information provided in the income and expenditure account reflect the nature of the operating activities of the company and provide a true and fair view of its income and expenditure for the financial year. This departure has no effect on the company's results for the financial year.

1.3 Basis of preparation

These financial statements have been prepared in accordance with FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The financial statements are prepared on the historical cost basis. Microfinance Ireland is a Public Benefit Entity as defined by Section 34 of FRS102.

1.4 Functional Currency

The financial statements are presented in Euro (€).

1.5 Income and expenses

Interest on loans granted is recognised on a receipts basis which is collected monthly from customers. Bank interest income and interest expense is recognised on an accrual basis. All operating expenses are recognised on an accruals basis and are inclusive of irrecoverable VAT.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS

1.6 Loans and advances to customers

Concessionary loans are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are made at a rate of interest below the risk adjusted market rate. They arise when Microfinance Ireland provides loan to customers which in all instances are financed with a view to holding to maturity.

In accordance with Section 34 of FRS102, Microfinance Ireland operates public benefit entity concessions loans. These concessionary loans are initially recorded at fair value and in subsequent years the concessionary loan is adjusted to reflect any accrued interest payable or receivable. Loans are assessed as to whether there is an indication of impairment and an impairment loss is recorded in the income and expenditure account (see Note 1.8 below).

1.7 Impairment of concessionary loans

MFI assesses, at each balance sheet date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific provision will be recognised.

Any bad debts/impairment losses are recognised in the Income and Expenditure account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

The company's policy is to provide for bad and doubtful debts to reflect the impairments inherent in the loan portfolio at the balance sheet date.

There are two types of bad debt provisions, specific and collective. Specific provisions are made for loans when the company considers that the credit-worthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding loan is in serious doubt. The credit assessment is based on objective evidence that the loan is impaired. Objective evidence includes observable data that comes to the attention of Microfinance Ireland including:

- Delinquency in contractual payments
- Cash flow difficulties
- Granting a concession to a borrower
- Initiation of bankruptcy proceedings

The amount of the specific provision is equivalent to the amount to reduce the carrying value of the loan to its expected ultimate net realisable value.

For the purposes of the collective provision, evaluation is undertaken for loans not specifically impaired by combining with assets with similar characteristics. The impairment is then estimated based on the historical loss experience for assets with those similar characteristics.

The aggregate specific and collective provisions made during the period, less amounts released and net of recoveries of loans previously written off are charged against income for the period. Amounts recoverable from the EIF are recognised as an asset in the balance sheet and amounts actually recovered are recognised in the period received.

Loans in the Statement of Financial Position are stated net of the aggregate of specific and collective provisions.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS

1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to 12 months.

1.9 Tangible fixed assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost of the assets over their estimated useful lives at the following annual rates:

Computer equipment and software	3 years
Office Furniture & Equipment	5 years

1.10 Microenterprise Loan Fund

Section 4 (1) of the Microenterprise Loan Fund Act 2012 (the 'Act') prescribes that all grants made to the subsidiary and all gifts and other income shall be known collectively as the Microenterprise Loan Fund (the 'Fund'). The Fund is disclosed separately on the Balance Sheet under Capital and Reserves. Subsequent sections of the Act prescribe how moneys standing to the credit of the Fund can be utilised. The value of the Fund is adjusted in line with the reported Income and Expenditure Account of Microfinance Ireland and this is disclosed in the Microenterprise Loan Fund Account.

1.11 Financial Instruments

Financial assets and liabilities are recognised when the company becomes party to a contractual provision of the instrument.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like loans receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including concessionary are initially measured at the amount received or paid and recognised on the balance sheet, and subsequently the loans are then adjusted to reflect any accrued interest payable and receivable.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Expenditure.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the Statement of Financial Position date.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of estimates and judgements. As Management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates which could affect future reported amounts. The areas involving a higher degree of judgement in relation to these financial statements which are significant to the financial statements are described below.

Impairment of Loans

Microfinance Ireland's policy is to review its portfolio of loans for impairment monthly. In determining whether a provision for impairment is required, MFI makes judgements as to whether any observable data exists indicating that the loan may not be recoverable. MFI's accounting policy in relation to impairment of concessionary loans is set out in Accounting Policy 1.7.

Where there is objective evidence that an individual loan is impaired, a specific provision for that loan is recognised. The remaining loans are assessed collectively in groups that share similar risk characteristics. A collective provision which takes account of historical repayment performance is recognised in relation to these loans.

Management believe that the underlying assumptions used are appropriate and that MFI's financial statements therefore present the financial position fairly.

	Financial Year Ended 31 December 2016 €'000	Financial Year Ended 31 December 2015 €'000
3 Income		
Interest client loans	499	377
Interest bank deposits	19	33
Interest Income	518	410
Interest expense on borrowings from Parent	(177)	(95)
Net Interest Income	341	315

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

	Financial Year Ended 31 December 2016 €'000	Financial Year Ended 31 December 2015 €'000
4 Operating profit		
Operating profit is stated after charging:		
Wages and salaries (excluding PRSI)	589	471
Employer PRSI costs	63	50
Depreciation	8	11
Auditors' remuneration (inclusive of VAT)	<u>9</u>	<u>9</u>
	Financial Year Ended 31 December 2016 €'000	Financial Year Ended 31 December 2015 €'000
5 Administrative Expenses		
Salaries and wages (excluding PRSI)	589	471
Employer PRSI	63	50
Staff and board related expenditure	35	4
Travel and subsistence	19	20
Credit assessor fees	213	169
Marketing/advertising	247	167
Legal fees	47	9
Outsourcing/consultancy fees	128	130
Rent	35	13
Depreciation	8	11
Premises	22	12
Client mentoring	12	-
Other	<u>59</u>	<u>55</u>
	<u>1,477</u>	<u>1,111</u>

Microfinance Ireland incurred staff non salary related expenditure of €33,304 in the year ended 31 December 2016 (2015: €2,915). The expenditure is comprised of employer contributions to personal retirement savings accounts (PRSA) €24,370 and death in service insurance for staff €5,524 both introduced in 2016, staff vouchers € 2,750 and staff entertainment of €660. Board entertainment was €1,253 in the year ended 31 December 2016 (2015: €869).

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

		12 Months December 2016	12 Months December 2015
6 Employee information			
The average number of persons employed during the year		12	9
Range of employee salaries			
From	To	Number of Employees 2016	Number of Employees 2015
€60,000	- €69,999	3	1
€70,000	- €79,999	1	1
€80,000	- €89,999	1	1

Retirement Benefit Obligations

Microfinance Ireland does not operate an occupational scheme and has no retirement benefit obligations to employees.

Key management remuneration

The Directors of Microfinance Ireland are all unpaid volunteers. The key management team was increased in 2016 from three to five posts and now includes the CEO, Head of Credit, Head of Finance and Risk, the Operations Manager and the Marketing and Channels Manager who have authority and responsibility for planning, directing and controlling activities.

	2016	2015
	€	€
Salaries paid to key management	341,000	226,000

Chief Executive Officer Remuneration

The new CEO was appointed with effect from 30th May 2016.
Remuneration for the period to 31 December 2016 is as follows:

Salary € 52,010

The CEO is not entitled to any retirement benefits.

Travel and subsistence costs of €1,054 were reimbursed or reimbursable to the new CEO in relation to expenses incurred in the period to 31 December 2016.

The former CEO tendered his resignation on 1 March 2016 which was accepted, effective 31 May 2016.
Remuneration for the period is as follows:

Salary € 36,667

The former CEO is not entitled to any retirement benefits.
Travel and subsistence costs of €3,052 (€7,478 in 2015) were reimbursed or reimbursable to the former CEO in relation to expenses incurred in the period to 31 May 2016.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

7 Taxation

The charitable status of the company has been approved by the Revenue Commissioners – CHY 20447.

8 Tangible Assets

	Office Furniture & Equipment €'000	Computer Equipment & Software €'000	Total €'000
Cost			
At 1 January 2016	13	32	45
Additions	7	-	7
Disposals	-	-	-
At 31 December 2016	<u>20</u>	<u>32</u>	<u>52</u>
Depreciation			
At 1 January 2016	5	24	29
Charge for the year	3	5	8
On disposals	-	-	-
At 31 December 2016	<u>8</u>	<u>29</u>	<u>37</u>
Net book value			
At 31 December 2015	8	8	16
At 31 December 2016	<u>12</u>	<u>3</u>	<u>15</u>

	Office Furniture & Equipment €'000	Computer Equipment & Software €'000	Total €'000
Cost			
At 1 January 2015	11	30	41
Additions	2	2	4
Disposals	-	-	-
At 31 December 2015	<u>13</u>	<u>32</u>	<u>45</u>
Depreciation			
At 1 January 2015	3	15	18
Charge for the year	2	9	11
On disposals	-	-	-
At 31 December 2015	<u>5</u>	<u>24</u>	<u>29</u>
Net book value			
At 31 December 2014	8	15	23
At 31 December 2015	<u>8</u>	<u>8</u>	<u>16</u>

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

	31 December	31 December
	2016	2015
	€'000	€'000
9. (a) Loans and advances to customers		
Loans outstanding at beginning of financial year	6,416	3,951
New loans advanced	4,285	4,745
Capital repaid	(2,292)	(1,682)
Amounts written off	(1,139)	(598)
	<hr/>	<hr/>
Loans outstanding at financial year end	7,270	6,416
Provision for bad and doubtful debts	(2,400)	(2,399)
	<hr/>	<hr/>
	4,870	4,017
	31 December	31 December
	2016	2015
	€'000	€'000
(b) Loans and advances by maturity		
3 months or less	727	699
1 year or less but over 3 months	2,077	2,034
Over 1 year	4,466	3,683
	<hr/>	<hr/>
	7,270	6,416
	31 December	31 December
	2016	2015
	€'000	€'000
(c) Provisions for bad and doubtful debts		
Specific Provision		
Opening Provisions	1,165	532
Allowance for losses made during the year	983	1,270
Allowance reversed during the year	(39)	(39)
Loans written off	(1,139)	(598)
At 31 December	<hr/>	<hr/>
	970	1,165
Collective Provision		
Opening Provisions	1,234	825
Allowance made during the financial year	196	409
At 31 December	<hr/>	<hr/>
	1,430	1,234

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

(d) Cumulative position at 31 December 2016

		€'000
Total loans advanced		14,204
Capital amounts repaid		(5,001)
Loans written off		(1,933)
Loans outstanding at 31 December 2016		<u>7,270</u>
Specific provision	(970)	
Collective provision	<u>(1,430)</u>	<u>(2,400)</u>
		<u>4,870</u>

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

10. Amounts recoverable from EIF

	31 December 2016	31 December 2015
	€'000	€'000
At beginning of financial year	1,187	630
Guarantee callable against bad debts	636	712
Amounts received from EIF	(864)	(155)
Balance at end of the financial year	959	1,187

In recognition of the higher risk profile of the activities of Microfinance Ireland, the company secured support for its activities from the European Investment Fund (EIF). Under the European Progress Microfinance Facility (EPMF) for employment and social inclusion signed on 7 December 2012 and the Employment and Social Innovation Guarantee Facility (EASI) signed on 14 October 2015, EIF as Guarantor partially covers the risk of the Microfinance Ireland loan portfolio subject to specific ceiling levels at both portfolio and individual client loan level and subject to specific terms and conditions.

11. Creditors - amounts falling due within one year

	31 December 2016	31 December 2015
	€'000	€'000
Trade creditors	19	18
-PAYE & PRSI	119	80
-Accruals	138	98
Borrowings from parent company (see Note 12)	1,390	681
	1,528	779

12. Creditors - amounts falling due after more than one year

	31 December 2016	31 December 2015
	€'000	€'000
Borrowings from parent company	7,094	3,818

On 23rd February 2015, Microfinance Ireland executed a Loan Facility Agreement for a borrowing facility of up to €15m from its Parent company Social Finance Foundation. On 6th May 2015, Microfinance Ireland drew down the first tranche of €5 million. On 29th June 2016, Microfinance Ireland drew down the second tranche of €5 million. The remaining tranche of €5 million can be drawn up to end June 2017. The term of the loan is 7 years and the current interest rate is 3 month Euribor plus a margin of 2.75%. The margin is subject to annual review.

As part of the facility terms, Microfinance Ireland has executed a Debenture in favour of Social Finance Foundation creating a floating charge over the property and assets of the company in favour of the lender in the event of default by the borrower.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

13. (a) Financial risk management

Microfinance Ireland manages the Microenterprise Loan Fund so that it earns interest income from loans to customers and surplus cash on deposits with banks. The main financial risks arising from MFI's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Microfinance Ireland, resulting in financial loss to Microfinance Ireland. In order to manage this risk the Board approves Microfinance Ireland's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

MFI also monitors its banking arrangements closely and approves not less than annually the panel of banks with which it conducts banking business.

Liquidity risk: Microfinance Ireland policy is to ensure it has adequate committed lines of credit in place and also invest its surplus funds in liquid form, sufficient to meet its liabilities as they fall due. The profile of Microfinance Ireland's customer loan book is approximately half the duration of its Borrowing facilities, thus ensuring a positive cashflow. Microfinance Ireland reviews its cashflows at regular intervals to ensure that it is fully funded into the future for a period of not less than 12 months.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Microfinance Ireland conducts all its transactions in Euro and does not deal in derivatives or commodity markets. Therefore Microfinance Ireland is not exposed to any form of currency risk or other price risk.

Microfinance Ireland's main interest rate risk arises from differences between the interest rate charged on loans to customers which is fixed and the interest rate payable to the Parent relating to Borrowings which is currently variable and reprices quarterly. Based on the current loan portfolio, and assuming all loans to customers are backed by borrowings, a 1% increase in interest rates would cost the company €88k over the remaining life of the current loan portfolio. This risk is reviewed not less than annually. In the event, the company elects to close this risk, the Borrowing facility agreement permits the fixing of funding.

13 (b) Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities

	2016		2015	
	Amount €'000	Average Interest Rate	Amount €'000	Average Interest Rate
Financial Assets				
Loans to customers	4,870	7.2%	4,017	8.4%
Short term deposits	6,908	0.3%	5,054	0.4%
Financial Liabilities				
Borrowings	8,493	2.7%	4,499	3.0%

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

13. (c) Credit Risk Disclosures

The carrying amount of the loans to customers represents Microfinance Ireland's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments.

	2016		2015	
	Amount €	Proportion %	Amount €	Proportion %
Performing/Current Loans	5,688	78	4,714	73
Up to 30 days past due	293	4	245	4
Between 31 and 60 days past due	259	4	291	5
Between 61 and 90 days past due	137	2	178	3
90+ days past due	824	11	860	13
Restructured loans	69	1	128	2
Total Loans Past Due	1,582	22%	1,702	27%
Total Loans	7,270	100%	6,416	100%
Specific Provision	(970)		(1,165)	
Collective Provision	(1,430)		(1,234)	
Total Carrying Value	4,870		4,017	

13. (d) Liquidity risk disclosures

Loans are normally granted for terms from 3 months to 60 months and are repayable monthly. Typically, loans are granted for 3 years. The average life of the loan book as at end Dec 2016 was 43 months (31 December 2015 39 months).

Short terms deposits have a maximum life of 12 months and are frequently on demand. The average life of the deposit book at 31 Dec 2016 was 5 month (31 December 2015 2 months).

Borrowings are repayable over 7 years in quarterly instalments from the date of drawdown

As at 31 December 2016, Microfinance Ireland had loan commitments of €796,500 (31 December 2015 €820,615). Loan commitments refer to loans approved but not drawn down at financial year end.

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

14. Share Capital

The authorised share capital of Microfinance Ireland is €1.

In accordance with the Microenterprise Loan Fund Act 2012, Part 3, sections 11 and 12 Microfinance Ireland is a subsidiary of The Social Finance Foundation.

Microfinance Ireland has issued the one share of €1 to the Social Finance Foundation who holds this share in accordance with sub sections 3 and 4 of section 12 of the Act.

15. Micro Finance Loan Fund Account

In accordance with section 5(1) of The Microenterprise Loan Fund Act 2012, the Minister for Jobs, Enterprise and Innovation made a grant of €10 million (Subhead A. 12) to Microfinance Ireland. Under section 5(3), Microfinance Ireland is not liable to repay the Minister any moneys paid to it.

16. (a) Reconciliation of operating deficit to net cash (outflow) from operating activities

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Operating deficit	(1,567)	(1,724)
Depreciation	8	11
Increase in loan advances to customers	(1,993)	(3,063)
Increase in creditors	40	13
Increase in debtors	1	125
Bad debt charge	1,140	1,640
Guarantee called/callable from EIF	(636)	(712)
Amount recoverable from EIF	864	155
Net cash (outflow)	(2,143)	(3,555)

(b) Reconciliation to net cash as at

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Cash at bank and in hand	45	64
Liquid resources	6,908	5,054
Total Cash and Cash equivalents	6,953	5,118

Microfinance Ireland

NOTES TO THE FINANCIAL STATEMENTS – continued

17. Commitments and contingent liabilities

(a) Capital commitments

There were no capital commitments at 31 December 2016 (Nil: 31 December 2015).

(b) Contingent Liabilities

There were no contingent liabilities at 31 December 2016 (Nil: 31 December 2015).

(c) Premises

The company has commitments payable up to 2026 in respect of a 10 year lease (with a 5 year break clause) entered into on 17th October 2016 for office accommodation at 13 Richview Office Park, Clonskeagh, Dublin 14.

Rent reviews are carried out every five years and the current rent is €82,272 per annum including VAT.

	Year ended 31 December 2016 €000
Payable	
Within one year	82
Within two and five years	328

18. Post Balance Sheet Events

On the 3rd January 2017, Microfinance Ireland received a grant of €10m into the Microfinance Loan Fund Account in accordance with section 5(1) of The Microenterprise Loan Fund Act 2012. Under section 5(3), Microfinance Ireland is not liable to repay the Minister any moneys paid to it.

19. Ultimate Parent Company

The ultimate parent company is Social Finance Foundation, a company limited by guarantee.

20. Directors' remuneration

The Directors serve on the Board in a voluntary capacity and receive no fees or remuneration for time spent in carrying out these duties.

Travel and subsistence costs of €3,942 were reimbursed or reimbursable to Directors in relation to expenses incurred in the financial year ending 31st December 2016 (€4,069 31 Dec 2015).

There were no loans to or from Directors or other transactions involving Directors.

21. Related party disclosures

Total compensation to key management personnel referred to at Note 6 amounted to €341,000.

The Board adopted procedures in accordance with guidelines issued by the Department of Finance in relation to interests by Board Members and these procedures have been adhered to in the year. There were no transactions in the financial year in relation to Board activities in which Board members knowingly had a material interest.

It should be noted that in the normal course of business the Board has delegated decision making authority for individual loan applications to Company Management and therefore the Directors cannot directly influence application outcomes or are they privy to the identity of individual applicants or borrowers.

22. Reclassification of comparatives

Comparative figures have been reclassified, where necessary, to conform to current year's presentation.

23. Approval

The directors approved the financial statements and authorised their issue on 25 May 2017.