Microfinance Ireland

(A private company limited by shares)

Directors' Report and Financial Statements

For the period ended 31st December 2012

Directors' Report and Financial Statements

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Directors and Other Information

Board of Directors
Geraldine Kelly (Chairperson)
Yvonne Barry
Mary Brennan
Edmund Jennings
Evanne Kilmurray
John Kelly
Bobby Kerr
Felix O'Regan
Norma Smurfit
Michael Tunney

Secretary and Registered Office
Bradwell Ltd
Earlsfort Centre
Earlsfort Terrace
Dublin 2.

Registered Number:
516555

Registered Charity Number:
CHY 20447

Date of Incorporation:
17 August 2012

Auditors
Comptroller & Auditor General
Treasury Block
Dublin Castle
Dublin 2

Principal Bankers
Bank of Ireland
2 College Green
Dublin 2

Solicitors
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Contact Information

Adrienne Murray,
Chief Executive Officer

Patrick Kilbane,
Interim Head of Finance and
Risk

Microfinance Ireland
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Dublin 4

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Chairperson's Statement

I am pleased to report on the initial four months operation of Microfinance Ireland which has been set up as part of the Government's Action Plan for Jobs. The objective of Microfinance Ireland is to support start-up, newly established, or growing microenterprises across all industry sectors that do not meet the conventional risk criteria applied by banks.

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. As a dedicated subsidiary of SFF, Microfinance Ireland was established to manage the Microenterprise Loan Fund. Following incorporation, the Minister for Jobs, Enterprise and Innovation made a grant of €10m into the Fund.

The nature of Microfinance organisations generally means that while they are inherently financially unsustainable from a purely commercial perspective and require financial support such as from Government, they generate significant gains for the wider economy in terms of jobs supported. In the case of Microfinance Ireland, the €10m Microenterprise Loan Fund will be used over the first five years to lend to 2,700 microenterprises and support 3,800 jobs at a cost of €2,500 per job.

While it is encouraging to see from recent surveys that the percentage of loans approved by banks for microenterprises has improved, it is clear that there is a still a proportion of microenterprises that have difficulty accessing credit for which Microfinance Ireland may be an appropriate source of finance.

Microfinance bodies, including Microfinance Ireland, have a greater risk appetite than banks and are prepared to lend to microenterprises that may not meet the risk criteria of the banks. Under the Progress Microfinance programme administered by the European Investment Fund (EIF), a proportion of Microfinance Ireland's lending risk can be underwritten by EIF and I am pleased to advise that such an agreement was concluded with EIF in December 2012.

In contrast to the conventional banking model, the microfinance model attempts to ensure that there is support and mentoring available to the microenterprise both pre loan and post loan, if required. In the case of Microfinance Ireland, this is achieved by our partnership with our principal partner, the nationwide network of County & City Enterprise Boards (CEBs). CEBs also play a valuable role in providing a local evaluation of business proposals. We look forward to continuing to work closely with CEBs as they transition into the network of Local Enterprise Offices (LEOs).

In the case of applications that are fully complete and ready for assessment, microenterprises are welcome to apply directly to Microfinance Ireland.

Governance

A key priority for the Board during this 'start-up' period for Microfinance Ireland has been to put in place appropriate governance structures including;

- A Credit Committee, the purpose of which, is to set the Credit Authority, Policy and Procedural Framework and to assist the Board in discharging its responsibilities in ensuring that credit risks are identified, reported and assessed and that credit risk is controlled and aligned with the Board's Risk Appetite

- An Audit & Risk Committee, the purpose of which is to oversee the integrity of the financial reporting controls and procedures. It is also responsible to the Board for overseeing that effective risk management systems are in place in respect of all risks, excluding Credit Risk

- Financial Control and Reporting procedures including a Risk Management framework

- Development and approval of a Business Plan and associated budget for 2013

- An active programme of Stakeholder engagement to ensure that Microfinance Ireland continues to be relevant in the prevailing market conditions and to the overall objectives of the Microenterprise Loan Fund Scheme.

Credit Policy

The objective of Microfinance Ireland's Credit Policy is to lend monies to support the optimum number of jobs in microenterprises commensurate with agreed risk levels. The Board has put in place an Interim Credit Policy against which performance is monitored on a regular basis by the Credit Committee. Recommendations for any changes to Credit Policy come from Credit Committee in the light of the quality of loans approved and associated bad debt provisions and write offs.

Acknowledgements:

Microfinance Ireland acknowledges the support of the Officials of the Department of Jobs, Enterprise and Innovation and the other State Agencies that assisted in the launch of Microfinance Ireland.

Microfinance Ireland thanks Social Finance Foundation for their professional, financial and ongoing operational support.

Microfinance Ireland appreciates the cooperation and goodwill received from the staff of the County and City Enterprise Boards, our principal partner, and looks forward to their continued support through 2013.

On my own behalf, I thank the members of the Board, for their support, counsel and professional input to the establishment and start up phase of Microfinance Ireland. I also wish to thank the Microfinance Ireland team for their hard work and commitment during this period.

Geraldine Kelly
Chairperson

Report of the Interim Chief Executive

Background

Arising from the enactment of the Microenterprise Loan Fund Act 2012 on 24th July 2012, Microfinance Ireland was incorporated on 17th August 2012 for the purposes of;

1. Performing the functions assigned to the company by the Act
2. Managing the Microenterprise Loan Fund
3. Lending money to microenterprises in accordance with the Act and in accordance with the Microenterprise Loan Fund Scheme (S.I. 343 of 2012).

The principal objective of Microfinance Ireland is to provide loans to newly established or growing microenterprises across all industry sectors with commercially viable proposals that do not meet the conventional risk criteria applied by commercial banks.

How Microfinance Ireland operates

Start-ups and existing microenterprises, trading as sole traders, partnerships or limited companies that do not meet the risk criteria of the banks, which employ less than 10 persons and with a balance sheet and turnover of less than €2million are eligible to apply for a loan under the Scheme.

The Scheme provides unsecured loans of between €2,000 and €25,000 for commercially viable proposals that fall short of the risk criteria applied by the banks for various reasons, including the absence of collateral or track record. An 8.8% APR fixed interest rate is charged. In the majority of cases a three-year repayment term and a monthly repayment schedule applies.

Applications to the Loan Fund can be made via the nationwide network of County & City Enterprise Boards (CEBs) or directly to Microfinance Ireland. CEBs provide assistance in preparing business plans and they carry out an initial evaluation of the quality of the business proposal before sending it on to Microfinance Ireland. On an ongoing basis, CEBs have a key role to play in supporting successful applicants through mentoring and training.

Credit decisions are focused strongly on the commercial viability of the business and the potential for the support of jobs

Progress from incorporation to 31st December 2012

Microfinance Ireland was officially launched by the Minister for Jobs, Enterprise and Innovation on 27th September 2012. Much of the period under review dealt with 'setting up' Microfinance Ireland including;

- The recruitment of an interim management team comprising six staff with a range of microfinance, finance and banking skills
- The securing of interim premises in Dublin, the fitting out of offices and the setting up of ICT systems including an Interim Loan System
- Drafting an Interim Credit Policy which was approved by the Board
- Launching the Microfinance initiative with the network of County & City Enterprise Boards (CEBs) including regional workshops and briefings for CEB staff.

- Launching a nationwide radio advertising campaign in November
- Securing a Loan Guarantee agreement in December with the European Investment Fund which will underwrite a proportion of Microfinances Ireland's bad debts

I am pleased to advise that in the relatively short period of time from launch, Microfinance Ireland has become fully operational and received 59 loan applications to the value of approx. €1.1m by 31st December 2012. By that date,

- 26 loan applications were fully processed
- 11 loans were approved to the value of €160,000
- 21 jobs supported
- 46% approval rate

During the period, 76% of loan applications came via CEBs while 24% came directly to Microfinance Ireland.

Financial outcome

The costs of operating Microfinance Ireland during the period amounted to €207,000 of which €115,000 related to Staff Costs, €38,000 related to Marketing & Promotional costs and €39,000 related to Administration and Financial costs including "once off" legal and consulting costs associated with start-up.

In addition, Microfinance Ireland reimbursed €278,000 in costs to its parent company Social Finance Foundation. These costs relate to the Microfinance project during the period between August 2011 and October 2012 and were incurred by Social Finance Foundation on behalf of the Department of Jobs, Enterprise & Innovation. Due to the 'once off' nature of these costs, they have been accounted for as an Exceptional Item in Microfinance Ireland's accounts.

Priorities for 2013

Management priorities for 2013 include;

- Continuing to raise the profile and awareness of Microfinance Ireland amongst microenterprises, CEBs, representative bodies and the wider community in order to increase the number of loan applications and associated jobs
- The recruitment of the permanent management team
- The installation of the longer term loan system capable of dealing with the anticipated quantum of loan activities
- Completion of a debt agreement with a syndicate of Irish banks in conjunction with our parent company, Social Finance Foundation
- Review and adaption of the Interim Credit Policy in the light of early experience

Ronan Headon
Interim Chief Executive Officer

Directors' Report

The directors present their report and the audited financial statements of the company for the period ended 31st December 2012.

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 a grant of €10m into the Fund.

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 this agreement signed on 7 December 2012, EIF will underwrite credit losses subject to specific ceiling levels and specific terms and conditions.

Legal Status

Microfinance Ireland is a single-member private limited 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 who 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).

Books of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Jefferson House, Eglinton Road, Dublin 4.

Results for the period

The company's outturn for the period is set out on Page 16 to 18 and is considered satisfactory. The Deficit on ordinary activities was €183,000 which together with the Exceptional Item of €278,000 resulted in an overall Deficit of €461,000.

The Exceptional Item relates to project costs associated with the set up of Microfinance Ireland incurred by SFF on behalf of the Department of Jobs, Enterprise and Innovation. These costs were refunded to SFF post set up of the Microfinance Ireland business.

The Operating Performance reflects the start up nature of the business. Infrastructure costs in terms of staffing, premises and systems were incurred from the start of October 2012, while the first loans were not drawn until December. At 31 December 2012, loans totalling €52,000 were drawn and a further €107,000 was committed but remained undrawn at that date.

A Bad Debt General charge was made at the year end in line with Provisions for Bad and Doubtful Debts.

Interest Income reflects interest earned on the placing of surplus cash pending it being deployed to support microenterprise loans.

Principle Risks and Uncertainties

Since incorporation in August 2012, the initial focus has been on managing the business risks associated with the 'start up' of the business through to 'business as usual'. Apart from these initial operating risks, the primary ongoing focus has been on managing credit and liquidity/funding risk.

Regarding credit risk, it is acknowledged that Microfinance Ireland launched against the backdrop of a very difficult economic environment and its target customer base is at the most risky end of the credit spectrum even at the best of times. Against this background, the Board through its Credit Committee has invested significant time and effort in ensuring that a realistic credit risk appetite is in place supported by consistent underwriting practise and procedures. In tandem with this, Microfinance Ireland has negotiated support for its activities from the EIF whereby EIF will underwrite a proportion of credit losses subject to specific ceiling levels and specific terms and conditions.

In terms of liquidity and cashflow risk, the company's objective is to maintain a balance between having sufficient resources readily accessible to meet all its obligations and obtaining a competitive return on term surplus cash. At the same time retaining flexibility regarding availability in potential stressed scenarios is an important consideration.

Negotiations on medium term funding are well advanced with a select number of Irish licensed banks and Microfinance Ireland (through its parent SFF) expects to have a facility in place in early course.

Future developments

Given the very recent launch of the business, it is too early to anticipate what changes might be required due to economic or other factors. The Board is committed to ensuring that the role of Microfinance Ireland remains relevant and dynamic to changing market conditions. Microfinance Ireland will conduct a review once sufficient trading track record is in place for a meaningful assessment of performance.

Post balance sheet events

There have been no significant events since the balance sheet date and the date of approval of these financial statements.

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.

Directors

The names of the persons who were directors during the period from incorporation to

31st December 2012 are set out below. Four Board Meetings were held in the period under review.

		Number of Meetings attended
Geraldine Kelly	(appointed 29th August 2012)	4
Yvonne Barry	(appointed 29th August 2012)	4
Mary Brennan	(appointed 17th August 2012)	3
Edmund Jennings	(appointed 29th August 2012)	4
Evanne Kilmurray	(appointed 29th August 2012)	3
Bobby Kerr	(appointed 29th August 2012)	3
John Kelly	(appointed 29th August 2012)	4
Felix O'Regan	(appointed 17th August 2012)	4
Norma Smurfit	(appointed 29th August 2012)	3
Michael Tunney	(appointed 29th August 2012)	2

The Audit and Risk Committee met three times in the period under review. The Committee is chaired by Mary Brennan and membership is also made up of Yvonne Barry and Michael Tunney.

The Credit Committee met three times in the period under review. The Committee is chaired by Felix O'Regan and membership is also made up of Bobby Kerr and John Kelly.

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 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 for financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. 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 ;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2012. 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

Geraldine Kelly
Director

Mary Brennan
Director

21 June 2013

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Microfinance Ireland

I have audited the financial statements of Microfinance Ireland for the period ended 31 December 2012 under the Microenterprise Loan Fund Act 2012. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the microenterprise loan fund account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under the Companies Acts 1963 to 2012, and in accordance with 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 of the state of the company's affairs and of its income and expenditure, 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. 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, in accordance with generally accepted accounting practice in Ireland, of the state of the company's affairs at 31 December 2012 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2012.

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

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

The net assets of the company, as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in my opinion, on that basis there did not exist at 31 December 2012 a financial situation which, under Section 40 (1) of the Companies (Amendment) Act 1983, would require the convening of an extraordinary general meeting of the company.

Matters on which I report by exception

I report by exception if

- my audit noted 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
- I find 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.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General
24 June 2013

Statement of Accounting policies

The significant accounting policies adopted are as follows:

Basis of preparation
The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 1983 and 1990 to 2012. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Accounting convention
The financial statements are presented in Euro (€) and prepared under the historical cost convention.

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

Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market .They arise when Microfinance Ireland provides money to a debtor with no intention of trading the receivable.

Loans are recorded at fair value when cash is advanced to the borrower. They are subsequently accounted for based on the actual capital repayment flows.

Provision for bad and doubtful debts
The company's policy is to provide for bad and doubtful debts to reflect the losses inherent in the loan portfolio at the balance sheet date. There are two types of provisions, specific and general. 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 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. The calculation of specific provisions is inherently subjective and is based on the company's assessment of the likelihood of default and the estimated loss arising in that instance.

A general provision is also made against loans to cover latent bad debts which are known from experience to be present in any portfolio of loans but have yet to be specifically identified.

The aggregate specific and general provisions made during the period, less amounts released and net of recoveries of loans previously written off, are charged against income for the period. Loans in the balance sheet are stated net of the aggregate of specific and general provisions.

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

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.

Income and Expenditure Account

For the period ended 31st December 2012

	Notes	Period ended 31 December 2012 €'000
Income	2	37
		37
Administrative expenses	3	(207)
Bad debt provision	9(b)	(13)
Deficit on ordinary activities	4	(183)
Adjustment for exceptional item	7	(278)
Deficit for the period		(461)

Microenterprise Loan Fund Account

Grant	12	10,000
Deficit for the period		(461)
Closing Balance		9,539

There were no recognised gains or losses other than those dealt with in the income and expenditure account above, and therefore no statement of total recognised gains and losses has been presented. Deficit on ordinary activities arose solely from continuing activities.

There is no difference between the results for the period and its historical cost equivalent.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 16 form part of these Financial Statements.

On behalf of the board

Geraldine Kelly
Director

Mary Brennan
Director

21 June 2013

Balance Sheet

31st December 2012

	Notes	31 December 2012 €'000
Fixed assets		
Tangible assets	8	21
Current assets		
Loans and advances to customers net of provisions	9	39
Accrued Income		37
Short term deposits		9,446
Cash at bank and in hand		33
		9,555
Creditors amounts falling due within one year	10	(37)
Net current assets		9,518
Net Assets		**9,539**
Capital and Reserves		
Issued Share Capital	11	-
Microenterprise Loan Fund		9,539
		9,539

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 16 form part of these Financial Statements.

Geraldine Kelly
Director

Mary Brennan
Director

21 June 2013

Cash Flow Statement

For the period ended 31 December 2012

	Notes	Period ended 31 December 2012 €'000
Net cash (outflow) from operating activities	13(a)	(499)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	8	(22)
Net cash (outflow) for capital expenditure and financial investment		(22)
Management of liquid resources		
Increase in short term deposits with banks		(9,446)
Financing		
Microenterprise Loan Fund Grant Received		10,000
Net cash flow from financing		10,000
Increase /(decrease) in net cash		33
Reconciliation to net cash and liquid resources		
Net cash and liquid resources at beginning of period		**0**
Increase / (decrease) in net cash		33
Movement in liquid resources		9,446
Net cash and liquid resources at year end	13(b)	**9,479**

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 16 form part of these Financial Statements.

Notes to the Financial Statements

1. 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.

2. Income

	Period ended 31 December 2012 €'000
Interest receivable from banks	37

3. Administrative Expenses

	Period ended 31 December 2012 €'000
Salaries and Wages	110
Other Staff Costs	5
Marketing	38
Establishment Costs	15
Administration Expenses	34
Audit Fee	5
	207

4. Operating deficit

	Period ended 31 December 2012 €'000
Operating deficit is stated after charging:	
Salaries and Wages (excluding PRSI)	99
Employer PRSI costs	11
Depreciation	1
Auditors' remuneration (inclusive of VAT)	5

5. Employee Information

Staff numbers

The average number of persons employed by the company during the period to 31 December 2012 was 6. The number of employees as at 31 Dec 2012 was 6.

Pensions

Microfinance Ireland does not operate an occupational pension scheme and has no pension liability to employees.

CEO Remuneration

The Interim CEO was appointed with effect from 1 October 2012. Remuneration for the period to 31 Dec 2012 is as follows:

Salary € 26,400

The Interim Chief Executive is not entitled to any pension benefits.

The Interim CEO's contract ceased on the 30^{th} April 2013 and the new CEO was appointed with effect from the 15^{th} April 2013.

Travel and subsistence costs of € 510 are to be reimbursed to the Interim Chief Executive in relation to expenses incurred in the period to 31 December 2012.

6. Taxation

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

7. Adjustment for Exceptional Item

During the period ended 31 December 2012, the company has incurred costs of €278,000, which were of an exceptional nature, but which were in furtherance of the ordinary activities of the company. In the opinion of the directors, these costs require separate disclosure, in order to show a true and fair view of the financial statements.

The exceptional costs which were incurred by SFF on behalf of Department of Jobs, Enterprise and Innovation included the following:

Legal costs of €113,000 prior to incorporation and also relating to the setup of Microfinance Ireland
Other project costs of €165,000 prior to incorporation and also relating to the setup of Microfinance Ireland

These costs, totalling €278,000, have been reimbursed by Microfinance Ireland to SFF.

8. Tangible Assets

	Office Furniture & Equipment €'000	**Computer Equipment & Software €'000**	**Total €'000**
Additions	5	17	22
Cost at 31 December 2012	5	17	22
Depreciation Charge for the period	0	1	1
Accumulative Depreciation At 31 December 2012	0	1	1
Net book value At 31 December 2012	5	16	21

9(a). Loans and advances to customers

	31 December 2012 €'000
Loans and advances to customers	52
Provision for bad and doubtful debts (note 9(b))	(13)
	39

	31 December 2012 €'000
Loans and advances by maturity	
- 3 months or less	2
- 1 year or less but over 3 months	11
- Over 1 year	39
	52

9(b). Provision for bad and doubtful debts

At beginning of period	-
Charge against income	13
Accounts written off	-
At period end	13
Provision at period end	
- specific	-
- general	13
	13

Loan Commitments

As at 31 December 2012 Microfinance Ireland had loan commitments of € 107,500.

Loan commitments refer to loans approved but not drawn down at year end.

10. Creditors - amounts falling due within one year

	31 December 2012 €'000
PAYE & PRSI	13
Creditors and accruals	24
Total creditors and accruals	37
Creditors for taxation included above	-

11. 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.

12. Microenterprise 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.

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

	Period ended 31 December 2012 €'000
Operating deficit	(461)
Depreciation	1
Increase in Loans and Advances to Customers	(52)
Increase in creditors	37
Increase in Debtors	(37)
Provision charge	13
Total net (outflow) from activities	(499)

13 (b) Reconciliation to net cash

	As at 31 December 2012 €'000
Cash in hand at the bank	33
Liquid resources	9,446
	9,479

14. Capital Commitments and contingent liabilities

(a) Capital commitments
There were no capital commitments at 31 December 2012.

(b) Contingent Liabilities
There were no contingent liabilities at 31 December 2012.

15. 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 € 2,273 are to be reimbursed to Directors in relation to expenses incurred in the year ending 31st December 2012.

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

16. Approval

The directors approved the financial statements and authorised their issue on 21 June 2013.