



**Micro  
Finance**  
Ireland

Business  
Support  
Loans



# Financial Statements

For the year ended  
31 December 2023

[Microfinanceireland.ie](https://microfinanceireland.ie)

(A private designated activity company limited by shares)





# Microfinance Ireland

## Directors' Report and Financial Statements

### Contents

Directors and other information	4
Chair's Statement	5
Report of the Chief Executive	8
Directors' Report	13
Statement on Internal Control	21
Report of the Comptroller and Auditor General	24
Statement of Income and Expenditure	28
Statement of Financial Position	29
Statement of changes in reserves and capital account	30
Statement of cash flows	31
Notes to the financial statements	32



## ➤ Directors and other information

### ➔ Board of Directors

Lorraine Corcoran (Chair) – appointed to Board  
29 August 2021 and to Chair 2 May 2023

Sarah Anne Audrey Boyd (Chair) – deceased  
17 January 2023

Caroline Ashe Brady – appointed 29 November 2023

Margaret Brennan

Ronan Headon

Pat Horgan

Oisín Geoghegan

Fiona Kilcullen – retired at end of term  
8 September 2023

Seamus Murphy – appointed 23 January 2023

Sean O’Hurley – appointed 29 November 2023

Susan O’Neill – retired at end of term  
28 November 2023

Roisin Scallan

### ➔ Secretary and Registered Office

Bradwell Ltd  
10 Earlsfort Terrace  
Dublin 2

**Registered Number:** 516555

**Registered Charity Number:** CHY 20447

**Charities Regulator Registered Number:** 20081102

**Date of Incorporation:** 17 August 2012

### ➔ Business Operating Address

13 Richview Office Park  
Clonskeagh  
Dublin 14

### ➔ Auditors

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

### ➔ Principal Bankers

Bank of Ireland  
2 College Green  
Dublin 2

### ➔ Solicitors

Mason Hayes and Curran  
South Bank House  
Barrow Street  
Dublin 4

### ➔ Contact Information

Des McCarthy, Chief Executive Officer  
Seamus Cope, Head of Finance and Risk

### ➔ Microfinance Ireland

13 Richview Office Park, Clonskeagh, Dublin 14





## ➤ Chair's Statement

On behalf of the Directors of Microfinance Ireland ("MFI"), I am pleased to present the audited Financial Statements for the 12 months ending 31 December 2023.

2023 was a successful year with MFI disbursing a total of just over €6m in new loans and supporting ever growing numbers of businesses and jobs.

MFI continues to support economic and job growth throughout Ireland by providing loans up to €25,000 for up to 5 years to microenterprises who experience challenges in accessing bank credit. Over 70% of our applications and loan advances were to businesses outside of Dublin.



The 2023 figures marked a small reduction on the level of approvals in 2022. The average loan approval rate for the year was 46%

Many of our businesses are very small microenterprises owned by individuals from vulnerable sectors such as youth, unemployed, females, migrants and seniors and historically many of our customers are start-ups.



MFI borrowers through their vision, hard work, commitment and belief, deliver their goods and services in every city, town and village throughout the country thereby supporting their local communities. They provide important everyday services in their locality creating and retaining jobs thus generating activity and enhancing the vibrancy in those communities.

MFI by its nature and mandate underwrites credit risk beyond that of commercial lenders. While we have a higher risk appetite than commercial lenders, we have clear underwriting criteria which seek to ensure that our borrowers have sufficient repayment capacity and that we are responsible in our lending.

MFI is a registered charity and is fully compliant with the Charities Governance Code. MFI's future vision is to continue to focus on supporting established or expanding small business with loans and mentoring support and aiding job creation in all areas of the country. These supports will be delivered through a range of loan products structured to meet the stage of business of our customers or through emergency support funds as required in support of Government policy. In this context, in late 2023, as part of the suite of government supports, MFI was pleased to launch a flood relief loan for businesses impacted by the extreme weather events that occurred.

None of this would be possible and MFI, as a not-for-profit lender would not exist, without the support MFI receives through the Department of Enterprise, Trade and Employment and the European Investment Fund. The Minister for Enterprise, Trade and Employment and their officials at the Department of Enterprise, Trade and Employment provide funding, advice and assistance which are all critical to ensuring the long term success of MFI. They are an integral part of the success of the Microenterprise Loan Fund Scheme. I would like to extend our appreciation to the Ministers and their Department for their ongoing support throughout 2023.

MFI avails of European Investment Fund support through a number of guarantee products including the European Commission's EU Programme for Employment and Social Innovation (EaSI) and the Pan European Guarantee Fund in response to Covid-19. On 29th December 2022 MFI signed the documentation with EIF under the InvestEU Guarantee which provides guarantee cover for loans disbursed over a 3 year period starting in January 2023. These guarantees are integral to our business model and our ability to support vulnerable but essential businesses across Ireland.

MFI thanks our primary partner, The Local Enterprise Office (LEO) Network, for their ongoing support in assisting microenterprises with their loan applications, business training and mentoring support. This mentoring support is vital to the viability and sustainability of our customers. We wish the LEOs continued success and look forward to working closer on further joint initiatives.

MFI acknowledges and appreciates the continued support of our other partners, Bank of Ireland, AIB, and PTSB and the Local Development Companies and organisations such as Údarás na Gaeltachta and Enterprise Ireland. Throughout 2023, MFI engaged with a range of additional stakeholders in order to broaden its reach. MFI will seek to strengthen and develop these relationships into the future.



Fiona Kilcullen and Sue O'Neill stepped down from the Board in 2023. I would like to express my appreciation to Fiona and Sue for their insights, support and dedication to MFI over their term of office. Audrey Boyd our previous Chair sadly passed away on January 17th, 2023. Our thoughts are with Audrey's family and friends.

I would like to thank all my fellow board members who, on a pro bono basis, give generously of their time and extensive range of business experience and expertise to ensure the success of MFI. In 2023 we welcomed Caroline Ashe Brady, Seamus Murphy and Sean O'Hurley to the Board of MFI. I wish you well with your appointment and look forward to working with you as we seek to develop MFI over the next few years.

I would also like to extend my gratitude to Mags Brennan and Ronan Headon who chair the Credit Committee and the Audit and Risk Committee respectively.

2023 saw significant progress in the legislative process around the planned movement of MFI into state ownership. This is an exciting time for MFI and one we look forward to. I would also like to express our appreciation and gratitude to our current parent, Social Finance Foundation ("SFF"), its Board and management for the ongoing assistance and support of MFI. 2024 will see us work with SFF and the Department to enable the ownership journey to progress.

Finally, I would like to extend our gratitude and congratulate the professional dedicated MFI team and the Loan Assessor Panel for their commitment, hard work, customer centric approach and resilience, without whom the continued expanding growth and success of MFI would not have been achieved. I look forward with confidence to MFI continuing this strong success in enhancing and changing lives, families and communities in 2024 and beyond.

**Lorraine Corcoran**

Chair

2 September 2024





## ➤ Report of the Chief Executive

In 2023 our focus was on continuing to support our customers as they faced the uncertainty and various economic impacts arising from the war in Ukraine. Despite this uncertainty we were happy to see a reasonably strong level of loan demand.

### Business Activity

We received 994 applications in 2023 (2022: 959).

MFI approved 442 loans with a value of €6.59m in 2023 which compared to 458 loans with a value of €6.92m in 2022. The reduction in activity compared to 2022 was not unexpected given the demand for our Covid loan products continued into Q2 2022 with discontinuance of the product towards the end of Q3 2022.

Loans approved in 2023 supported 576 jobs compared to 681 in 2022.

In addition to the significant support provided by disbursing new loans, MFI also continued to support its existing customer base via forbearance measures as needed.

The rationale for the investment made by the Irish Government has always been that of economic support and job creation. Microfinance Ireland lends to those microenterprises who cannot raise finance from conventional sources, and we measure our success primarily by measuring the employment we have supported in the businesses we have invested in.

To the end of 2023, MFI has approved almost €83.5m in loans to 5,077 businesses, supporting over 10,400 jobs.

### Funding Model

There are three elements to MFI's funding model. As a not-for-profit organisation, these are essential to our ongoing existence and the support we can offer to the microenterprise sector.



#### 1) Government Capital Funding

To date, under the terms of the Microenterprise Loan Fund Act, the fund has received €49.8m in capital funding through the Department of Enterprise, Trade and Employment. Of this €30.2m remains on the balance sheet.

During 2020, the Microenterprise Loan Fund Act was amended, granting the availability of significant additional funding and borrowing rights to MFI and as a result the business is financially strong and well positioned to enable our projected growth over the coming years.



#### 2) European Investment Fund (EIF)

The business continues to receive significant support from the EIF which allows us to consider risk profiles otherwise outside our capacity to fund. In April 2021 we signed an agreement under the European Guarantee Fund (EGF) which was an instrument put in place in response to Covid-19. The guarantee had retrospective cover and provided risk coverage for loans entered into from 14 December 2020. The guarantee had an initial expiry date of 31 December 2021 but was extended for a further year and expired in December 2022. We signed an agreement in December 2022 to access an allocation under the Invest EU guarantee instrument which we have been using to cover risk on offer letters signed from 1 January 2023.



#### 3) Bank Loans

In 2021 we signed a €30m 5-year loan agreement with Strategic Banking Corporation of Ireland (SBCI). We utilised the proceeds of the first drawdown on this new facility to repay the loan outstanding to our parent Social Finance Foundation. We repaid our outstanding loans to SBCI in November 2023 and are in the process of renewing our facilities with SBCI to provide liquidity for 2024 and beyond.





## Credit Management

Microfinance Ireland is mandated to take risks that commercial lenders cannot, however the balance between risk orientation and the sustainability of the business model which underpins the long-term sustainability of the borrower's business is critical. As the loan book has matured, we have in-depth knowledge and experience to understand better the outcomes of our underwriting practices in such a unique loan book.

During 2020, to support as many businesses as possible and at the request of the Government, MFI increased its risk appetite. This coupled with the repayment free periods granted to borrowers and the continued impact of the pandemic led MFI to place conservative bad debt provisions against the loan book. It was hoped that all borrowers would recommence payments at the end of the initial repayment free period. However, this did not happen for many borrowers because ongoing pandemic lockdowns in 2021 meant that businesses were closed with no cashflow to commence repayments. MFI was proactive in contacting borrowers at the end of their repayment free periods to determine their ability to commence payments and provided additional forbearance to those who needed it.

Despite underwriting the Covid loans at a higher than normal risk appetite the performance of those loans has been very strong with loan losses well below the level expected at the time those loans were initially advanced.

## Marketing and Branding

As the Microenterprise Loan Scheme is demand led, optimising awareness of the business is essential to ensure we are reaching as many of our potential customers as possible. We continue to undertake a wide range of marketing activities, across traditional and digital media, promotional and networking events. These activities continue to grow brand awareness and draw a growing amount of traffic to our website and social media pages, with increased level of enquiries to the business. We continue to enhance our marketing activities to create better clarity of our offering, online supports and a greater focus on our customers' needs. In 2023 we started work on a brand refresh and new website. Brand Awareness remains strong.





## Business Development

Microfinance Ireland continued to maintain strong relationships with a range of referral partners.

The Local Enterprise Office (LEO) Network is our primary partner and a major source of applications. The LEO Network offers significant help to our potential clients through guidance, mentoring and support in submitting their loan application. Their support in 2023 was essential to MFI reaching as many businesses as we did in the year.

Our Bank Channel continues to be a good source of referrals of potential applicants. These businesses are ones which the banks are unable to support but which often fit within the risk appetite of MFI. In 2023, our Bank Channel consisted of Bank of Ireland, AIB and PTSB.

MFI also continued to work with the Irish Local Development Network (ILDN), Enterprise Ireland and Údarás na Gaeltachta during 2023.

In addition to our referral partners, the business continues to have a very strong direct channel. In 2023 the direct channel accounted for c. 64% of all applications. In 2023 over 70% of our applications came from applicants located outside of Dublin which is similar to the trend over the last number of years.

## Pricing

At the beginning of 2023 we reluctantly increased our interest rates by 1% to 6.5%, or 5.5% if an application is submitted through the LEO network. We had held rates steady throughout the ECB rate rises during 2022 but could no longer keep rates steady in the context of an increase in our cost of funding. Both of these rates are very competitive given the current interest rate environment and in particular for the market we serve. As ECB rates have stabilised and may start to fall we are keeping our interest rates under review.

## Mentoring

MFI provides post approval mentoring services to our borrowers, which we believe is a very important element of our service offering. This critical support to our customers helps them develop various management skills which they may not have, through which they increase their business acumen and the sustainability of their businesses. These mentoring services are paid for by MFI on our customers behalf and delivered through the Local Enterprise Office Network. While a variety of areas of business are covered through mentoring, Financial Management and financial literacy in general is the single biggest skill gap identified in these businesses.

## Strategy

MFI will continue with its mandate as outlined in the Microenterprise Loan Fund Act and Scheme to support economic development, and to increase employment and enterprise by providing loans to microenterprises with commercially viable proposals, that do not meet the conventional risk criteria applied by commercial banks. We will continue to provision emergency funding as required from time to time, such as the Covid-19 and the Brexit Loan Products.



A renewed strategy was approved by the Board in Q4 2022. The new strategy does not fundamentally change our mandate to provide loans to microenterprises that have difficulty sourcing loans from the conventional bank market. One of our strategic goals for the period to 2027 is to increase our representation among underrepresented groups including women, migrants, youth, seniors and people with disabilities.

## European Code of Good Conduct for Microcredit Provision

In 2020 MFI was recertified as compliant with the EC's European Code of Good Conduct for Microcredit Provision. Certification with the code is a requirement for approval of the EIF guarantees. The certification is usually audited on a 3 year cycle. The most recent audit occurred during May 2024 for which we await recertification.

## Compliance, Operational Risk and GDPR

A strong culture of risk and compliance exists within the business:

- A range of Audits were completed with no significant findings.
- MFI takes data protection very seriously. During 2023, no significant data breaches occurred.
- Annual GDPR training was completed.
- All staff are required to undertake regular training in combatting cyber risks.

## Human Resources

Our employees are our most important asset and the key driver of our success. Remote and Hybrid work continues and is working well. Having said that some functions need to have an office presence for the efficient running of the business. The availability of Remote and Hybrid working is therefore at the discretion of the relevant department head. Management continues to work with the team to ensure a high level of engagement and deliver various supports to improve employees' conditions and develop their careers.

## IT and Digital Transformation:

Microfinance Ireland implemented a new loan management system during 2023 in order to automate our back-office processes and pave the way for an online application process. The implementation is now largely complete and operational and has been well received by staff. The final outstanding item is an online application form that will transform the customer experience. The online application form is in soft launch, and we expect it to be fully operational in Q4.

The purpose of the digital transformation was to eliminate as much as possible the manual processes that had been in existence since the inception of Microfinance Ireland. The new system will reduce the amount of data inputting by our staff and will automate tasks thereby saving time, reducing risk and once the online application portal goes live improving the customer journey. It will also provide the framework for a more robust data management and reporting system.



## Key Objectives 2024:

1. To continue to **support the economy and job creation** through our lending activities with microenterprises.

2. Deliver on our **2024 Business Plan.**



3. Progress the key themes of our **strategic plan**



4. Finalise the implementation and embedding of our **business transformation program.**

5. Achieve an **appropriate balance** between growth and risk management.



6. To actively manage the **credit quality** of the loan portfolio.



**Des McCarthy**

Chief Executive

2 September 2024



## → Directors' Report

The directors present their report and the audited financial statements of the company for the financial year ended 31 December 2023.

### Principal Activities

Microfinance Ireland was incorporated by Social Finance Foundation (SFF) on 17 August 2012 pursuant to the Microenterprise Loan Fund Act 2012 on the initiative of the then Minister for Jobs, Enterprise and Innovation. This dedicated subsidiary of SFF was established to manage the Microenterprise Loan Fund.

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

In recognition of the higher risk profile of the activities of Microfinance Ireland, the company secured support for its activities from the European Investment Fund (EIF). Under the European Progress Microfinance Facility (EPMF) for employment and social inclusion signed on 7 December 2012, the Employment and Social Innovation Guarantee Facility (EaSI) signed on 14 October 2015 and successor guarantee signed 11 December 2017, the Pan-European Guarantee Fund in Response to Covid-19 signed 6 April 2021 as amended and restated 6 December 2021 and the Guarantee Agreement under the InvestEU Fund signed 29 December 2022, EIF as Guarantor will partially cover the risk of the Microfinance Ireland loan portfolio subject to specific ceiling levels at both portfolio and individual client loan level and subject to specific terms and conditions.

### Legal Status

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

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

### Accounting Records

The measures taken by the directors to secure compliance with the requirements of section 281 to 285 of the Companies Act 2014 regarding the keeping of accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at 13 Richview Office Park, Clonskeagh, Dublin 14.

Following incorporation, the Minister made an initial grant of  
→ **€10m** into the Fund

Further grant funding of  
→ **€39.8m** has been received up to 31 December 2022. No grants were received during 2023.



## Results for the period

The Company's outturn for the financial year is set out on Pages 21 to 24 and is considered satisfactory.

The variation between 2023 and 2022 arises from a decrease in total income and a reduced bad debt credit resulting from a declining loan book together with increased admin expenses due to our digital transformation programme.

The deficit on ordinary activities was

**€103,000**

(2022: €1,903,000 surplus).

## Business developments in 2023

The level of business activity in 2023 was similar to that of 2022.



We are satisfied with this outcome in the context of a market that was experiencing great uncertainty and where the demand for credit among micro enterprises has fallen sharply over the past few years.

## Future developments

Given the ongoing economic uncertainty and the direct and indirect impacts of the inflationary and cost of living challenges on business and consumers, we anticipate an increased need to support business throughout 2024 and beyond. We are hopeful that the expected phase 2 delivery of our digital transformation program in Q4 2024 will result in increased lending with the simplification and digitisation of the customer application process.

## Governance

Microfinance Ireland was incorporated pursuant to the Microenterprise Loan Fund Act 2012 ('Act 2012'). The company operates on an ongoing basis within the 2012 Act and the Microenterprise Loan Fund (Amendment) Act 2020, and the Microenterprise Loan Fund Scheme (S.I. No. 393 of 2015 and S.I. No. 78 of 2020) 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.



The functions of the Board are set out in the Microenterprise Loan Fund Scheme S.I. No. 393 2015. The Board is accountable, through its parent company Social Finance Foundation, to the Minister for Enterprise, Trade and Employment and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of Microfinance Ireland are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and management of Microfinance Ireland.

The work and responsibilities of the Board are set out in Matters Reserved for the Board.

Standing items considered by the Board include:

- Declaration of interests
- Key performance indicator reports and management accounts including Budget variance analysis
- Reports from Audit and Risk Committee and Credit Committee
- Risk reports
- Financial reports
- Reserved matters

## Business Risks and Management

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

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

This Risk Management Process has identified the most significant current risks as being:

- Delivery of key business targets over the coming years
- Implementation and embedding of the digital transformation solution

The Directors are actively engaged in supporting Management to mitigate these risks.



## Board Structure

The Board consists of a Chair and up to nine ordinary members, all of whom are appointed by MFI's parent Social Finance Foundation (SFF) following consultation with the Minister for Enterprise, Trade and Employment and the Minister for Public Expenditure, National Development Plan Delivery and Reform. The members of the Board are appointed for an initial period of three years which can be extended for a further three-year period and meet not less than four times per year.

The table below details the appointment and departure dates for members and a schedule of attendance at Board and Committee meetings for 2023:

			Board		ARC		Credit Committee	
			(8 Meetings)		(5 Meetings)		(4 Meetings)	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Lorraine Corcoran (Chair)	Appointed	29 August 2021	8	8	1	1		
Sarah Anne Audrey Boyd (Chair)	Deceased	17 January 2023						
Caroline Ashe Brady	Appointed	29 November 2023	1	1				
Margaret Brennan \$	Appointed	29 August 2021	8	8			4	4
Oisín Geoghegan \$	Appointed	8 December 2022	8	4			4	3
Ronan Headon #	Appointed	25 March 2021	8	6	5	5		
Pat Horgan \$	Appointed	29 August 2021	8	6			4	3
Fiona Kilcullen #	Resigned	8 September 2023	4	3	3	3		
Seamus Murphy	Appointed	23 January 2023	8	3				
Sean O'Hurley #	Appointed	29 November 2023	1	1				
Susan O'Neill	Resigned	28 November 2023	7	5				
Roisin Scallan #	Appointed	25 November 2021	8	7	2	2		

# Audit and Risk committee member

\$ Credit committee member

The former Chair, Sarah Anne Audrey Boyd passed away suddenly on 17 January 2023 and was succeeded by Lorraine Corcoran on 2 May 2023. Two members of the Board resigned during the year at the end of their appointments. With the consent of the Minister, three new members were appointed to the Board.

Details of Board Committees are as follows:

Audit and Risk Committee (ARC) comprises up to four Board members. The role of ARC is to support the Board in relation to its responsibilities for financial oversight and risk management (other than credit risk) and associated assurance. The ARC is independent from the financial management of the organisation. In particular, the Committee ensures that the internal control systems, including audit activities, are monitored actively and independently. The ARC reports to the Board after each meeting.

The members of the Audit and Risk Committee during 2023 were Lorraine Corcoran (Chair until her appointment as Chair of the Board on 2 May 2023), Ronan Headon (Chair from 2 May 2023), Fiona Kilcullen (Resigned 1 September 2023), Roisin Scallan (from 9 October 2023) and Sean O'Hurley (from 29 November 2023).





Credit Committee comprises up to three Board members. The role of the Credit Committee is to support the Board in relation to its responsibilities for issues of credit risk, control and governance and associated assurance. The Credit Committee is independent from the credit risk management of the organisation. In particular, the Committee ensures that credit underwriting activities are monitored actively and independently. The Credit Committee reports to the Board after each meeting.

The members of the Credit Committee during 2023 were Mags Brennan (Chair), Pat Horgan and Oisín Geoghegan. During the year, some Independent Observers attended Credit Committee meetings, at the invitation of the Committee.

### **Fees and Expenses**

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 €Nil were reimbursed or reimbursable to directors in relation to expenses incurred in the financial year ending 31 December 2023 (31 December 2022: €Nil).

### **Key Personnel Changes**

Other than the changes referenced under the Board Structure paragraph above, there were no key changes to personnel during 2023.

### **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 can raise concerns about possible irregularities in financial reporting or other matters.

### **Disclosure of Interests**

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





## Directors' Responsibilities Statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. The financial statements have been prepared in compliance with the applicable legislation and with FRS 102 The Financial Reporting standard applicable in the UK and the Republic of Ireland issued by the Financial Reporting Council in the UK. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the income and expenditure of the company for the financial year end and otherwise comply with the Companies Act 2014.

In preparing the financial statements, the directors are required to:

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

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

## Relevant Audit Information

In the case of each of the persons who are directors at the time this report is approved in accordance with section 332 of Companies Act 2014 the directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the statutory auditors are aware of that information. In as far as they are aware there is no relevant information of which the auditors are unaware.

## Auditors

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



## Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that Microfinance Ireland has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure, NDP Delivery and Reform in August 2016.

The following disclosures are required by the Code:

### Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2023 €	2022 €
Transformation	430,488	109,866
Branding	28,239	-
Strategy	-	29,520
Other Costs	-	10,234
<b>Total consultancy costs</b>	<b>458,727</b>	<b>149,620</b>

### Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

		2023 €	2022 €
Domestic -	Board	-	-
	Employees	5,772	1,001
International -	Board	-	-
	Employees	9,427	573
<b>Total</b>		<b>15,199</b>	<b>1,574</b>

### Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2023 €	2022 €
Board and Staff hospitality	2,708	2,523



### Conciliation/Arbitration Costs

The Income and Expenditure Account includes the following legal costs:

	2023 €	2022 €
Legal costs re conciliation/arbitration	-	16,255

It should be noted that the cost of general legal advice in the normal course of business is disclosed in Legal costs under Administrative Expenses (see Note 5 to the Financial Statements).

### Statement of Compliance

The Board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. Microfinance Ireland was in compliance with the Code of Practice for the Governance of State Bodies for 2023.

On behalf of the board

**Lorraine Corcoran**

Chair



**Ronan Headon**

Director



2 September 2024



## Statement on Internal Control

### Scope of Responsibility

On behalf of Microfinance Ireland, I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure, National Development Plan Delivery and Reform, has been in place in Microfinance Ireland for the year ended 31 December 2023 and up to the date of approval of the financial statements.

### Capacity to Handle Risk

Microfinance Ireland has two Board Committees overseeing risk management, an Audit and Risk Committee (ARC) and the Credit Committee.

The ARC comprises up to four Board members, most with financial and audit expertise, one of whom is the Chair. The ARC met five times in 2023.

The Credit Committee comprises three Board members, with credit expertise, one of whom is the Chair. External independent observers attended Credit Committee on a regular basis. The Credit Committee met four times in 2023.

The Board has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of the Board Committees and staff in relation to risk. The policy has been issued to all staff who are expected to work within Microfinance Ireland's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

The Board reviews the organisational structures, resources and skill sets to ensure adequacy and appropriateness relative to the risks undertaken.

### Risk and Control Framework

Microfinance Ireland has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing Microfinance Ireland and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC not less than annually. The outcome of assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.



The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems,
- there are systems in place to safeguard the assets.

### Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned,
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets.

Microfinance Ireland has also established an internal audit function which is outsourced to a professional accountancy firm and conducts a programme of work agreed with the ARC.





## Procurement

I confirm that Microfinance Ireland has procedures in place to ensure compliance with current procurement rules and guidelines.

## Review of Effectiveness

I confirm that Microfinance Ireland has procedures to monitor the effectiveness of its risk management and control procedures. Microfinance Ireland's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and external auditors, the ARC and the Credit Committee which oversees their work and the senior management within Microfinance Ireland responsible for the development and maintenance of the internal control framework.

I confirm that the Board conducted an annual review of the effectiveness of the internal controls for the year ended 31 December 2023 on 29 March 2024.

## Internal Control Issues

No weaknesses in internal control were identified in relation to 2023 that require disclosure in the Financial Statements.

On behalf of the board,

A handwritten signature in black ink, appearing to read 'Lorraine Corcoran', with a long horizontal flourish extending to the right.

**Lorraine Corcoran**

Chair

2 September 2024



# ➤ Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General



## Report for presentation to the Houses of the Oireachtas

### Microfinance Ireland

#### Opinion on the financial statements

I have audited the financial statements of Microfinance Ireland for the year ended 31 December 2023 as required under the provisions of section 20 of the Microenterprise Loan Fund Act 2012. The financial statements comprise the statement of income and expenditure, the statement of financial position, the statement of changes in reserves and capital account, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- ➔ give a true and fair view of the assets, liabilities and financial position of the company at 31 December 2023 and of its income and expenditure for 2023
- ➔ have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and the Republic of Ireland, and
- ➔ have been properly prepared in accordance with the Companies Act 2014.

#### Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions related to going concern

The directors have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- ➔ the appropriateness of the use by the directors of the going concern basis of accounting, and
- ➔ whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.





## Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

## Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the chair's statement, the report of the chief executive, the directors' report and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Mark Brady**

For and of behalf of the  
Comptroller and Auditor General

5 September 2024



## ➤ Appendix to the report

### Responsibilities of the Directors

As detailed in the directors' report, the directors are responsible for

- ➔ the preparation of annual financial statements in the form prescribed under the Companies Act 2014
- ➔ ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ➔ ensuring the regularity of transactions
- ➔ assessing whether the use of the going concern basis of accounting is appropriate, and
- ➔ such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 20 of the Microenterprise Loan Fund Act 2012 to audit the financial statements of the company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- ➔ I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ➔ I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- ➔ I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- ➔ I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.



→ I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.





## ➤ Statement of Income and Expenditure

For the year ended 31 December 2023

		Financial Year Ended 31 December 2023	Financial Year Ended 31 December 2022
	Notes	€'000	€'000
Interest Income	3	1,092	1,233
Interest Expense	3	(187)	(78)
Net Interest Income	3	905	1,155
Administrative expenses	5	(3,046)	(2,560)
Bad debts			
- Specific credit/(charge)	9	217	1,251
- Collective credit/(charge)	9	1,724	1,927
- Cash Recoveries		404	417
- Guarantee callable under EIF	10	(307)	(287)
Total		2,038	3,308
<b>(Deficit) / Surplus for the financial year</b>		<b>(103)</b>	<b>1,903</b>

The Statement of Income and Expenditure includes all gains and losses recognised in the year. The Statement of Changes in Reserves and Capital Account, the Statement of Cash Flows and Notes 1 to 23 form part of these Financial Statements.

**Approved by the board and authorised for issue on 2 September 2024**

**Lorraine Corcoran**  
Director

**Ronan Headon**  
Director



## ➤ Statement of Financial Position

31 December 2023

		31 December 2023	31 December 2022
	Notes	€'000	€'000
<b>Tangible and intangible fixed assets</b>	8	137	44
<b>Current assets</b>			
Loans and advances to customers net of provisions	9	8,985	11,671
Amounts recoverable from EIF	10	2,937	3,943
Other Debtors	11	94	7
Short term deposits		18,214	21,327
Cash at bank and in hand		163	128
		<b>30,393</b>	<b>37,076</b>
<b>Creditors - (amounts falling due within one year)</b>	12	<b>(365)</b>	<b>(1,165)</b>
<b>Net current assets</b>		<b>30,028</b>	<b>35,911</b>
<b>Creditors - (amounts falling due after one year)</b>	13	<b>-</b>	<b>(5,687)</b>
<b>Net assets</b>		<b>30,165</b>	<b>30,268</b>
<b>Capital and reserves</b>			
Issued share capital	15	-	-
Microenterprise Loan Fund	16	30,165	30,268
		<b>30,165</b>	<b>30,268</b>

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

**On behalf of the board on 2 September 2024.**

**Lorraine Corcoran**  
Director

**Ronan Headon**  
Director



## ➤ Statement of changes in Reserves and Capital Account

	Revenue Reserves	Microfinance Loan Fund Account	Total
	€'000	€'000	€'000
<b>At 1 January 2023</b>	-	30,268	30,268
Grant received (see Note 16)	-	-	-
Deficit for the year	(103)	-	(103)
Transfer to Microfinance Loan Fund Account	103	(103)	-
<b>At 31 December 2023</b>	-	<b>30,165</b>	<b>30,165</b>

	Revenue Reserves	Microfinance Loan Fund Account	Total
	€'000	€'000	€'000
<b>At 1 January 2022</b>	-	28,365	28,365
Grant received (see Note 16)	-	-	-
Surplus for the year	1,903	-	1,903
Transfer to Microfinance Loan Fund Account	(1,903)	1,903	-
<b>At 31 December 2022</b>	-	<b>30,268</b>	<b>30,268</b>





## ➤ Statement of Cash Flows

For the year ended 31 December 2023

		Financial Year Ended 31 December 2023	Financial Year Ended 31 December 2022
	Notes	€'000	€'000
<b>Net cash flow/(outflow) from operating activities</b>	17	3,567	6,218
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(145)	(43)
<b>Net cash flows from investing activities</b>		(145)	(43)
<b>Cash flows from financing activities</b>			
Grant received		-	-
Change in Borrowings	12 & 13		
- Drawdown of new funding		-	1,000
- Repayment of funding		(6,500)	-
<b>Net cash flows from financing activities</b>		(6,500)	1,000
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,078)	7,175
Cash and cash equivalents at the beginning of financial year	17	21,455	14,280
<b>Cash and cash equivalents at the end of financial year</b>		<b>18,377</b>	21,455
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		163	128
Short term deposits		18,214	21,327
<b>Cash and cash equivalents</b>	17	<b>18,377</b>	<b>21,455</b>



## ➤ Notes to the Financial Statements

### 1. Accounting policies

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

#### 1.1. General information ownership and operations

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

#### 1.2. Format of accounting statements

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

#### 1.3. Basis of preparation

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

#### 1.4. Functional currency

The financial statements are presented in Euro (€).

#### 1.5. Income and expenses

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

#### 1.6. Loans and advances to customers

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

In accordance with Section 34 of FRS102, Microfinance Ireland operates public benefit entity concessions loans. These concessionary loans are initially recorded at fair value and in subsequent years the concessionary loan is adjusted to reflect any accrued interest payable or receivable. Loans are assessed as to whether there is an indication of impairment and an impairment loss is recorded in the income and expenditure account (see Note 1.7 below).





### 1.7. Impairment of concessionary loans

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

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

The company's policy is to provide for bad and doubtful debts to reflect the impairments inherent in the loan portfolio at the Statement of Financial Position Reporting date.

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

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

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

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

The aggregate specific and collective provisions made during the period, less amounts released and net of recoveries of loans previously written off are charged against income for the period. Amounts recoverable from the EIF in respect of the period are recognised in the period, and any balance due at the reporting date is included as a debtor in the Statement of Financial Position.

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

### 1.8. Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, and bank deposits with maturity of less than or equal to 12 months. Bank term deposits are available on demand subject to terms and conditions.

### 1.9. Tangible and intangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Intangible fixed assets are amortised over their estimated useful lives or legal life, whichever is shorter. 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	3 years	→
Computer software	3 years	→
Office furniture & equipment	5 years	→



### 1.10 Microenterprise loan fund

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

### 1.11 Financial instruments

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

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

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

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

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

## 2. Critical accounting judgements and estimates

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

### Impairment of loans and advances to customers

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

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

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



3. Income	Financial Year Ended 31 December 2023	Financial Year Ended 31 December 2022
	€'000	€'000
Interest client loans	874	1,265
Interest receivable bank deposits	218	-
Interest payable bank deposits	-	(32)
Interest Income	1,092	1,233
Interest expense on borrowings	(187)	(78)
<b>Net interest income</b>	<b>905</b>	<b>1,155</b>

4. Operating profit	Financial Year Ended 31 December 2023	Financial Year Ended 31 December 2022
	€'000	€'000
Operating profit is stated after charging:		
Wages and salaries (excluding PRSI)	1,080	940
Employer PRSI costs	115	104
Depreciation	52	24
Auditors' remuneration	15	14

5. Administrative expenses	Financial Year Ended 31 December 2023	Financial Year Ended 31 December 2022
	€'000	€'000
Salaries and wages (excluding PRSI)	1,080	940
Employer PRSI	115	104
Staff and board related expenditure	82	79
Travel and subsistence	15	2
Credit assessor fees	381	346
Marketing/advertising	320	329
Legal fees	36	22
Outsourcing/consultancy fees	657	454
Rent	68	68
Depreciation	52	24
Premises	46	29
Client mentoring	106	98
Other	88	65
	<b>3,046</b>	<b>2,560</b>

Microfinance Ireland incurred staff and board related expenditure of €81,517 in the year ended 31 December 2023 (31 December 2022: €79,098). The expenditure includes employer contributions to personal retirement savings accounts €37,985 (31 December 2022: €32,367), death in service insurance for staff €6,771 (31 December 2022: €9,863), income continuance insurance €10,693 (31 December 2022: €15,471), staff vouchers under the small benefits exemption scheme €21,000 (31 December 2022: €16,000) and staff entertainment of €2,069 (31 December 2022: €1,596). Board expenditure was €2,768 in the year ended 31 December 2023 (31 December 2022: €3,801).



## 6. Employee information

	12 Months December 2023	12 Months December 2022
The average number of persons employed during the year	19	17

Range of employee salaries		Number of Employees 2023	Number of Employees 2022
From	To		
€60,000	€69,999	3	1
€70,000	€79,999	2	1
€80,000	€89,999	-	1
€90,000	€99,999	1	-
€100,000	€109,999	-	1
€110,000	€119,999	1	-

### Retirement benefit obligations

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

### Key management remuneration

The directors of Microfinance Ireland are all unpaid volunteers. The key management team was increased in 2023 from five to six posts and now includes the CEO, Head of Credit, Head of Finance and Risk, Head of Operations, Business Transformation Lead and the Marketing and Channels Manager who have authority and responsibility for planning, directing and controlling activities.

	2023 €	2022 €
Salaries paid to key management	483,029	385,188

Chief executive officer remuneration	2023 €	2022 €
Salary paid to Des McCarthy	114,620	105,668
Voucher under small benefit exemption scheme to Des McCarthy	1,000	1,000
	<b>115,620</b>	<b>106,668</b>

The CEO is not entitled to any retirement benefits.

Travel and subsistence costs of €1,069 were incurred by the CEO in the year ended 31 December 2023 (31 December 2022: €1,109).

## 7. Taxation

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



## 8. Tangible and intangible fixed assets

	Tangible			Intangible	
	Office Furniture & Equipment	Computer Equipment	Total	Computer Equipment & Software	Total
	€'000	€'000	€'000	€'000	€'000
<b>Cost</b>					
At 1 January 2023	21	72	93	50	143
Additions	-	10	10	135	145
Disposals	-	(11)	(11)	-	(11)
At 31 December 2023	21	71	92	185	277
<b>Depreciation</b>					
At 1 January 2023	20	62	82	17	99
Charge for the year	-	9	9	43	52
On disposals	-	(11)	(11)	-	(11)
At 31 December 2023	20	60	80	60	140
<b>Net book value</b>					
At 31 December 2022	1	10	11	33	44
At 31 December 2023	1	11	12	125	137

  

	Tangible			Intangible	
	Office Furniture & Equipment	Computer Equipment	Total	Computer Equipment & Software	Total
	€'000	€'000	€'000	€'000	€'000
<b>Cost</b>					
At 1 January 2022	21	74	95	10	105
Additions	-	3	3	40	43
Disposals	-	(5)	(5)	-	(5)
At 31 December 2022	21	72	93	50	143
<b>Depreciation</b>					
At 1 January 2022	20	55	75	5	80
Charge for the year	-	12	12	12	24
On disposals	-	(5)	(5)	-	(5)
At 31 December 2022	20	62	82	17	99
<b>Net book value</b>					
At 31 December 2021	1	19	20	5	25
At 31 December 2022	1	10	11	33	44



## 9. (a) Loans and advances to customers

	31 December 2023	31 December 2022
	€'000	€'000
Loans outstanding at beginning of financial year	20,271	28,350
New loans advanced	6,009	6,004
Capital repaid	(10,635)	(12,567)
Amounts written off	(1,356)	(1,516)
Loans outstanding at financial year end	14,288	20,271
Provision for bad and doubtful debts	(5,303)	(8,600)
	8,985	11,671

## (b) Loans and advances by maturity

	31 December 2023	31 December 2022
	€'000	€'000
3 months or less	1,831	3,177
1 year or less but over 3 months	4,582	7,373
Over 1 year	7,875	9,721
	14,288	20,271

## (c) Provisions for bad and doubtful debts

	31 December 2023	31 December 2022
	€'000	€'000
<b>Specific provision</b>		
Opening provisions	2,898	5,665
Allowance for losses made during the year	1,170	1,641
Opening Allowance reversed during the year	(1,387)	(2,892)
Loans written off	(1,356)	(1,516)
Closing provisions	1,325	2,898
<b>Collective provision</b>		
Opening provisions	5,702	7,629
Allowance released during the financial year	(1,724)	(1,927)
Closing provisions	3,978	5,702



### (d) Cumulative position at 31 December 2023

		€'000
Total loans advanced		74,662
Capital amounts repaid		(51,399)
Loans written off		(8,975)
Loans outstanding at 31 December 2022		14,288
Specific provision	(1,325)	
Collective provision	(3,978)	(5,303)
		<b>8,985</b>

### 10. Amounts recoverable from EIF

	31 December 2023	31 December 2022
	€'000	€'000
At beginning of financial year	3,943	4,799
Guarantee callable against bad debts	(307)	(287)
Amounts received from EIF	(699)	(569)
<b>Balance at end of the financial year</b>	<b>2,937</b>	<b>3,943</b>

In recognition of the higher risk profile of the activities of Microfinance Ireland, the company secured support for its activities from the European Investment Fund (EIF). Under the European Progress Microfinance Facility (EPMF) for employment and social inclusion signed on 7 December 2012, the Employment and Social Innovation Guarantee Facilities (EaSI) signed on 14 October 2015 and successor Agreement signed 11 December 2017, the Pan-European Guarantee Fund (EGF) signed on 6 April 2021 and amended and restated 6 December 2021 and the Guarantee Agreement under the InvestEU Fund signed 29 December 2022, EIF as Guarantor partially covers the credit risk of the Microfinance Ireland loan portfolio subject to specific ceiling levels at both portfolio and individual client loan level and also subject to specific terms and conditions.

The Balance at the end of the financial year represents the claim amounts recoverable based on projected credit losses adjusted for the relevant Guarantee Agreement terms and conditions.

### 11. Other debtors

	31 December 2023	31 December 2022
	€'000	€'000
Accrued Income	28	5
Prepayments	66	2
	<b>94</b>	<b>7</b>



## 12. Creditors - amounts falling due within one year

	31 December 2023	31 December 2022
	€'000	€'000
- PAYE & PRSI	34	29
- Interest on Borrowings	-	40
- Accruals	331	283
	365	352
Borrowings (see Note 13)	-	813
	365	1,165

## 13. Creditors - amounts falling due after more than one year

	31 December 2023	31 December 2022
	€'000	€'000
Borrowings	-	5,687
Borrowings	-	5,687

On 30 September 2021, Microfinance Ireland executed a new Loan Facility Agreement for a borrowing facility of up to €30m from the Strategic Banking Corporation of Ireland (SBCI). The facility had a six-year term with a final maturity date of 31 March 2027. The contracted interest rate basis was 6-month Euribor plus a margin of 0.80%. The borrowings were repaid in full during 2023.

## 14. (a) Financial risk management

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

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

**Liquidity risk:** Microfinance Ireland's policy is to ensure it has adequate committed lines of credit in place sufficient to meet its liabilities as they fall due and also invests its surplus funds in liquid form. Microfinance Ireland reviews its cashflows at regular intervals to ensure that it is fully funded into the future for a period of not less than 12 months.

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

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

At 31 December 2023, Microfinance Ireland had zero borrowings. Thus, the historic interest rate risk that arose from differences between the interest rate charged on loans to customers which is fixed and the interest rate payable on Borrowings which was at variable rates repricing half-yearly, ceased to exist. Therefore, Microfinance Ireland is not exposed to any form of currency risk or other price risk.





## 14. (b) Interest rate risk disclosures

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

	2023		2022	
	Amount €'000	Average Interest Rate	Amount €'000	Average Interest Rate
<b>Financial Assets</b>				
Loans to customers	8,985	5.1%	11,671	4.2%
Short term deposits	18,214	1.1%	21,327	0.3%
<b>Financial Liabilities</b>				
Borrowings	-	5.8%	6,500	2.7%

## 14. (c) Credit Risk Disclosures

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

	2023		2022	
	Amount €'000	Proportion %	Amount €'000	Proportion %
<b>Performing/Current Loans</b>	12,394	87	16,157	80
Up to 30 days past due	357	3	620	3
Between 31 and 60 days past due	175	1	777	4
Between 61 and 90 days past due	155	1	274	1
90+ days past due	488	3	641	3
Restructured loans	719	5	1,802	9
<b>Total Loans Past Due</b>	1,894	13%	4,114	20%
<b>Total Loans</b>	14,288	100%	20,271	100%
<b>Specific Provision</b>	(1,325)		(2,898)	
<b>Collective Provision</b>	(3,978)		(5,702)	
<b>Total Carrying Value</b>	8,985		11,671	

## 14. (d) Liquidity risk disclosures

Loans are normally granted for terms from 3 months to 60 months and are repayable monthly. Typically, loans are granted for 3 to 4 years. The average original life of the loan book at 31 December 2023 was 49 months (31 December 2022: 42 months).

Short term deposits have a maximum life of one month and are frequently on demand. The average life of the deposit book at 31 December 2023 was 17 days (31 December 2022: 12 days).

As at 31 December 2023, Microfinance Ireland had loan commitments of €592,000 (31 December 2022: €730,000). Loan commitments refer to loans approved but not drawn down at financial year end.



## 15. 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 Social Finance Foundation.

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

## 16. Micro Finance Loan Fund Account

Since inception, Microfinance Ireland received total grant funding of €49.8m into the Microfinance Loan Fund Account in accordance with the Microenterprise Loan Fund Act 2012, the Industrial Development (Amendment) Act 2019 and the Microenterprise Loan Fund (Amendment) Act 2020. Under section 5 (3) of the Microenterprise Loan Fund Act 2012, Microfinance Ireland is not liable to repay the Minister any moneys paid to it.

## 17. (a) Reconciliation of operating surplus to net cash flow from operating activities

	Year ended 31 December 2023	Year ended 31 December 2022
Operating (deficit)/surplus	(103)	1,903
Depreciation	52	24
Decrease in loan advances to customers	4,626	6,563
Increase in creditors	13	57
Increase in debtors	(87)	(7)
Bad debt (credit)/charge (Specific and Collective)	(1,941)	(3,178)
Guarantee called/callable from EIF	307	287
Amount recoverable from EIF	700	569
<b>Net cash flow</b>	<b>3,567</b>	<b>6,218</b>

## (b) Reconciliation to net cash as at

	Year ended 31 December 2023	Year ended 31 December 2022
Cash at bank and in hand	163	128
Short Term Deposits	18,214	21,327
<b>Total Cash and Cash equivalents</b>	<b>18,377</b>	<b>21,455</b>



## 18. Commitments and contingent liabilities

(a) Loan commitments

As at December 2023, Microfinance Ireland had loans approved but not drawn down, of €592,000 (31 December 2022: €730,000)

(b) Capital commitments

There were no capital commitments at 31 December 2023 (31 December 2022: €Nil).

(c) Contingent Liabilities

There were no contingent liabilities at 31 December 2023 (31 December 2022: €Nil).

(d) Premises

The company has commitments payable up to 2026 in respect of a 10-year lease entered into on 17 October 2016 for office accommodation at 13 Richview Office Park, Clonskeagh, Dublin 14. The 5-year break option was not exercised.

Rent reviews are carried out every five years and the current rent is €66,888 per annum excluding VAT.

	Year ended 31 December 2023
<b>Payable</b>	
Within one year	67
Within two and five years	117

## 19. Post Statement of Financial Position Events

There are no post reporting date events to report.

## 20. Ultimate parent company

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

## 21. 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 €Nil were reimbursed or reimbursable to directors in relation to expenses incurred in the financial year ending 31st December 2023 (31 December 2022: €Nil).

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

## 22. Related party disclosures

Total compensation to key management personnel referred to in Note 6 amounted to €506,827.

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

It should be noted that in the normal course of business the Board has delegated decision making authority for individual loan applications to Management and therefore the directors cannot directly influence application outcomes nor are they privy to the identity of individual applicants or borrowers.

## 23. Approval

The directors approved the financial statements and authorised their issue on 2 September 2024.





 **Notes**

Lined area for taking notes, consisting of numerous horizontal lines.





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**For more information visit**

**→ [www.microfinanceireland.ie](http://www.microfinanceireland.ie)**

Microfinance Ireland (MFI) benefits from support from the European Union under the InvestEU Fund.

Microfinance Ireland (MFI) has been supported with funding from the Strategic Banking Corporation of Ireland (SBCI)

Company Number: 516555 Registered Office: 10 Earlsfort Terrace, Dublin 2, D02 T380.

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