

Annual Report 2011





## Irish Fishing Tours – Stay, Fish & Play



Long time friends Paul Bourke and Danny Tiernan had both spent nearly 20 years working in the construction industry. Growing up on the shores of Lough Derg and the majestic river Shannon, they share a love of the great outdoors and a passion for

fishing and shooting. With time on their hands they set about researching the potential for setting up a top quality guided fishing business based around the picturesque village of Garrykennedy. The unspoilt lakeside village, which has a reputation for traditional Irish music, had recently received an extensive makeover with facilities being added to cater for the fishing and boating community.

As prizewinning active members of the local Fishing club, there isn't much that Paul and Danny don't know about the fishing waters of Lough Derg, famous worldwide for its Pike, Trout, Perch, Bream and Roach. They attended a training programme on the nature of fishing on Lough Derg and the Rane River in Northern Sweden. This convinced them that there was definitely a market for a professional 'all-in' package including a guided Angling/Gillie service,

tackle hire, accommodation, packed lunches, meals and transport targeted at overseas visitors.

A business plan evolved and, with a loan sanctioned in 2011 from First-Step/Social Finance Foundation and a Leader grant, IRISH FISHING TOURS was born. Months of hard work has gone into establishing a quality business which will appeal to the discerning European market. Two state-of-the-art specialist boats were acquired, as well as the best fishing tackle and safety equipment. A specialist marketing firm was engaged to build an interactive website and collaborative arrangements made with local accommodation providers in order to offer visitors a range of options. The business currently employs the two promoters. The scene is set for an exciting future for this world class business whose motto is STAY FISH & PLAY.

## Fatima Launderette

The Fatima Community Launderette began life as a cooperative in 1986 and over the intervening decades has provided a needed service to successive generations and been a key source of local employment. Operating out of a flat in the complex - allocated by the Council - the operation may have been small to begin with, but it would be hard to overstate its importance for the area, which was often forced to fall back on its own ingenuity and skills to cope with official neglect and abandonment.

In 2005, prospects were somewhat brighter for the residents of Fatima Mansions as the area's long-promised regeneration finally got under way. The project also meant temporary relocation for the now thriving launderette and a premises was secured in nearby Harold's Cross. It was to prove a fortuitous move.

Relocation saw the Fatima operation working side by side with Special Care, a provider of specialised laundry services across a range of sectors and organisations. In addition, the new premises allowed for a more significant 'walk-in' over the counter laundry service.

It was clear that there was a natural pooling of skills and experiences between the two entities and hardly surprising that, over time, they began to work very much as one unit. In 2008, as the Fatima operation prepared to move back into the refurbished flats complex - to occupy a purpose built enterprise unit - the Board agreed to purchase Special Care and keep both premises open, for a time.

The process also saw major investment in the merged operation and the purchase of specialised, new equipment. The Foundation and



Clann Credo have provided support for the new, expanded operation on the basis that it makes a major contribution to the economic and social life of the community and now has the capacity to considerably increase its local impact.



## Annual Report 2011

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# About the Social Finance Foundation

In July 2006, the Government approved the implementation of the Social Finance Initiative. It established a not-for-profit company (limited by guarantee and having no share capital) to act as a wholesale supplier of funding for social finance. Social finance is, inter alia, about the availability of loan finance at affordable interest rates to community-based projects and micro-enterprises. These projects, which generate a social benefit, often experience difficulties in accessing loans from mainstream lending institutions.

In January 2007, the Social Finance Foundation was established. Seed capital of €25m was provided by the Banking Industry through the Irish Banking Federation. The Banking Industry provided further funding support to the Foundation in 2009, through a twelve year €72m Loan Agreement at a rate of interest appropriate to social finance.

As a wholesale supplier of social finance, the Foundation works through Social Lending Organisations (SLOs), which interface with borrowers. Some SLOs have been operating for many years and were pioneers of social finance in Ireland. The primary aims of the Foundation are to support communities and micro-enterprises in Ireland, where social finance is needed to make the project a reality and to promote a vibrant social finance sector.

The signing of the Loan Agreement between the Banking Industry in April 2009 with **Pat Farrell**, CEO Irish Banking Federation, **Ken Slattery**, Credit and Operations Director SFF and **Brendan Whelan** Chief Executive Officer SFF.



## Chronology and Highlights

**FEB 2007**

Minister for Finance publicly launches Social Finance Foundation

**MAR 2007**

Banks provide €25m to Foundation

**AUG + OCT 2007**

Loan drawings commence with First Step Microfinance and Clann Credo respectively

**APR 2009**

Foundation signs Loan Agreement with 12 Banks for additional funding of €72m

**OCT 2009**

Inaugural Stakeholders Meeting

**FEB 2010**

Loans approved reaches €20m

**SEP 2010**

Foundation commences work on Financial Inclusion in Ireland for Dept. of Finance

**JUN 2011**

Strategy Report on Financial Inclusion published

**SEP 2011**

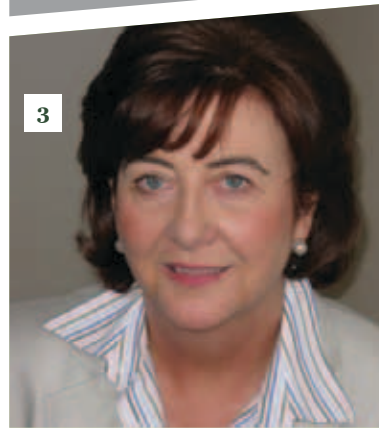
Business Proposal for MicroFinance Initiative presented to Department of Jobs, Enterprise and Innovation

**DEC 2011**

Government announces exchequer funding of €10m seed capital for Microfinance Fund

**DEC 2011**

Loans approved reaches €39m



## Chairman's Statement

The Directors of the Social Finance Foundation are pleased to present their fifth set of financial accounts, which cover the twelve months to 31st December 2011. This period contrasts with the previous financial period which was for only six months, making comparisons between periods somewhat difficult. The change was made to bring the financial year of the company into line with the calendar year which is increasingly becoming the norm.

The year 2011 was yet another very challenging year for citizens, businesses, charities, in fact for virtually all elements of Irish society. It provides some degree of satisfaction that the Foundation had the funds to continue to lend through the well established Social Lending Organisations to creditworthy individuals and communities to achieve their aspirations. In an environment of continued restricted credit in the economy and reduced State support to charities, the role of the Foundation has never been more relevant.

We accept that the Foundation cannot be immune to the problems in the wider economy and we have adjusted our expectations accordingly. We recognise that we will have to live with a higher level of risk than we had initially envisaged, but we are determined that the current environment will not inhibit our willingness to support the tremendous work still being undertaken in the social economy. The Directors realise that without the encouragement of the Department of Finance and the willingness of the Banking Industry to support the Foundation financially, it could not discharge the increasingly important role it plays.

We are pleased to report that lending of €10.7m was approved (with €7.1m drawn down) in the year 2011. We recognise the need to increase awareness of the concept of social finance amongst community organisations. We want to ensure that all meritorious projects that do not have access to mainstream borrowing are aware of social finance as a possible alternative.

During 2011 the Foundation provided research and project planning support to two government departments in areas of relevance to social finance. The Board accepted a request from the Department of Finance for the Foundation management to conduct a review of the options available to address financial exclusion in Ireland, drawing on international best practice approaches. The Board also supported management in the development of a business proposal to the Department of Jobs, Enterprise and Innovation for the creation of a Micro-Finance Fund for fledgling micro businesses which have no access to mainstream borrowing. This initiative was part of the Programme for Government in February 2011. Updates on both projects are given on Page 7. Both initiatives are examples of the Foundation contributing beyond its core remit of social lending and I would like to record the Board's appreciation of the extra work undertaken by management in developing both initiatives, each of which has the potential for significant national benefit.

The Chairman of the Board, Peter Quinn stood down in 2011. The Foundation is in debt to Peter for the very strong leadership he provided during his nearly

### BOARD OF DIRECTORS

**1 SHEILA NORDON (CHAIRMAN)**

Exec Director of Irish Charities Tax Research Ltd

**2 PROF. CHRISTOPHER CURTIN**

Professor and Head of School of Political Science and Sociology - NUI Galway

**3 MAEVE DONOVAN**

Former Managing Director - Irish Times Ltd

**4 CYRIL FORBES**

Deputy Chairman of JLT Insurance Brokers Ireland Ltd

**5 GERARD MCGEE**

Member County Leitrim Community Forum

**6 FELIX O'REGAN**

Director Public Affairs - Irish Banking Federation

**7 KATHLEEN PRENDERGAST**

Economic Development Officer, South Tipperary County Council

five years in the role. Peter's sure-footed leadership ensured that the Foundation developed a long term sustainable lending model based on maximizing the leverage potential of the initial investment with support from the banking sector. Thanks to his and the Board's vision, the Foundation is in a position to provide social lending support to viable projects for the foreseeable future. On behalf of the Board, staff and stakeholders in the Foundation, I would like to record our sincere thanks and appreciation to him for his contribution as the first Chairman.

The Board met on six occasions during 2011. The Audit and Credit Committees meet regularly and discharge their duties effectively and I thank the members of both committees for their contribution.

I wish to thank both my fellow Board members and our staff for the progress achieved to date. I am only too conscious that without their input, support and energetic enthusiasm, the Foundation would not have achieved what we have managed to do so far. The role and contribution of the Social Finance Foundation are now well established. I would confidently predict that its contribution to the Irish social economy will continue to increase in the years ahead.

**Sheila Nordon**  
Chairman

## Colgan Community & Resource Centre, Carndonagh



UCIT (Ireland), with assistance from the Social Finance Foundation, has provided a loan to Colgan Community & Resource Centre towards the costs associated with the redevelopment of the Colgan Hall.

The building, which has played host to numerous social events down through the years, is in the process of a significant renovation at the hands of its dedicated committee who embarked on the works a number of years ago.

This particular phase of development will provide improved disability

access to the building, new toilet facilities, improvements to the existing committee room, and facilitate a future extension to the Hall, which is a listed building. The Foundation/UCIT (Ireland's) investment serves to complement the hard work this group has undertaken in rousing interest among their community and successfully raising well in excess of €110,000 at a local level to date.

Photo caption: Building work in progress on the new extension to the Colgan Hall, Carndonagh

## Chief Executive's Report

The financial accounts for the twelve months ending 31st December 2011 mark almost five years of existence for the Foundation, having been incorporated in January 2007. The years have seen a dramatic change in the country's fortunes. Unsurprisingly, the impact on the Foundation was reflected in the growth in loan losses, especially in the micro-finance loan book. Community-type lending proved more resilient.

The long term financial plan for the Foundation aspires to have expenditure levels matched by income earned, with bad debts being catered for from capital resources. In the five years to date, that has been the case or better. For the year ended December 31st 2011, net interest income amounted to €1.1m; administrative expenses totalled €0.4m; the operating surplus was thus €0.7m; the charge for bad debt provisions was €0.7m and a deficit for the year of €36k was recorded. This is an acceptable outcome in the current difficult environment.

Since commencement of lending in September 2007, loans totalling €38.8m have been approved by the Foundation for the current Social Lending Organisations. Loans drawn down in that period amounted to €21.2m, reflecting delays in drawdowns and cancellation of projects. The current outstanding loans, before provisions, amount to €13m and reflect the effect of repayments being made and a significant increase in short term bridging finance. A bad debt provision of €0.7m for the year ended 31st December 2011 has been charged to the profit and loss account, giving a total provision, after write-offs, on the balance sheet of €1.9m. Given the state of the Irish economy, there will be a continued strong emphasis in the coming year on ensuring credit quality in new loans advanced and on monitoring the existing loan book closely.

The Foundation ensures that all the loans it funds through the Social Lending Organisations have a clear social impact. The social impact is estimated at inception of the project. For those loans advanced in the year 2011, we have estimated the impact in as quantifiable a way as possible. This is shown on Page 8. It is a cause of great satisfaction to see the social benefits which arise from social finance, especially when times are so difficult in the economy.

Management were pleased to work with the Department of Finance and the Department of Jobs, Enterprise & Innovation on two important projects, Financial Inclusion and Micro-Finance. Both projects reached important milestones in 2011 and

an update on each is included on Page 7. I would like to take this opportunity to express our deep gratitude to Peter Quinn for his role as Chairman since inception. His experience and wisdom was a great support to management, particularly in the formative years of the Foundation. Finally, I would like to express my appreciation to the Irish Banking Federation and its member banks, without whose funding the Foundation would not exist, the Department of Finance, each Social Lending Organisation and Arthur Cox for their support for the Foundation during 2011.

**Brendan Whelan**  
Chief Executive Officer

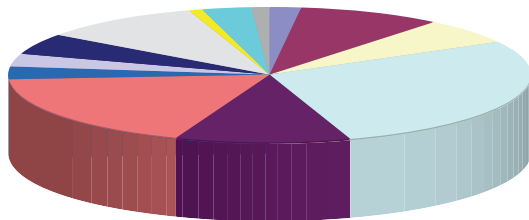


*Pictured at the Inaugural Stakeholders Meeting:*  
**Ken Slattery**, Credit and Operations Director,  
**Celia McCarthy**, Accountant and **Brendan Whelan**,  
Chief Executive Officer

# Lending Information

## SECTOR BREAKDOWN

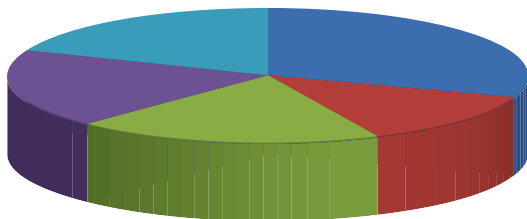
The nature of the Foundation’s lending is shown in the table below. The Foundation is very conscious of its obligation to ensure that monies are utilised in areas where they will have a high social impact. The table illustrates that this is being achieved.



Addiction Treatment	2%
Childcare	9%
Community Arts & Tourism	6%
Community Centre	28%
Community Enterprise	11%
Community Sports	18%
Elderly Care	3%
Housing for Homeless	3%
Micro Finance - Expansion	5%
Micro Finance - Startup	10%
Other	1%
Special Needs & Treatments	3%
Voluntary Assoc.	1%

## GEOGRAPHIC BREAKDOWN

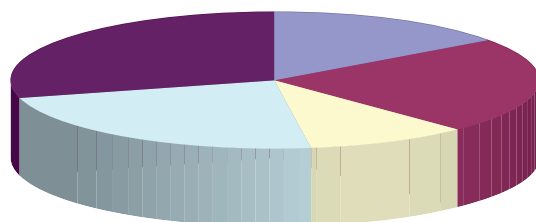
The Foundation strives to achieve a balanced distribution of funds throughout the State and the chart below illustrates that this is being broadly achieved.



Connaught	30.5%
Dublin	12.9%
Munster	19%
Rest of Leinster	19%
Ulster	18.7%

## MATURITY PROFILE

The terms of the loans by the Foundation have turned out to be longer than originally anticipated. This has resulted in the monies being “tied up” for long periods and thus unavailable for re-issuance to others. Hence the twelve year loan agreement with the Banking Industry for the long term funding of the Foundation. Thirty-six percent of Foundation loans are for periods of six years or greater, with 21% for periods in excess of ten years.



<1 Year	3.4%
1-3 Years	50.7%
4-5 Years	9.9%
6-10 Years	14.9%
11-15 Years	21.1%

Lending information shown in the pie-charts reflect loan drawings.



# Projects

## MICROFINANCE FUND FOR IRELAND

The Program for Government in March 2011 stated “we will construct a €100 million Microfinance Start-Up Fund that will provide start-up loans and equity that draws funding from the NPRF and private institutional funds.” This commitment was in response to the increasing demand for microfinance as more individuals seek to create and maintain their own enterprise as unemployment rises. However they often cannot secure loan finance from mainstream institutions. The Social Finance Foundation, working for the Department of Jobs, Enterprise and Innovation consulted with a range of stakeholders to develop a proposal to realise this commitment. The proposal was put to Government and in December 2011 it was announced “we have been able, through re-prioritising our resources, to introduce new structural spending initiatives, such as €10m for a new Microfinance Fund.”

The Foundation was pleased to be able to contribute constructively to one of the Government’s initiatives in the area of job creation. The support of First Step Microfinance in developing the proposal was particularly important as they represent the only organisation operating nationally in the microfinance area and bring much knowledge and experience to bear.

Implementation is planned for 2012. The Foundation will continue to work with the Department of Jobs, Enterprise and Innovation during 2012 to bring the initiative to successful fruition.

## FINANCIAL INCLUSION IN IRELAND

As part of the European Commission Decision on the restructuring of Bank of Ireland, the State made a commitment that it would undertake a review of the options available to achieve financial inclusion in Ireland, drawing on best practice international approaches to resolving this issue. The objective of the review was to develop a strategy identifying the recommended actions to achieve a substantial reduction in financial exclusion over a 3-5 year period. However, a realistic timeframe for full achievement of the aims of the strategy would inevitably be longer.

Following a request from the Department of Finance to the Board of the Social Finance Foundation, the review was conducted by a project team from SFF under the aegis of a Steering Group composed of key stakeholders. A Strategy Report was produced in June 2011 which summarised the main findings of the review, and recommended the next steps to address the problem of the high level of financial exclusion in Ireland.

The Government has approved the implementation of the recommendations. The key recommendation was the provision by the Banking Industry of a Basic Payment Account designed to meet the needs of those on low incomes. An Implementation Working Group has been established to oversee the piloting of the recommendations in 2012 with national roll-out to follow in 2013. The Foundation was pleased to be able to play such a key role to date and will continue to lend its experience and resources to the Pilot Project.

## Seanchaí Literary & Cultural Centre, Listowel, Co. Kerry

There must be something in the water. How else to explain the fact that a from small area of North Kerry - centered around the heritage town of Listowel - a veritable abundance of writers has sprung? And their works have found not only local and national fame, but international recognition also. Writers such as John B.Keane, Bryan MacMahon and Brendan Kennelly.

Indeed, it is the presence of this rich literary seam that has been successfully mined for many years in Listowel, through its annual and world-renowned Writer’s Festival.

Hardly surprising that the town is also home to the Seanchaí Centre, which opened in 2000 with the distinct aim of celebrating and spreading awareness of the region’s literary riches. It hosts an

interactive audiovisual exhibition that honours some 80 Kerry-based writers. The centre houses a 120 seat auditorium, an archive and reading room, a book and gift shop and a restaurant.

The Seanchaí Centre is a popular attraction with visitors to the region and also plays a crucial role in the fabric of local cultural and social life. It holds literary workshops and regular readings from established authors; it holds lectures for adults and children, organises creative writing and storytelling workshops and also plays host to regular musical gatherings.

Such was the demand for space and the popularity of the centre that in 2008 it was decided to extend and expand the facilities. Clann Credo was approached for support and with the Foundation was

happy to assist as it was clear that the Seanchaí Centre provided a model of an essential local resource that contributed hugely to the social, economic and cultural life of the community from which it grew.



## Social Impact

At inception, it was decided not to pursue formal measurement and reporting of social impact until the Foundation was well established and the nature of social lending was better understood. Since late 2010, data has been collected on the projects which have been supported by SFF funding through the SLOs.

These measures are the best available at this time and will be refined over time. It needs to be recognised that, while expressed in quantifiable terms, it lacks precision for a number of reasons:

- The figures being estimates prior to the project commencing, rather than actual when the project has been implemented
- The role that bridging finance plays in getting a project off the ground, where grants are only paid when expenditure has been incurred.
- Foundation funds may only be a small proportion of the overall project and attributing all the social benefits could be seen as an exaggeration.

The lack of precision should not however take from the broad thrust of the data, reflecting as it does the social impact of monies lent in a year (€7.1m in 2011) as shown in the table.

### Measure

No. of jobs created	300
No. of jobs maintained	220
No. of temporary construction jobs	400
Low cost space provided (sq. ft.)	6,000
No. of groups using the facility	370
No. of people using the facility	35,000
No. of volunteers involved	1,100
No. of people being trained p.a.	800
No. of elderly people supported	510
No. of people housed	10
No. of children in childcare or playgrounds	3,130
No. of youths supported	720
No. of tourists p.a.	54,400

## St. Michael's Theatre New Ross, Co. Wexford



Belated though it may be, there is finally some official recognition of the enormous contribution the arts and culture sector make to the social and

economic life of the country. Indeed some would see it as a sleeping giant whose full potential has yet to be realised.

But while grand plans may be forged at a national level, it is at the grassroots that the future health of the sector will be determined and secured.

New Ross-based St Michael's Theatre has - quite literally - been at the very centre of cultural life in the town for almost 12 years. A community-owned project located in the heart of town, it is involved in the provision of drama programmes, the staging of musicals and exhibitions and also houses a popular cafe.

The centre does have a cinema, but it is based on an old analogue system that requires reels to be manually joined before a film can be shown. Sound and picture quality are also an issue.

With the nearest cinema located some 20 km away in Waterford, St Michael's is clear that there would be strong local demand for upgraded, modern facilities and so have set about the development of a new, digital 3D system. Not only is picture quality hugely enhanced, but the technology is such that it can be operated by any staff member. Over time it will also expand the range and nature of screenings and help to develop a focus on the art of cinema itself.

St Michael's has been involved with Clann Credo since 1998. Clann Credo along with the Social Finance Foundation are happy that their latest venture will add greatly to the life of the town, while also strengthening the local cultural sector.

# Financial Information

The financial information shown does not constitute full accounts within the meaning of the Companies Acts. This information has been extracted from the audited financial statements of the Social Finance Foundation for the periods ended 31st December 2011 and 31st December 2010.

Financial statements for the periods ended 31st Dec 2010 and 31st Dec 2011 have been delivered to the Registrar of Companies in Dublin.

The auditors, BDO, Beaux Lane House, Mercer Street Lower, Dublin 2 have given unqualified audit reports in respect of each of the said periods.

Copies of the full audited financial statements can either be obtained by writing to the Credit & Operations Director of Social Finance Foundation at 6-9 Trinity Street, Dublin 2 email - [kslattery@sff.ie](mailto:kslattery@sff.ie) or from the Companies Registration Office at their web site - [www.cro.ie](http://www.cro.ie)

## PROFIT AND LOSS ACCOUNT

### YEAR ENDED 31ST DECEMBER 2011

	2011 12 Months €000	2010 6 Months €000
Interest	1,085	453
<b>Total income</b>	<b>1,085</b>	<b>453</b>
Administrative Expenses	(429)	(218)
Loan Loss Provisions	(692)	(332)
<b>(Loss) / profit on ordinary activities before tax</b>	<b>(36)</b>	<b>(97)</b>
Tax on profit on ordinary activities	0	0
<b>(Loss) / profit for the year</b>	<b>(36)</b>	<b>(97)</b>

## BALANCE SHEET AS AT 31ST DECEMBER 2011

	31st December 2011 €000	31st December 2010 €000
<b>FIXED ASSETS</b>		
Tangible Assets	4	7
<b>CURRENT ASSETS</b>		
Loans and advances to customers net of provisions	11,113	8,178
Other debtors	825	572
Short term deposits	28,657	27,124
Cash at bank and in hand	5	4
	<b>40,600</b>	<b>35,878</b>
Creditors - amounts falling due within one year	(1,707)	(1,206)
<b>Net Current Assets</b>	<b>38,893</b>	<b>34,672</b>
<b>Total assets less current liabilities</b>	<b>38,897</b>	<b>34,679</b>
Creditors - amounts falling due after more than one year	(14,384)	(10,130)
<b>Net Assets</b>	<b>24,513</b>	<b>24,549</b>
<b>CAPITAL AND RESERVES</b>		
Profit and loss account	24,513	24,549
	<b>24,513</b>	<b>24,549</b>



**Social  
Finance  
Foundation**

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Social Finance Foundation is a company  
(No. 433581) limited by guarantee and  
qualifies for charitable tax exemption - No. CHY 17272

**Brendan Whelan**  
Chief Executive Officer

**Ken Slattery**  
Credit and Operations Director

**Celia McCarthy**  
Accountant

