



Annual Report **2013**





## CASE STUDIES

### FOSCADH HOUSING ASSOCIATION

Five years after a property bubble burst and unfinished ghost estates scar the countryside, parts of Ireland are gripped by another housing crisis. The demand for social housing is now acute, placing ever greater demands on the resources and expertise of groups such as Foscadh Housing Association.

Formed in 1999, Foscadh has 113 houses in Louth and Tipperary, available for people who typically face greater barriers and delays in their search for a home: traveller families, single parent families and older people. Foscadh requested Clann Credo's support for the construction of four new houses, at the Lia Bhrega Estate, in Drogheda – which already contains 65 social housing units.

Official figures from 2013 showed a 'waiting list' of over 2000 families in the locality, although proactive local authorities have managed to reduce waiting times.

The new homes form part of the government's Social Housing Leasing Initiative and represent a crucial addition to the social infrastructure of the local area and the wider community. The support of the Foundation means four families get the chance to transform a house into a home.



## Foscadh Housing Association

Louth and Tipperary

### MEATH ACCESSIBLE TRANSPORT PROJECT LTD. T/A FLEXIBUS

A loan from UCIT (Ireland) financed in part by the Social Finance Foundation assisted Meath Accessible Transport t/a Flexibus, to purchase a building so that they could expand their existing Community Transport Business. Flexibus emanated from a Justice, Equality & Law Reform project on accessibility.

In 2012 the group carried 93,000 passenger trips (3,000 in 2002). While certified training was developed to give quality training to their staff, that business has expanded and they now train nine other Rural Transport Groups, Care Staff (HSE, Enable Ireland) and various clients in Co. Meath.

The group purchased a building to allow their business to expand and give them access to a workshop for their vehicle fleet. In their previous location, they were limited in their expansion plans and unable to make savings without their own workshop.

Flexibus have a fully accessible fleet of buses/cars and a variety of lifts. They will now have the potential to service external clients' vehicles with lifts. Further, they have a panel of external trainers as well as three members of staff who provide various types of training to paying clients.



## Flexibus

Co. Meath

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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 finance for the social sector. Social finance is, inter alia, about the availability of loan finance at affordable interest rates to community-based projects and social 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 generously 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 discounted rate of interest. In 2012, the Foundation was given responsibility for the administration of a Government funded Microfinance Loan Fund to promote job creation by supporting new and existing micro-enterprises. Microfinance Ireland was established as a subsidiary of the Foundation to discharge this responsibility. The Banking Industry again has been very supportive of the initiative. AIB, Bank of Ireland and Ulster Bank have agreed a €15m loan facility at a competitive interest rate to fund MFI lending over the next five years.

As a wholesale supplier of social finance, the Foundation works through Social Lending Organisations (SLOs), which interface with borrowers. Some SLOs, such as Clann Credo, have been operating for many years and were pioneers of social finance in Ireland. The mission of the Foundation is to **a)** support communities and micro-enterprises in Ireland, where social finance is needed to make the project a reality, **b)** promote a vibrant social finance sector and **c)** provide leadership and support for initiatives under the broad definition of social finance.

The existence and impact of the Foundation represents a unique collaboration between the Government and the Irish Banking Industry. No other country has addressed social finance on a national scale and put it on a sound financial footing, capable of meeting the needs of the social sector in a very cost effective way. Using Microfinance Ireland and the SLOs as channels to the customers, finance can reach individuals and groups which otherwise would not have been able to achieve their aims and dreams.



At the launch of Microfinance Ireland on 27th September 2012 Mr. Richard Bruton TD, Minister for Jobs, Enterprise & Innovation with the proprietors of microenterprise Dux & Co in Temple Bar.

## 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

**JUN 2011**

Strategy Report on Financial Inclusion published

**SEP 2012**

Microfinance Ireland launched by Minister for Jobs, Enterprise & Innovation Mr. Richard Bruton TD.

**FEB 2014**

Loan drawdowns of €40m exceeded.





Deirdre Kiely, Cyril Forbes, Sheila Nordon, Mary Brennan, Felix O'Regan and Eilish Finan.



Kathleen Prendergast

	NAME	TITLE	DATE APPOINTED	DATE RESIGNED
1	SHEILA NORDON (CHAIR)	Exec Director of Irish Charities Tax Research Ltd	8th Feb 2007	
2	MARY BRENNAN	Independent Non-Executive Director	24th Oct 2012	
3	CHRIS CURTIN	Professor and Head of School of Political Science and Sociology – NUI Galway	25th Jan 2012	18th Jul 2013
4	MAEVE DONOVAN	Former Managing Director – Irish Times Ltd	22nd Sep 2010	1st May 2013
5	EILISH FINAN	Independent Chartered Director	24th Oct 2012	
6	CYRIL FORBES	Independent Non-Executive Director	8th Feb 2007	
7	DEIRDRE KIELY	Partner & Head of Audit, Advisory and Assurance Services at RSM Farrell Grant Sparks	24th Oct 2012	
8	GERRY MCGEE	Member County Leitrim Community Forum	8th Feb 2007	18th Jul 2013
9	FELIX O'REGAN	Director Public Affairs – Irish Banking Federation	8th Feb 2007	
10	KATHLEEN PRENDERGAST	Economic Development Officer, South Tipperary County Council	8th Feb 2007	

The Board of Directors held seven meetings during 2013;

#### BOARD MEETINGS

	NUMBER OF MEETINGS THAT THE DIRECTOR WAS ELIGIBLE TO ATTEND	NUMBER OF MEETINGS THAT THE DIRECTOR ATTENDED
SHEILA NORDON	7	7
MARY BRENNAN	7	5
CHRIS CURTIN	Resigned 16 May 2013 3	0
MAEVE DONOVAN	Resigned 1 May 2013 2	2
EILISH FINAN	7	7
CYRIL FORBES	7	7
DEIRDRE KIELY	7	7
GERRY MCGEE	Resigned 18 July 2013 3	1
FELIX O'REGAN	7	7
KATHLEEN PRENDERGAST	7	5



The Directors of the Social Finance Foundation are pleased to present their seventh set of financial accounts, which cover the twelve months to 31 December 2013. Whilst recognising the green shoots of a long awaited and fragile economic recovery, nonetheless it was another very difficult year for citizens, businesses, charities, in fact for virtually all elements of Irish society. In a continuing environment of restricted credit in the economy and reduced State supports, the role of the Foundation continues to be very relevant. We are determined to ensure that the tremendous work being undertaken in the social economy will continue to receive the financial support of the Foundation. Of course, the Directors realise that without the encouragement of the Department of Finance and the generous financial support of the Banking Industry, SFF could not discharge its role.

We are pleased to report that 2013 was a record year for the Foundation with lending of €23.7m approved (and €12.3m drawn down). We recognise the need to increase awareness of the concept of social finance amongst community organisations and are committed to doing so in 2014 in conjunction with our SLOs. We want to ensure that all viable projects that do not have access to mainstream borrowing are aware of social finance as a possible alternative.

Microfinance Ireland (MFI), a subsidiary of the Foundation, completed its first full calendar year of business in 2013. Significant progress was made during 2013 in establishing the operations of the new company, with support from the Foundation where appropriate. Since inception in late 2012, it has supported over 400 jobs and has approved more than €2m in lending to micro enterprises (businesses with fewer than 10 employees and a turnover of less than €2m). The challenge for MFI is to ensure that those micro enterprises which cannot avail of mainstream credit are aware that an alternative exists and are encouraged to apply for MFI loan funding.

We continue to lend our support in other areas in the social finance domain. As members of the Social Enterprise and Entrepreneurship Task Force, we were pleased with the Government's decision to assign responsibility for Social Enterprise to Minister Sean Sherlock and we look forward to working with him and his officials to make progress in this important area. We also worked with the Citizens Information Board and MABS to develop an initiative in the area of personal micro-credit and we hope that it will receive support from the relevant stakeholders during 2014.

Three Directors stepped down from the Board during the year. I would like to express my gratitude to Gerry McGee (since inception), Maeve Donovan and Chris Curtin for their valuable contributions during their time as Directors. The Board met on 7 occasions during 2013 and the excellent record of attendance by Directors at Board Meetings and the two Board sub-

committees (Credit and Audit & Risk) demonstrated their commitment to the Foundation (see Tables on Pages 7 and 8).

I wish to acknowledge the achievement of the Board and staff of Microfinance Ireland in establishing the company successfully and am confident that it will play an important role in supporting micro enterprises in Ireland.

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 the impact that has been delivered so far.



**Sheila Nordon,**  
**Chairman**





The financial accounts for the twelve months ending 31 December 2013 mark almost seven years of existence for the Foundation, having been incorporated in January 2007. The years have seen a dramatic change in the country's fortunes which reinforced the *raison d'être* for the inception of the Foundation i.e. to make available finance to viable social projects which cannot obtain it from mainstream sources.

For the year 2013, net interest income amounted to €864k; administrative expenses totalled €421k; the operating surplus was thus €443k; the charge for bad debt provisions net of contributions by SLOs was €474k and a loss for the year of €31k was recorded. This is an acceptable outcome in the current difficult economic environment.

Since commencement of lending in September 2007, loans totalling €79.1m have been approved by the Foundation for customers via the current Social Lending Organisations. Loans drawn down in that period amounted to €41.3m, reflecting factors outside the Foundation's control including delays in drawdowns and cancellation of projects. The current outstanding loans, before provisions, amount to €18.3m and reflect the effect of repayments being made and a significant increase in short term bridging finance. When the bad debt provision of €474k for the year ended 31st December 2013 is charged to the profit and loss account, it gives a total provision, after write-offs, on the balance sheet of €2,671k. This level of provisioning is deemed to be conservative and should cater adequately for future loan losses. Given the continued difficult 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, through the SLOs, supported the Rural Development (Leader) Programme in rural Ireland with bridging loan funding of approx. €9m, as the grants are not paid until the funds are expended by the project. This enabled over 200 projects throughout Ireland to enhance the social facilities in their community.

2014 will see the conclusion of a research project funded by the Foundation and the Central Bank of Ireland into the topic of personal micro-credit in Ireland. It is being carried out by Georges Gloukoviezoff, an expert in the field of financial inclusion. It will examine what schemes operate in other jurisdictions to provide micro loans to individuals who for whatever reason do not have access to mainstream lenders. We would hope that the report will act as a catalyst to address this important element of the Financial Inclusion Program. With the completion of the pilot project, 2014 should also see progress in the roll-out of the Standard Bank Account, the other important element of the Financial Inclusion Program.

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 during 2013, we have estimated the impact in as quantifiable a way as possible. It is a cause of great satisfaction to see the non-financial benefits which arise from social finance, especially when times are so difficult in the country.

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, Department of Jobs, Enterprise & Innovation, each Social Lending Organisation and Arthur Cox for their support for the Foundation during 2013. I would also like to acknowledge the management team in Microfinance Ireland for their commitment towards achieving the job creation goals set for it.



**Brendan Whelan**  
Chief Executive Officer



The nature of the Foundation's lending is shown here. 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 breakdown illustrates that this is being achieved.

31%



**Community  
Centre**

4%



**Elderly &  
Health Care**

8%



**Other  
Causes**

25%



**Community  
Sports**

10%



**Community  
Enterprise**

3%



**Special  
Needs &  
Treatments**

2%



**Childcare**

11%



**Community  
Arts &  
Tourism**

4%



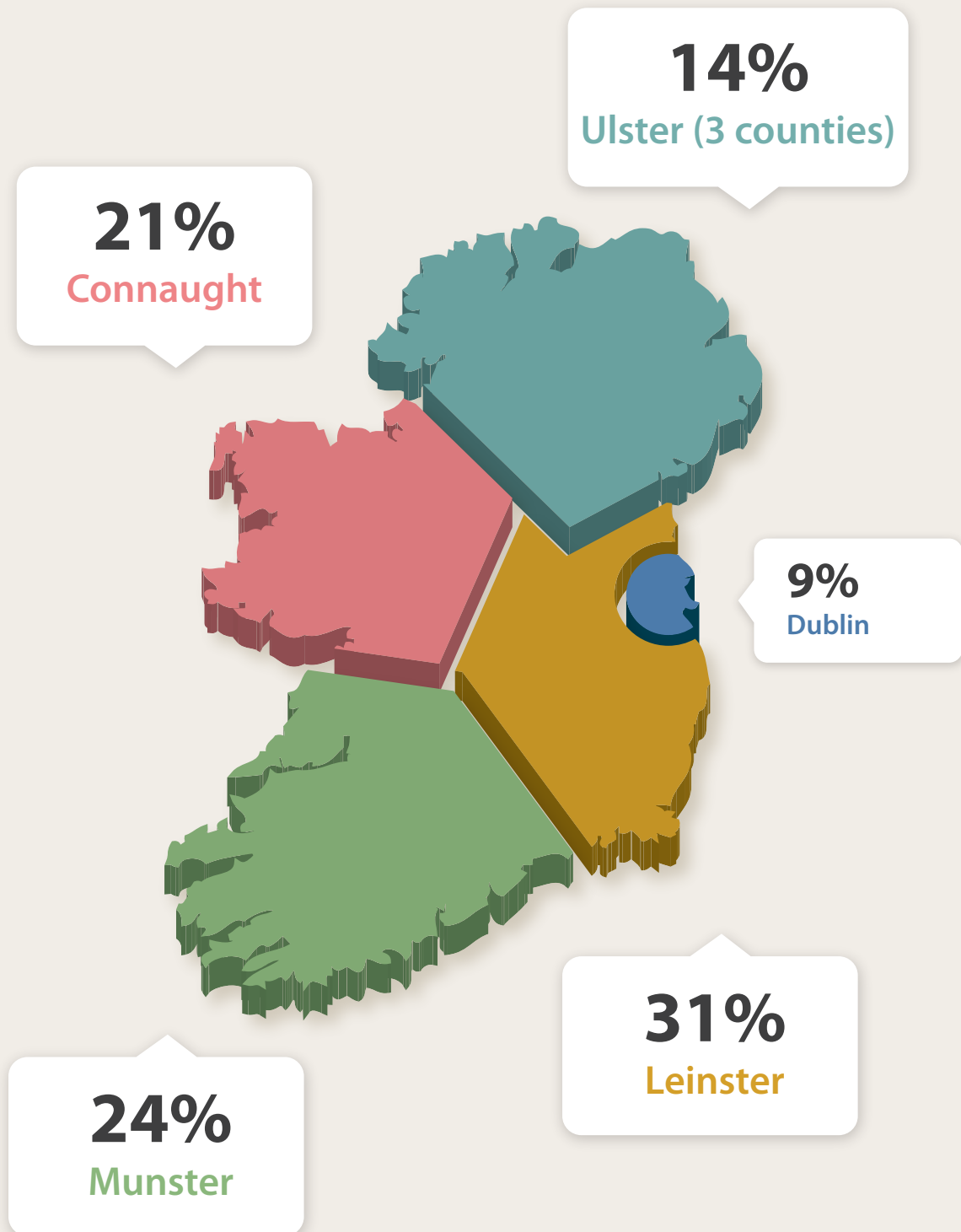
**Social  
Enterprise**

2%



**Microfinance**

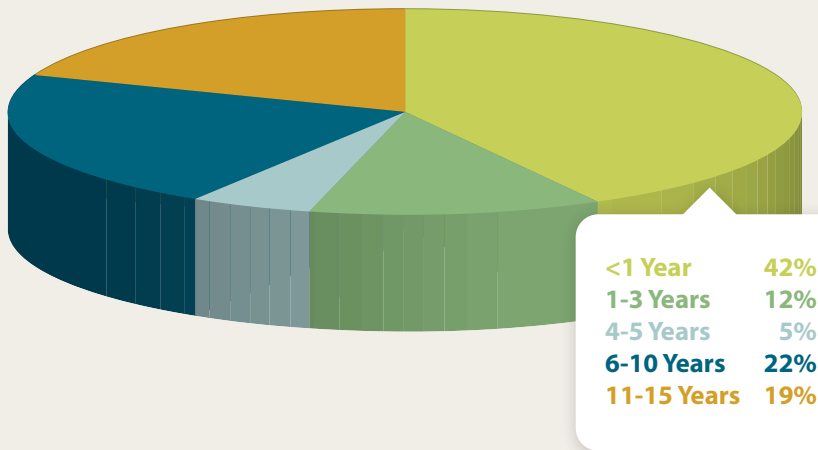




The Foundation strives to achieve a balanced distribution of funds throughout the State and the chart illustrates this is being broadly achieved.



## Maturity Profile



The profile of maturity of the Foundation's loan book has changed significantly in the past year. This is due to the dramatic increase in the provision of bridging finance needed by groups to avail of Leader and other types of grants. Such finance tends to be for periods averaging less than twelve months. This has resulted in the monies being repayable in less than a year increasing from 34% at 31st Dec 2012 to 42% a year later. To balance this, 41% of loans have a maturity for periods of six years or greater, with 19% for periods in excess of ten years.

## Loan Growth



This graph shows the growth in the loans outstanding at 31st December each year.



December 2013 marks almost seven years of existence for the Foundation. From a Government decision in July 2006, the Foundation made its first loan 12 months later and since then has gone on to lend €40m in funds over the seven years, primarily to the social sector but also to micro-enterprises. The timing of the initiative could not have been more beneficial. The economic and banking crisis in that period would have resulted in many of the projects not happening were it not for the Foundation being there to provide the required credit facilities. The growth in lending over the period is shown in Figure 1.

Unfortunately, there is no measurable data on the social impact of this lending for the period. However, a strong sense can be gleaned from the statistics for 2013 as shown on Page 10 of this report. Equally, the social impact can also be gauged from the analysis of the sectors lent to, as shown on Page 6 of this report.

The Foundation is in a strong financial condition. It was always anticipated that the operational costs of running the Foundation would be covered by the interest earned on the “equity” held by the company i.e. the original €25m donated by the Irish Banking Industry. The €25m would act as a buffer for bad debts incurred, thus reducing over the years. Despite taking a conservative approach to providing for bad debts, the €25m has only reduced to €24.6m over the seven years, due to obtaining higher interest rates on our deposits

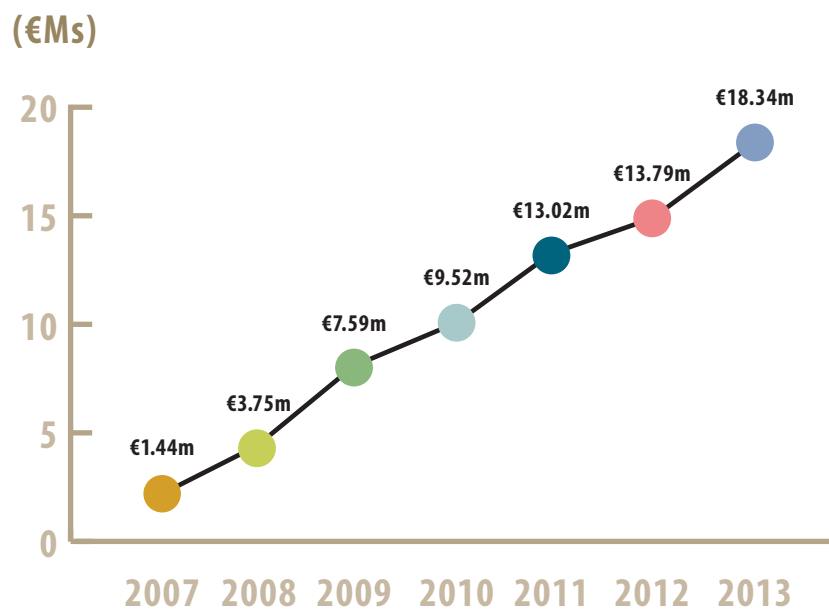
and strong cost control. In effect, we have managed to lend €40m in the period and still retain the original equity of the company.

In addition to its primary role of lending to the social sector, the Foundation has also worked for the Government in other areas. It produced a Financial Inclusion Strategy report for the Department of Finance in 2011 which was followed by a pilot implementation of a Standard Bank Account. Implementation options for a national roll-out are being considered currently.

The Foundation was responsible for the set-up of Microfinance Ireland as a fully owned subsidiary, with the express remit of supporting micro-enterprises which cannot obtain loan finance for their ventures. The company commenced trading in late 2012 and as at March 2014, had lent €2m and supported 430 jobs.

A joint research study with the Central Bank of Ireland is currently taking place into the area of personal micro-credit. It will look at the experience in other countries for dealing with personal lending to those with no access to mainstream credit and make recommendations on proposals for Ireland. The report will issue in late 2014. At the same time, work has taken place with CIB/MABS on a possible pilot scheme in this area. Discussions are currently taking place with key stakeholders to assess the merits of a scheme.

In its next seven years, the Foundation will continue to seek opportunities to make a difference in the social sector and not just through loan financing.



Loans outstanding in €Ms





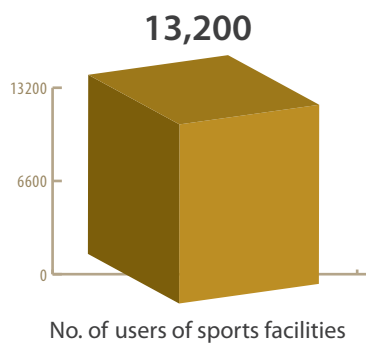
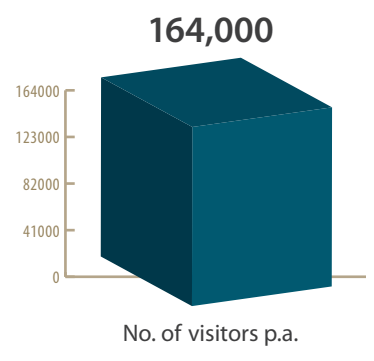
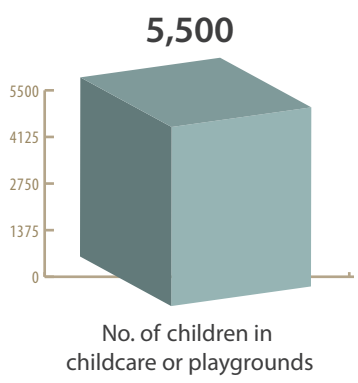
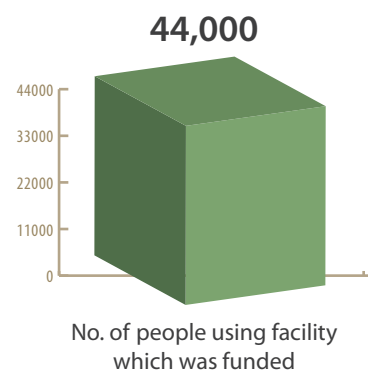
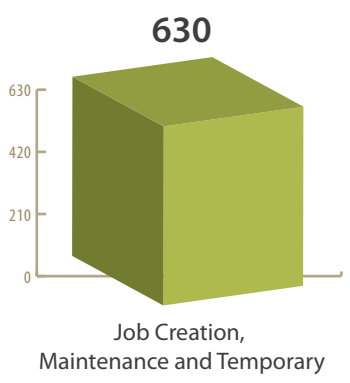
**SOCIAL IMPACT**

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 (€12.3m in 2013) as shown in the graphs.



**PERSONAL MICRO CREDIT**

The need for access to personal micro credit has emerged as a key concern for the MABS service. Many people are struggling with decreasing income and increasing costs and will need access to credit to deal with unexpected costs that may arise. MABS in its work traditionally has relied on clients being able to access low cost credit for contingencies as part of the debt management process. With growing indebtedness and lending criteria becoming ever tighter, this need is now affecting a much wider group of people and a new solution is required for the situation many people now find themselves in.

The Foundation was pleased to be asked to work with the Citizens Information Board and MABS to consider solutions to the problem. A very high level scheme was developed and has been discussed with key stakeholders such as the Department of Finance, Central Bank of Ireland, Irish League of Credit Unions, St. Vincent de Paul, etc.. It is hoped that a pilot project involving about 6-8 credit unions through ILCU, MABS and the Foundation can be launched in H2 2014 so that the concept can be tested and the results used to persuade policy makers to adopt a national approach to the problem.



#### ABLEVISION LTD.

With help of a UCIT (Ireland) bridging loan funded by the Social Finance Foundation, Ablevision was able to proceed with a cross border documentary film production, pending the receipt of an RDP grant.

Having discovered from a Boston based programme, the role of Media Training in enabling those with Intellectual Disabilities (ID) to promote their feelings, a number of parents who have children with ID, established the group in Dundalk in 2011.

In 2012 they held an international Film Festival in Drogheda for films made by or about persons with ID. In 2012 they also held a summer camp on film production techniques which was broadcast on SKY Channel 212.

The applicant group are about to commence two projects. The first is a three month training course in camera techniques with 12 participants which requires a full range of technical equipment. Louth Leader Partnership has approved funding for capital expenditure to source new equipment. The group are also working with L'Arche Belfast (an international organisation assisting persons with ID) to produce a documentary on the effects of the Conflict and Peace Process on people with ID. This has been funded by Peace 111 but must be claimed retrospectively.



## Ablevision Ltd.

Dundalk

#### STELLA MARIS FC

More than one million people have seen Stephanie Roche score a wonder goal for Peamount United, against Wexford Youths. It was such a remarkable strike that the YouTube clip went viral, surpassing the one million viewed mark within weeks and amassing favourable comments from media outlets, celebrities and professional footballers the world over. Stephanie honed her early skills with Stella Maris FC, another in the long line of talent produced by Dublin's most venerable club, which includes: John Giles, Eamon Dunphy, Gerry Daly, Eoin Hand, Stephen Carr.

Founded in 1943, the club is an institution in Dublin football life and the life of Dublin's north inner city. The club caters for over 350 children, ranging in age from 5 to 18 years. Some 30 coaches and managers train, organise and oversee the ten teams and two academies run by the club.

Ever ambitious and innovative, Stella Maris sought support from Clann Credo for the upgrade of its already impressive facilities, which includes a UEFA grade floodlit grass pitch and an all-weather training pitch. The addition of an all-weather playing pitch - the first in the area - would generate a steady flow of income and help secure the club financially.

SFF provided Clann Credo with the capital for the project which delivers a much-needed resource into a disadvantaged area, to the benefit of considerable numbers of children, teenagers and sporting groups across the wider community.



## Stella Maris FC

Dublin

## CASE STUDIES

**HEADWAY**

Acquired Brain Injury (ABI) can result from traffic or workplace accidents, the aftermath of a stroke or even brain surgery. The condition affects thousands of people every year. It is never immediately obvious and tends to manifest itself in the medium to longer-term, revealed in changes to a person's thinking or behaviour pattern. Little wonder that ABI is known as 'the hidden disability'. But there is no hiding the damaging impact on those directly affected and carers.

Headway was established in 1985 to combat the impact of this hidden disability, through the provision of rehabilitative services for those directly affected and support for carers. Today, the group provides crucial services to some 600 people, has four centres around the country and operates an information and education service in the southeast of Ireland. Headway enlisted the support of Clann Credo, funded by the Social Finance Foundation, in order to provide new training, therapy and counselling facilities in their Dublin headquarters, as part of an upgrade of existing services.

**Headway**

South East

**WEST CORK RURAL TRANSPORT**

One of West Cork Rural Transport's fleet of mini-buses, serving over 25 towns and villages in West Cork. West Cork Rural Transport has grown since it was first set up in 2002 and it currently has over 35 different services operating throughout West Cork, involving over 65,000 passenger journeys annually. The group presently employs seventeen people.

The group secured term loan finance from Clann Credo via the Foundation to fund the purchase of a mini bus. Clann Credo had previously provided a loan facility to finance a vehicle for the group's Cancer Connect service which offers a door to door free transport service for cancer patients in West Cork to hospital appointments in Cork city.

**West Cork Rural Transport**

Cork





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 years ended 31 December 2013 and 31 December 2012.

Financial statements for the years ended 31 December 2013 and 31 December 2012 have been delivered to the Registrar of Companies in Dublin.

The auditors, BDO, Chartered Accountants and Registered Auditors, 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 Finance Director of Social Finance Foundation at 6-9 Trinity Street, Dublin 2

email – [rheadon@sff.ie](mailto:rheadon@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 2013

	Year ended 31st December 2013 €'000	Year ended 31st December 2012 €'000
Income	1,154	1,379
<b>Total income</b>	<b>1,154</b>	<b>1,379</b>
Administrative Expenses	(421)	(409)
Loan Loss Provisions	(764)	(874)
(Loss) / Profit on ordinary activities before tax	(31)	96
Tax on profit on ordinary activities	0	0
<b>(Loss) / Profit for the year</b>	<b><u>(31)</u></b>	<b><u>96</u></b>

## BALANCE SHEET AS AT 31ST DECEMBER 2013

	31st December 2013 €'000	31st December 2012 €'000
<b>FIXED ASSETS</b>		
Tangible Assets	<u>37</u>	<u>2</u>
<b>CURRENT ASSETS</b>		
Loans and advances to customers net of provisions	15,672	11,262
Other debtors	840	667
Short term deposits	26,715	27,231
Cash at bank and in hand	<u>16</u>	<u>10</u>
	<b>43,243</b>	<b>39,170</b>
Creditors – amounts falling due within one year	<u>(2,156)</u>	<u>(1,640)</u>
<b>Net Current Assets</b>	<b><u>41,087</u></b>	<b><u>37,530</u></b>
<b>Total assets less current liabilities</b>	<b>41,124</b>	<b>37,532</b>
Creditors – amounts falling due after more than one year	<u>(16,546)</u>	<u>(12,923)</u>
<b>Net Assets</b>	<b><u>24,578</u></b>	<b><u>24,609</u></b>
<b>CAPITAL AND RESERVES</b>		
Profit and loss account	<u>24,578</u>	<u>24,609</u>
	<b><u>24,578</u></b>	<b><u>24,609</u></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 Director

**Ronan Headon**  
Finance Director

**Celia McCarthy**  
Accountant

