Microfinance Ireland

(A private company limited by shares)

Directors' Report and Financial Statements

For the year ended 31st December 2013

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
Mason Hayes and Curran
South Bank House
Barrow Street
Dublin 4

Contact Information

Adrienne Murray,
Chief Executive Officer

Patrick Kilbane,
Head of Finance and Risk

Microfinance Ireland
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Dublin 4

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Chairperson's Statement

On behalf of the Directors of Microfinance Ireland (MFI), I am pleased to present the first full year set of Accounts for the twelve months of 2013.

MFI as a not for profit lender, aims to support microenterprises that have difficulty in accessing bank credit for their business by providing them with small loans and ultimately, to support jobs in new and existing viable businesses which will in turn provide wider gains for the Irish economy and sustainable employment levels.

While there were some positive and encouraging signs of the Irish economy improving and stabilising during 2013, challenges still continue for small businesses in terms of access to credit, current debt levels and crucially, demand for local products and services which is the backbone for the sustainability and success of microenterprises in local economies.

Significant marketing, promotion and business development efforts were made throughout 2013 to promote awareness of the Microfinance Loan Fund Scheme amongst potential applicants and in conjunction with a range of business support agencies and representative groups. While the Scheme is ultimately demand led, the Directors and Team of MFI continue to work hard to explore relevant avenues to ensure that all viable microbusinesses that have difficulty in accessing credit are aware of the Scheme, that they are encouraged to apply to MFI for lending support and that each application is given a full and fair credit assessment.

Throughout the year, significant progress was made by the Board of Directors, together with the support of the Audit and Risk Committee and Credit Committee in further developing and refining the business strategy, business controls and procedures and effective risk management and credit policy for MFI. All of this work and effort was made to ensure robust governance structures and continuous and ongoing assessment of the strategic objectives of MFI and its relevance in the prevailing market conditions for its potential applicants and customers. I would like to thank all of my fellow Board Members who give generously and enthusiastically of their time and range of extensive business experience and expertise on a voluntary basis to ensure the success of MFI.

I would like to express our gratitude to each of the County & City Enterprise Boards (CEBs) throughout the country who act as the main referral partner to MFI. The CEB support to MFI in terms of assisting microbusinesses with their application preparation, business training, and pre and post loan business mentoring support is vital to the sustainment and viability of our customers. The CEBs have also kindly assisted MFI customers who have applied directly to us with training and mentoring support. I would like to take this opportunity to wish the CEBs continued success and achievement as they transition to the Local Enterprise Offices (LEOs) in each Local Authority. We look forward to building on the MFI and LEO partnership and engaging with them closely on initiatives in support of job creation and sustainment.

The support of our parent body Social Finance Foundation (SFF) is very important and encouraging to MFI in the context of our strategic ambitions, financial and operational assistance. I would like to extent our appreciation and gratitude to the Board Members and Team of SFF for their ongoing assistance and commitment to MFI.

The financial support in relation to MFI's initial grant funding and the encouragement of the Minister and his officials at the Department of Jobs Enterprise and Innovation with whom MFI has a close working relationship with is integral to the ongoing and evolving objectives of the Microfinance Loan Fund Scheme. I would like to extend our appreciation to each of them for their support throughout 2013.

The European Investment Fund (EIF) is also a vital partner to MFI. The assistance of EIF through the Progress Microfinance Programme is hugely important and appreciated by us in enabling us to lend monies to microenterprises that do not meet with the conventional lending risk criteria of the SME banks.

Also, a note of thanks to the Irish Banking Federation, AIB Bank, Bank of Ireland and Ulster Bank for their ongoing support by helping MFI to promote awareness of the scheme to SME businesses amongst their lending teams and through their own customer communications and networks.

Finally, I wish to thank the Microfinance Ireland Staff and our external Loan Assessor Team for their efforts throughout 2013. Their professionalism and hard work in striving to help deliver the ambitions of the Microfinance Loan Fund scheme in support of sustainable jobs is greatly appreciated.

Geraldine Kelly

Geraldine Kelly,

Chair

25 June 2014

Report of the Chief Executive

Following on from the initial launch of Microfinance Ireland (MFI) in October 2012, in its first full year of operation in 2013, MFI continued to focus on building out the Microfinance Loan Fund Scheme by embedding the operational and overall awareness levels of the Scheme and by implementing the HR, compliance and credit process requirements of the business in support of its strategic objections and as part of the Government's Action Plan for Jobs.

Progress During 2013

During the year, progress was made particularly in relation to -

The recruitment of a permanent MFI Staff Team

Extensive and ongoing marketing, promotion and business development in order to promote the availability of the Loan Fund through local and national radio advertising, MFI participation in a country wide range of SME related networking, briefing and business expo events in conjunction with the County and City Enterprise Boards (CEBs), state support agencies for SMEs and business representative bodies.

Building on our relationship with the CEB teams throughout the country. MFI lending support for CEB clients in receipt of grant funding and arranging training and mentoring support to potential and existing MFI customers across all sectors of business.

Continuous refinement of the MFI application process including extending the application requirement to Self-Certification for applicants declined bank credit facilities. Extending MFI loans with bank co funding for SMEs who have not been approved sufficient bank facilities.

Reviewing and enhancing the MFI website to provide potential applicants with clear information on eligibility criteria, application process steps, helpful frequently asked questions and answers, useful business plan templates, examples of MFI customer stories and an online enquiry facility.

Ongoing review and refinement to our Credit Policy to facilitate tailoring MFI Loans to reflect the seasonality and cash flow requirements of individual microenterprise businesses. Extending our loan repayment terms from three up to five years to help finance the purchase of major equipment and vehicles, in-line with standard bank lending for such areas of business expenditure.

Ensuring a fair and robust independent Loan Appeals Process in order to ensure all MFI applicants are provided with a full and fair loan assessment of their business proposal.

MFI's parent company Social Finance Foundation has made available to MFI a new Loan System to create greater efficiency in our loan administration and processing capacity and this is expected to be fully operational by the end of Q2 2014.

Social Finance Foundation is near to concluding private funding borrowings with a syndicate of Irish Banks. These funds will be made available to MFI to supplement the initial government funding towards the MFI Loan Fund. It is anticipated that MFI will draw on these funds in Q4 2014 based on loan approval levels projected for the year ahead.

MFI continues to engage closely with the SME Banks in order to raise awareness of the Loan Fund Scheme. Both Bank of Ireland and AIB include details of the MFI Loan Fund Scheme in bank decline letters to their own clients, along with highlighting the scheme and bank co funding opportunities with MFI to their own lending teams.

Activity Levels Since The Launch of MFI

I am pleased to report that in in first full year of operation and since the launch of the Loan Fund Scheme in October 2012 up to the end of December 2013, MFI has –

Approved over €2m in loans to microenterprises with fewer than 10 employees and less than €2m turnover per annum

Supported 310 net jobs with 83% representing businesses employing 3 employees or fewer

Approved 55% of loans for start- up businesses trading for less than 18 months

An average approval rate of 47% with a wide geographical coverage across all business sectors with 24% of loans granted to Dublin and 76% across the rest of the country

Lending and Credit Management

Loans outstanding increased from €52,000 at end Dec 2012 to €1,612,000 by end December 2013 representing 122 loans. While the credit performance of the book is generally satisfactory and broadly in line with expectation for a new loan book, it should be noted that Microfinance Ireland engaged with approximately 20% of our clients ranging from more minor issues relating to late loan repayments to full repayment default in a small number of cases. Given the nature of our business, appetite for credit risk and the general trading environment, this level of engagement had been anticipated and built into the original lending model and credit risk appetite.

In the final quarter of the year, Microfinance Ireland successfully utilised the European Progress Microfinance Guarantee Facility in a very small number of cases. This Guarantee underwrites part of MFI's credit losses subject to ceilings at portfolio and individual loan level.

Financial Outcome

MFI, as a not for profit lender and whose reliance on the government's initial grant funding to establish the Loan Fund Scheme and to assist with ongoing operational costs and bad debts, generates limited income from its business operations. Therefore, the business as anticipated in the original Business Case model operates on a financial deficit basis.

The Deficit for the period was €781,000 which is higher than last year reflecting a full year trading performance compared to three months in 2012.

The Deficit is dominated by operating costs in connection with the running of the business - salaries (€456,000), marketing (€118,000) and other overheads. The total Bad Debt Charge of €177,000 was mainly general in nature reflecting the start-up nature of the business. The Bad Debt Specific Charge (€47,000) was partly cushioned by receipts from the European Progress Microfinance Facility under which credit risk is partly underwritten by EIF. Interest Income increased six fold in the period under review reflecting the 12 month trading period and the increasing loan book volume.

The 2014 Business Priorities for Microfinance Ireland include –

Building on MFI's achievements to date with continuous promotion and outreach to our target audience to enable us achieve €4m in new loans approvals by the end of the year. This will be enabled by a Channel Strategy with strong focus and engagement with

Local Enterprise Offices (LEOs) as MFI's main Referral Partner

Applicants who apply directly to MFI

Extending our reach to Local Development Companies and with other Business Advisors who support microenterprises with business start- up support and access to finance advice

Continuous engagement with the Banks in support of SMEs

Launching a Small Loans Scheme for Sole Traders

An Enterprise Youth Initiative in partnership with the LEOs to be launched later in 2014

Adrienne Murray

CEO

Directors' Report

The directors present their report and the audited financial statements of the company for the year ended 31st December 2013.

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 the European Progress Microfinance Facility for employment and social inclusion signed on 7 December 2012, 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 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 19 to 21 and is considered satisfactory. The Deficit on ordinary activities was €781,000.

Post balance sheet events

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

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 Sub Committee 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
- Loan administration under Operational Risks

Directors

The names of the persons who were directors during the year to 31st December 2013 are set out below. Eight Board Meetings were held in the period under review.

		Number of Meetings attended
Geraldine Kelly	(appointed 29th August 2012)	7
Yvonne Barry	(appointed 29th August 2012)	8
Mary Brennan	(appointed 17th August 2012)	5
Edmund Jennings	(appointed 29th August 2012)	7
Evanne Kilmurray	(appointed 29th August 2012)	5
Bobby Kerr	(appointed 29th August 2012)	7
John Kelly	(appointed 29th August 2012)	8
Felix O'Regan	(appointed 17th August 2012)	8
Norma Smurfit	(appointed 29th August 2012)	5
Michael Tunney	(appointed 29th August 2012)	7

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 eleven 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.

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 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 2013. 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

25 June 2014

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 managements 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
- Keeping under review the need for independent reassurance through an appropriate internal audit service

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 Management Information
- Review by Audit and Risk Committee and Board of all non credit related risks
- Regular review by Board of financial performance versus Budget

In the year under review, the first full trading year of Microfinance Ireland, the Audit and Risk Committee recommended for adoption the first Corporate Risk Policy as well as reviewing the risk management system which included the Risk Register and Priorities. In addition, the Committee reviewed the Administrative and Control Procedures for the business.

Given the development stage of the business and relative small scale, the Committee has concluded that it is not yet appropriate to employ/engage a full time internal audit resource. Nothwithstanding this, the Audit and Risk Committee commissioned an internal audit of IT Security in 2013 by a suitably qualified external supplier. The need and extent of independent reassurance will continue to be kept under review in 2014 as the business operations mature and business levels increase.

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

Annual review of controls

I confirm that in respect of the year ended 31 December 2013 the Board conducted a review of the effectiveness of the system of internal financial control.

Gerldo Kelly

Geraldine Kelly

Chair

25 June 2014

Microfinance Ireland

I have audited the financial statements of Microfinance Ireland for the year ended 31 December 2013 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 2013, 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 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, in accordance with generally accepted accounting practice in Ireland, of the state of the company's affairs at 31 December 2013 and of its income and expenditure for 2013; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Matters on which I am required to report by the Companies Acts 1963 to 2013

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.

Under Section 40 (1) of the Companies (Amendment) Act 1983, the convening of an extraordinary general meeting of the company is required if the net assets of the company are less than half of the amount of its called-up share capital at the balance sheet date. At 31 December 2013, 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 consequently, in my opinion the convening of an extraordinary general meeting is not required.

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
- the 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 statutory disclosures of directors' remuneration and of transactions with directors are not made, 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.

Patricia Sheehan

Patricia Sheehan
For and on behalf of the
Comptroller and Auditor General
30 **June 2014**

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 2013. 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 client 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. 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 for employment and social inclusion signed on 7 December 2012, 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.
Microfinance Ireland recognises bad debts (both actual and projected) for its own account in the financial statements of the company as well as cash receipts under the European Progress Microfinance Facility.

There are two types of bad debt 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 also having regard to the risk sharing Facility and payments called/callable under the European Progress Microfinance Facility (in the event of default). 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 similar portfolios of loans but have yet to be specifically identified but also having regard to payments callable under the European Progress Microfinance Facility (in the event of default).

The aggregate specific and general provisions made during the period, less amounts released and net of recoveries of loans previously written off and payments called under the European Progress Microfinance Facility, 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

	Notes	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Income	2	216	37
		216	37
Administrative expenses	3	(820)	(207)
Bad debt charge	9(b)		
- Specific		(47)	0
- General		(151)	(13)
- Guarantee called European Progress Microfinance Facility		21	0
Total		(177)	(13)
Deficit on ordinary activities	4	(781)	(183)
Adjustment for exceptional item	7	0	(278)
Deficit for the year/period		(781)	(461)

Microenterprise Loan Fund Account

	Notes	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Grant	12	9,539	10,000
Deficit for the year/period		(781)	(461)
Closing Balance at end of year/period		8,758	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 17 form part of these Financial Statements.

On behalf of the board

Geraldine Kelly
Director
25 June 2014

Mary Brennan
Director

Balance Sheet

	Notes	As at 31 December 2013 €'000	As at 31 December 2012 €'000
Fixed assets			
Tangible assets	8	15	21
Current assets			
Loans and advances to customers net of provisions	9	1,430	39
Accrued Income		114	37
Short term deposits		7,241	9,446
Cash at bank and in hand		17	33
		8,802	9,555
Creditors amounts falling due within one year	10	(59)	(37)
Net current assets		8,743	9,518
Net Assets		**8,758**	**9,539**
Capital and Reserves			
Issued Share Capital	11	0	0
Microenterprise Loan Fund		8,758	9,539
		8,758	**9,539**

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 17 form part of these Financial Statements.

Geraldine Kelly
Director

Mary Brennan
Director

Cash Flow Statement

	Notes	Year/Period ended 31 December 2013 €'000	Year/Period ended 31 December 2012 €'000
Net cash (outflow) from operating activities	13(a)	(2,220)	(499)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	8	(1)	(22)
Net cash (outflow) for capital expenditure and financial investment		(1)	(22)
Management of liquid resources			
Increase in short term deposits with banks		2,205	(9,446)
Financing			
Microenterprise Loan Fund Grant Received		0	10,000
Net cash flow from financing		0	10,000
Increase /(decrease) in net cash		(16)	33
Reconciliation to net cash and liquid resources			
Net cash and liquid resources at beginning of year/period		**9,479**	**0**
Increase / (decrease) in net cash		(16)	33
Movement in liquid resources		(2,205)	9,446
Net cash and liquid resources at year end	13(b)	**7,258**	**9,479**

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 17 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

	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Interest client loans	57	0
Interest bank deposits	159	37
Total Income	216	37

3. Administrative Expenses

	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Salaries and Wages (excl PRSI)	456	99
Employer PRSI	49	11
Travel and subsistence	15	3
Credit Assessor fees	34	2
Marketing/Advertising	118	38
Legal fees	43	20
Outsourcing/Consultancy fees	33	14
Rent	13	3
Depreciation	7	1
Other	52	16
	820	207

4. Operating deficit

	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Operating deficit is stated after charging:		
Salaries and Wages (excluding PRSI)	456	99
Employer PRSI costs	49	11
Depreciation	7	1
Auditors' remuneration (inclusive of VAT)	7	5

5. Employee Information

Staff numbers

The average number of persons employed by the company during the period to 31 December 2013 was 7. The number of employees as at 31 Dec 2013 was 8.

Pensions

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

CEO Remuneration

The CEO was appointed with effect from 15 April 2013. Remuneration for the period to 31 Dec 2013 is as follows:

Salary € 62,728

The Chief Executive is not entitled to any pension benefits.

Travel and subsistence costs of € 497 were reimbursed or reimbursable to the Chief Executive in relation to expenses incurred in the period to 31 December 2013.

The CEO tendered her resignation on 12 December 2013 which was accepted, effective 14 March 2014.

Interim CEO

Following the appointment of the CEO, the Interim CEO resigned effective 30 April 2013. Remuneration for the Interim CEO for the period is as follows:

Salary € 35,200

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
Cost			
Balance at 31 December 2012	5	17	22
Additions	1	0	1
Cost at 31 December 2013	6	17	23
Depreciation			
Balance at 31 December 2012	0	1	1
Depreciation Charge for the period	1	6	7
Accumulative Depreciation At 31 December 2013	1	7	8
Net Book Value			
At 31 December 2012	5	16	21
At 31 December 2013	5	10	15

9(a) Loans and advances to customers

	31December 2013 €'000	31 December 2012 €'000
Net loans outstanding at start of period	39	0
Loans Issued	1,847	52
Capital repaid	(258)	0
Increase in provision	(169)	(13)
Write offs	(29)	0
Net loans at year end	1,430	39

	31 December 2013 €'000	31 December 2012 €'000
Loans and advances by maturity		
- 3 months or less	128	2
- 1 year or less but over 3 months	430	11
- Over 1 year	1,054	39
	1,612	52

9(b) Provision for bad and doubtful debts

At beginning of period	13	0
Charge against income	177	13
Guarantee called European Progress Microfinance Facility receipts	21	0
Amounts written off	(29)	0
At period end	182	13
Provision at period end		
- specific	18	0
- general	164	13
	182	13

Microfinance Ireland called and received two payments under the European Progress Microfinance Facility during 2013. Under the Facility, 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.

9 (c) Loan Commitments

As at 31 December 2013 Microfinance Ireland had loan commitments of €260,185 (31 December 2012 €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 2013 €'000	31 December 2012 €'000
PAYE & PRSI	17	13
Creditors and accruals	42	24
Total creditors and accruals	59	37
Creditors for taxation included above	0	0

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

	Year ended 31 December 2013 €'000	Period ended 31 December 2012 €'000
Operating deficit	(781)	(461)
Depreciation	7	1
Increase in Loans and Advances to Customers	(1,589)	(52)
Increase in Creditors	22	37
Increase in Debtors	(77)	(37)
Provision charge	177	13
Guarantee called European Progress Microfinance Facility	21	0
Total net (outflow) from activities	(2,220)	(499)

13. (b) Reconciliation to net cash

	As at 31 December 2013 €'000	As at 31 Dec. 2012 €'000
Cash in hand at the bank	17	33
Liquid resources	7,241	9,446
	7,258	9,479

14. Capital Commitments and contingent liabilities

(a) Capital commitments

There were no capital commitments at 31 December 2013 (Nil 31 December 2012).

(b) Contingent Liabilities

There were no contingent liabilities at 31 December 2013 (Nil 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 € 5,469 were reimbursed or reimbursable to Directors in relation to expenses incurred in the year ending 31st December 2013.

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

16. Board members interest

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 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.

17. Approval

The directors approved the financial statements and authorised their issue on 28 March 2014.