Grant Thornton

# Financial Statements

## Clann Credo Company Limited by Guarantee

**For the financial year ended 31 December 2016**

**Registered number: 253147**

# Company Information

| | |
|---|---|
| **Directors** | Jerry Butler<br>Gary Brennan<br>Tom Finlay<br>Magdalen Fogarty<br>Colin McCrea<br>Emer Ní Bhrádaigh<br>Grace Redmond<br>Jim Rourke<br>Paul Sullivan<br>Don Thornhill (resigned 30 May 2016) |
| **Company secretary** | Paul O'Sullivan |
| **Registered number** | 253147 |
| **Registered office** | Irish Social Finance Centre<br>10 Grattan Cresent<br>Inchicore<br>Dublin 8 |
| **Independent auditors** | Grant Thornton<br>Chartered Accountants & Statutory Audit Firm<br>Molyneux House<br>Bride Street<br>Dublin 8 |
| **Bankers** | Bank of Ireland<br>177 Drimnagh Road<br>Walkinstown<br>Dublin 12 |
| **Solicitors** | Dillon Eustace<br>33 Sir John Rogerson's Quay<br>Dublin 2 |

**Clann Credo Company Limited by Guarantee**

# Contents

# Directors' report

**For the financial year ended 31 December 2016**

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2016.

### Principal activities

Clann Credo Company Limited by Guarantee ("Clann Credo") was established to make a contribution to a sustained reduction of poverty and social disadvantage, the promotion of social inclusion and nurturing civil society organisations. It is a sustainable, alternative finance model serving communities and organisations that may have difficulty securing finance on reasonable terms from the mainstream financial institutions;

a) It makes socially directed investments solely for charitable and/or public purposes at rates of interest and other terms which are more favourable than those that are currently available commercially.
b) It provides assistance with management development education;

The company intends to pursue its principle objectives and become involved in any activities which will advance these objectives.

### Business review

2016 was the 20th year since Sr. Magdalen Fogarty began developing the concept of social finance in Ireland. In that time over 800 projects have benefitted from the support of Clann Credo with over €82 million invested. The year was a time for celebration, but also to acknowledge that a job of work was still required to ensure that no community project or initiative was lost or held back due to the absence of financial support.

At the 20th anniversary conference held in September 2016 at the newly refurbished Richmond Barracks in Inchicore, key note speaker, President Michael D Higgins told the audience that Clann Credo had "always been to the foreground" in its work with communities and praised its "critical pioneering role" in developing new & innovative projects.

The 20th anniversary year was also an opportunity to undertake a renewed promotional effort and for the first year a co-ordinated marketing campaign was undertaken which included the development of a new products such as a €25 million Leader Loan Fund, €10 million Sports Loan Fund and a new €50 million Community Impact Loan Fund which was launched by Minister for Jobs, Enterprise and Innovation, Mary Mitchell O'Connor TD.

Clann Credo also launched its new website. A series of articles were published in regional and national press. In addition 22 roadshow were hosted by Clann Credo in different counties across the country with an average attendance of over 50 people per event.

This additional promotional activity appeared to be successful as over €14.6 million in new lending was approved in the year (127 projects) which was a 38% increase on the previous year.

However the level of new disbursements in the year was disappointing with only €5.8 million disbursed to 69 projects which was a 30% reduction on 2015.

This is partially due to a further delay on the roll out of the 2014 -2020 Rural Development Program in which community organisation often require both term and bridging loans to assist in their project financing. This programme is being rolled out in 2017.

Nonetheless with the high level of approvals in 2016, the vast majority of which had not been disbursed in the year, it would be expected that disbursements in 2017 should be at a higher level.

# Directors' report (continued)
**For the financial year ended 31 December 2016**

### Business review (continued)

The company made a small loss for the financial year of €13,395 compared with a surplus of €79,027 in 2015.

Income for the year was €972, 236 as detailed on page 9 (2015: €1,168,008). The most significant element of this was SDI interest income which represents 82% of income at €798, 639 and is a reduction of 8% from 2015 at €868,233. This is due to a reduction in new loan activity and loan portfolio size as detailed above. Similarly legal and arrangement fees reduced from €77,599 in 2015 to €60,706.

Operating expenses for the current year reduced by 9% from €934,661 to €843,784 mostly due to costs associated with the Social Impact Investing pilot project work which was completed in 2015 and did not re-occur in 2016.

Marketing expenditure including the 20th anniversary conference costs increased substantially in 2016 to €96,567 from €43,022 in 2015. Most of this is expenditure is largely one-off due to the Clann Credo 20th anniversary conference, project launches and the co-ordinated awareness campaign undertaken during the year.

Funding costs fell by 3% to €87,265 from €90,117 reflecting the decrease in loans from the Social Finance Foundation to fund the loan book although the balance increased overall by the year-end.

Bad debt provisions totalling €54,582 (2015: €67,203) were charged to the Income & expenditure account during the year.

Nonetheless by year end SDI loans had increased marginally from €18.45m at 31 December 2015 to €18.57m at the end of 2016.

During the year the company introduced a new loan write off policy and €670,251 (2015: NIL) of loans were written off. These were historical loans which had already been fully provided for and hence the write off did not generate any losses in the current period.

Overall the repayment rates on the loan portfolio remain satisfactory and the level of provision for bad debt appears adequate to meet unforeseen loan losses.

At year end the company had an agreement with regards to a loan facility with the Social Finance Foundation of up to €20m (2015: €20m). The facility is secured via an assignment over the sums due to the company under any SDI loan agreement financed by the Social Finance Foundation. The balance outstanding on the loan at 31 December 2016 was €11.9m (2015: €10.9m).

The directors have no plans to change significantly the activities and operations of the company in the foreseeable future.

### Investment in subsidiaries

Details of the subsidiaries are shown in note 11 to the financial statements.

# Directors' report (continued)
**For the financial year ended 31 December 2016**

### Charitable status

The company was granted charitable tax exemption by the Revenue Commissioners on 4 August 1999 (CHY No. 13308) and is registered in the Register of Charities, maintained by the Charities Regulatory Authority: Registered Charity Number: 20041076.

### Taxation

The company is not a close company as defined by Section 430 Taxes Consolidation Act 1997 and this position has not changed since the end of the financial year.

### Directors

Clann Credo Company Limited by Guarantee is a company limited by guarantee, therefore it does not have any share capital. In the event of winding up the company the members agree to pay €6.35 each towards the debt of the company.

The directors who served during the financial year were:

Jerry Butler
Gary Brennan
Tom Finlay
Magdalen Fogarty
Colin McCrea
Emer Ní Bhrádaigh
Grace Redmond
Jim Rourke
Paul Sullivan
Don Thornhill (resigned 30 May 2016)

Jerry Butler, Emer Ní Bhrádaigh and Grace Redmond retire by rotation at the annual general meeting and are eligible to offer themselves for re election. Don Thornton was appointed to the board on the 9th February 2016 and resigned on 30 May 2016.

# Directors' report (continued)
**For the financial year ended 31 December 2016**

## Principal risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the company are in the following categories:

**Currency risk**
The company operates principally in the Republic of Ireland, and therefore is not normally subject to currency risks.

**Interest rate risk**
The company's objective in relation to interest rate management is to minimise the impact of interest rate volatility on its income in order to meet its operational overheads and to protect the level of funding available for subsequent investment in Socially Directed Investment (SDI) projects. The company does not consider the exposure to interest rate fluctuations to be of significant magnitude to warrant the use of derivative financial instruments.

**Liquidity and cash flow risk**
In terms of liquidity and cash flow risk, the company's objective is to maintain a balance between the availability of and diverse sources of finance. The company's policy is to ensure that sufficient resources are available either from cash balances, cash flows and loans from the Social Finance Foundation to ensure all obligations can be met when they fall due and to ensure sufficient resources are available for further investments in potential SDI projects.

**General economic conditions**
The company's income is exposed to changes in general economic conditions in Ireland. The company has considered the risks prevalent and is in a position to change the emphasis of their income in response to changes in economic conditions. The directors are satisfied that based upon Clann Credo's level of exposure in its loan book, the level of provision for bad debt at 16.0% (2015 - 20.3%) of gross SDI Investments appears to be adequate to meet potential loan losses. Whilst there was a reduction in the level of bad debt provision in the year, this is due to the write off, of €670,251 in loans during the year on which 100% provision had already been made.

## Accounting records

The measures taken by the directors to ensure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at Irish Social Finance Centre, 10 Grattan Cresent, Inchicore, Dublin 8.

## Events since the end of the year

There has been no significant events affecting the company since the year end and the directors do not envisage any substantial changes to the nature of the business.

## Compliance with SORP for Charities

The financial statements have been prepared in accordance with Irish Generally Accepted Accounting Practice including Financial Reporting Standard 102 and in compliance with Companies Act 2014. They have not been prepared in accordance with Statement of Recommended Practice (SORP) for Charities because in the view of the directors the format, structure and presentation of the financial reporting requirements under SORP would not best represent the nature of the company's operations.

# Directors' report (continued)

**For the financial year ended 31 December 2016**

## Statement on relevant audit information

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditors

The auditors, Grant Thornton, continue in office in accordance with section 383(2) of the Companies Act 2014.

This report was approved by the board and signed on its behalf.

Director

Director

Date: 4TH APRIL 2017.

# Directors' responsibilities statement

**For the financial year ended 31 December 2016**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with Irish law and regulations.

Irish company law requires the directors to prepare the financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Practice in Ireland, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and promulgated by the Institute of Chartered Accountants in Ireland and Irish law.

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, of the profit or loss of the Company for that financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- 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 profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 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.

Grant Thornton

# Independent auditors' report to the shareholders ofClann Credo Company Limited by Guarantee

We have audited the financial statements of Clann Credo Company Limited by Guarantee for the financial year ended 31 December 2016, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and the Auditor**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the assets, liabilities and financial position of the Company as at 31 December 2016 and of its loss for the financial year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Grant Thornton

# Independent auditors' report to the shareholders ofClann Credo Company Limited by Guarantee

**Matters on which we are required to report by the Companies Act 2014**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Michael Shelley
for and on behalf of
**Grant Thornton**
Chartered Accountants
& Statutory Audit Firm

Molyneux House
Bride Street
Dublin 8

Date: 17th April 2017

# Statement of comprehensive income and retained earnings

**For the financial year ended 31 December 2016**

| | Note | 2016 € | 2015 € |
|---|---|---|---|
| Incoming resources | 4 | **972,236** | 1,168,008 |
| Administrative expenses | | **(843,784)** | (931,661) |
| **Operating surplus** | 5 | **128,452** | 236,347 |
| Increase in provision on SDI loans | | **(54,582)** | (67,203) |
| Interest payable and similar charges | 9 | **(87,265)** | (90,117) |
| **Surplus/(Deficit) for the financial year** | | **(13,395)** | 79,027 |
| Retained earnings at the beginning of the financial year | | **127,450** | 48,423 |
| Surplus for the financial year | | **(13,395)** | 79,027 |
| **Retained earnings at the end of the financial year** | | **114,055** | 127,450 |

All amounts relate to continuing operations.

There was no other comprehensive income for 2016 (2015: €Nil).

The notes on pages 12 to 27 form part of these financial statements.

# Balance sheet

**As at 31 December 2016**

| | Note | 2016 € | 2016 € | 2015 € | 2015 € |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | | **10,220** | | 20,119 |
| Financial assets | 11 | | **30,191** | | 30,191 |
| | | | **40,411** | | 50,310 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 12 | **4,803,641** | | 4,883,959 | |
| Debtors due after more than 1 year | | **14,043,489** | | 13,820,797 | |
| SDI loan provision | | **(2,018,950)** | | (2,634,619) | |
| Cash at bank and in hand | 13 | **6,973,912** | | 6,248,565 | |
| | | **23,802,092** | | 22,318,702 | |
| Creditors: amounts falling due within one year | 14 | **(6,377,415)** | | (6,199,073) | |
| **Net current assets** | | | **17,424,677** | | 16,119,629 |
| **Total assets less current liabilities** | | | **17,465,088** | | 16,169,939 |
| Creditors: amounts falling due after more than one year | 15 | | **(17,351,033)** | | (16,042,489) |
| **Net assets** | | | **114,055** | | 127,450 |
| **Capital and reserves** | | | | | |
| Income and expenditure account | 18 | | **114,055** | | 127,450 |
| | | | **114,055** | | 127,450 |

The financial statements were approved and authorised for issue by the board on 4TH APRIL 2017

Director

Director

Date: 4/4/17

Date 4/4/17

The notes on pages 12 to 27 form part of these financial statements.

# Statement of cash flows

**For the financial year ended 31 December 2016**

| | 2016 € | 2015 € |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit for the financial year | (13,395) | 79,027 |
| **Adjustments for:** | | |
| Depreciation of tangible assets | 10,314 | 8,177 |
| Interest paid | 87,265 | 90,117 |
| Increase in provision on SDI loans | 54,582 | 67,203 |
| (Increase)/decrease in debtors | (21,527) | 135,738 |
| (Decrease)/increase in creditors | (96,528) | 64,954 |
| (Decrease)/increase in amounts owed from The Clann Credo Fund | (3,034) | 26,250 |
| **Net cash generated from operating activities** | 17,677 | 471,466 |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | (415) | (23,772) |
| Interest paid | (87,265) | (90,117) |
| Increase in provision on SDI loans | (54,582) | (67,203) |
| (Increase)/decrease in SDI loans | (736,516) | 3,545,300 |
| **Net cash from investing activities** | (878,778) | 3,364,208 |
| **Cash flows from financing activities** | | |
| New long term loans | 5,556,218 | 4,954,323 |
| Capital repayments | (3,954,770) | (8,682,106) |
| Capital fees and levies | (15,000) | (10,000) |
| **Net cash received in financing activities** | 1,586,448 | (3,737,783) |
| **Net increase in cash and cash equivalents** | 725,347 | 97,891 |
| Cash and cash equivalents at beginning of financial year | 6,248,565 | 6,150,674 |
| **Cash and cash equivalents at the end of financial year** | 6,973,912 | 6,248,565 |
| **Cash and cash equivalents at the end of financial year comprise:** | | |
| Cash at bank and in hand | 6,973,912 | 6,248,565 |
| | 6,973,912 | 6,248,565 |

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 1. General information

Clann Credo is a company limited by guarantee with a registered address at Irish Social Finance Centre, 10 Grattan Cresent, Inchicore, Dublin 8, D08 R240.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and Irish statute comprising of the Companies Act 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

### 2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 2. Accounting policies (continued)

### 2.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|---|---|
| Fixtures and fittings | - 5 years |
| Office equipment | - 2-5 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

### 2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

### 2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 2. Accounting policies (continued)

### 2.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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 loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.9 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 2. Accounting policies (continued)

### 2.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

### 2.11 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

### 2.12 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the financial year in which they are incurred.

### 2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

When preparing financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

### 3.1 Critical Management Judgments in Applying Accounting Policies
The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

*Impairment of receivables*
Adequate amount of allowance is made and provided for specific and groups of accounts where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with its contracting parties, contracting parties' current credit status, average age of accounts, settlement experience and historical loss experience.

### 3.2 Key Sources of Estimation Uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Estimating useful lives of depreciable assets*
The Company estimates the useful lives of tangible fixed assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of tangible fixed assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

## 4. Incoming resources

| | **2016** | 2015 |
|---|---|---|
| | **€** | € |
| SDI interest | **798,639** | 868,233 |
| Bank interest | **22,432** | 14,165 |
| Capital fees | **15,000** | 10,000 |
| Legal and arrangement fees | **60,706** | 77,599 |
| Other income | **73,458** | 75,000 |
| Conference income | **967** | - |
| Equalisation income | **1,034** | (28,353) |
| SII income | **-** | 151,364 |
| | **972,236** | 1,168,008 |

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 5. Operating (Deficit)/Surplus on ordinary activities

The operating (Deficit)/Surplus is stated after charging:

| | 2016 € | 2015 € |
|---|---|---|
| Depreciation of tangible fixed assets | **10,314** | 8,177 |
| Defined contribution pension cost | **49,170** | 47,269 |
| Rent - operating leases | **22,500** | 22,500 |
| Board costs | **13,741** | 9,605 |
| | **85,411** | 79,374 |

## 6. Employees

Staff costs were as follows:

| | 2016 € | 2015 € |
|---|---|---|
| Wages and salaries | **464,992** | 485,665 |
| Social insurance costs | **51,178** | 52,984 |
| Cost of defined contribution scheme | **49,170** | 47,269 |
| Other staff benefits | **11,908** | 11,822 |
| | **577,248** | 597,740 |

The Company's directors did not receive any remuneration in the current year (2015 - €NIL).

Capitalised employee costs during the financial year amounted to €NIL (2015 -€NIL).

The average monthly number of employees, including the directors, during the financial year was as follows:

| | 2016 No. | 2015 No. |
|---|---|---|
| Staff members | **8** | 8 |

## 7. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to €49,170 (2015 - €47,269).

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 8. Provision on Socially Directed Investments (SDI) loans

| | 2016 € | 2015 € |
|---|---|---|
| Increase in provision on SDI loans | 54,582 | 67,203 |
| | 54,582 | 67,203 |

## 9. Interest payable and similar charges

| | 2016 € | 2015 € |
|---|---|---|
| Other loan interest payable | 87,265 | 90,117 |
| | 87,265 | 90,117 |

## 10. Tangible fixed assets

| | Fixtures and fittings € | Office equipment € | Total € |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2016 | 11,018 | 31,478 | 42,496 |
| Additions | 415 | - | 415 |
| At 31 December 2016 | 11,433 | 31,478 | 42,911 |
| **Depreciation** | | | |
| At 1 January 2016 | 1,653 | 20,724 | 22,377 |
| Charge for period on owned assets | 2,246 | 8,068 | 10,314 |
| At 31 December 2016 | 3,899 | 28,792 | 32,691 |
| **Net book value** | | | |
| At 31 December 2016 | 7,534 | 2,686 | 10,220 |
| At 31 December 2015 | 9,365 | 10,754 | 20,119 |

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 10. Tangible fixed assets (continued)

In respect of prior financial year:

| | Fixtures and fittings € | Office equipment € | Total € |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2015 | 6,920 | 20,146 | 27,066 |
| Additions | 11,018 | 12,754 | 23,772 |
| Disposals | (6,920) | (1,422) | (8,342) |
| **At 31 December 2015** | 11,018 | 31,478 | 42,496 |
| **Depreciation** | | | |
| **At 1 January 2015** | 6,920 | 15,622 | 22,542 |
| Charge for period on owned assets | 1,653 | 6,524 | 8,177 |
| Disposals | (6,920) | (1,422) | (8,342) |
| At 31 December 2015 | 1,653 | 20,724 | 22,377 |
| **Net book value** | | | |
| At 31 December 2015 | 9,365 | 10,754 | 20,119 |
| At 31 December 2014 | - | 4,524 | 4,524 |

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 11. Financial Assets

| | Investments in subsidiary companies € | Unlisted investments € | Total € |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2016 | 1 | 30,190 | 30,191 |
| At 31 December 2016 | 1 | 30,190 | 30,191 |
| **Net book value** | | | |
| At 31 December 2016 | 1 | 30,190 | 30,191 |
| At 31 December 2015 | 1 | 30,190 | 30,191 |

In respect of prior financial year:

| | Investments in subsidiary companies € | Unlisted investments € | Total € |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2015 | 1 | 30,190 | 30,191 |
| At 31 December 2015 | 1 | 30,190 | 30,191 |
| **Net book value** | | | |
| At 31 December 2015 | 1 | 30,190 | 30,191 |
| At 31 December 2014 | 1 | 30,190 | 30,191 |

# Notes to the financial statements

**For the financial year ended 31 December 2016**

| | Details of investment | Cost |
|---|---|---|
| | | € |
| Homelessness Interventions Limited | 100% of share capital | 1 |
| Merkur Development Loans Ltd | 220 ordinary shares of 1,000 DKK each | 30,190 |

The investment in Homlessness Interventions Limited represents 100% in that company's share capital. Homelessness Interventions Limited was set up to support a government initiative, Social Impact Investments, and is registered in the Republic of Ireland.

Merkur Development Loans Ltd is incorporated in Denmark. The company is not listed on a recognised stock exchange. Merkur Development Loans Ltd was set up with the principle activity of lending to small businesses and cooperatives in developing countries.

## 12. Debtors

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Due after more than one year** | | |
| SDI - Loans | 13,830,989 | 13,595,797 |
| Prepayments and accrued income | 212,500 | 225,000 |
| | 14,043,489 | 13,820,797 |
| | 14,043,489 | 13,820,797 |

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Due within one year** | | |
| SDI loans | 4,747,954 | 4,862,299 |
| Prepayments and accrued income | 55,687 | 21,660 |
| | 4,803,641 | 4,883,959 |

**SDI loans**

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Loans outstanding at the beginning of the year | 18,458,096 | 21,938,693 |
| Loans advanced | 5,856,216 | 8,345,975 |
| Loan repayments | (5,324,983) | (11,854,781) |
| Other items | (410,386) | 28,209 |
| **Loans outstanding at the end of the year** | 18,578,943 | 18,458,096 |

# Notes to the financial statements
**For the financial year ended 31 December 2016**

**Maturity analysis:**

| | 2016 € | 2015 € |
|---|---|---|
| Amounts due in less than one year | **4,747,954** | 4,862,299 |
| Amounts due between one and two years | **2,119,669** | 2,043,716 |
| Amounts due between two and five years | **5,148,607** | 4,939,107 |
| Amounts due after five years | **6,562,713** | 6,612,974 |
| | **18,578,943** | 18,458,096 |

**Provision against financial assets**

| | 2016 € | 2015 € |
|---|---|---|
| Opening balance | **2,634,619** | 2,569,916 |
| Specific provision charged in the year | **54,582** | 67,203 |
| Amounts written off during the year | **(670,251)** | (2,500) |
| **Closing balance** | **2,018,950** | 2,634,619 |

## 13. Cash and cash equivalents

| | 2016 € | 2015 € |
|---|---|---|
| Cash at bank and in hand | **6,927,650** | 6,202,438 |
| SDI - cash held at Credit Union | **46,262** | 46,127 |
| | **6,973,912** | 6,248,565 |

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 14. Creditors: Amounts falling due within one year

| | **2016** | 2015 |
|---|---|---|
| | **€** | € |
| Other loans (See note 15) | **3,684,964** | 3,407,060 |
| Amounts owed to The Clann Credo Fund | **2,419,856** | 2,422,890 |
| Taxation and social insurance | **14,711** | 15,624 |
| Accruals | **152,416** | 224,748 |
| Deferred income | **105,468** | 128,751 |
| | **6,377,415** | 6,199,073 |

Amounts owed to The Clann Credo Fund are unsecured, interest free and are repayble on demand.

Trade and other creditors, including accruals are payable at various dates over the coming months in accordance with the suppliers' usual and customary credit terms.

Taxes including social insurance are repayable at various dates in accordance with the applicable statutory provisions.

| | **2016** | 2015 |
|---|---|---|
| | **€** | € |
| **Other taxation and social insurance** | | |
| PAYE/PRSI control | **14,711** | 15,624 |
| | **14,711** | 15,624 |

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 15. Creditors: amounts falling due after more than one year

| | | |
|---|---|---|
| Other loans | **17,351,033** | 16,042,489 |
| | **17,351,033** | 16,042,489 |

| | 2016 € | 2015 € |
|---|---|---|
| **Analysis of Loans less than and greater than one year** | | |
| Balance at the start of the year | **19,449,549** | 23,187,332 |
| Non - bank loans drawn down during the year | **5,556,218** | 4,954,323 |
| Capital repayments of loans during the year | **(3,949,558)** | (8,686,112) |
| Capital fees (a) | **(15,000)** | (10,000) |
| Levy (b) | - | - |
| Loan write offs/ adjustments (d) | **(5,212)** | 4,006 |
| | **21,035,997** | 19,449,549 |

(a) Under the terms of loan agreements with the Religious Charities, Clann Credo Company Limited by Guarantee may charge up to 5% of monies initially loaned to it as a contribution towards its administrative and operating expenses.

(b) Under loan agreements with the Religious Charities, Clann Credo may charge up to 2% annually of the aggregate value of monies loaned to it as a contribution towards its operating expenses. The current year contribution represents a 0% charge (2015 - 0%).

(c) The borrowings from the Social Finance Foundation amounting to €11,883,021 (2015 - €10,981,573) are secured via an assignment over the sums due to the company under any SDI loan agreement whereby the said loan was financed by the Social Finance Foundation. These borrowings are not subject to the charges as outlined in (a) & (b) above.

(d) Under the terms of the loan agreement with the Social Finance Foundation, 50% of the loss incurred by Clann Credo on SDI Investments funded by Social Finance Foundation is borne by Social Finance Foundation.

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 16. Financial commitments

Analysis of the maturity of other loans as set out within notes 14 and 15 is given below:

| | 2016 € | 2015 € |
|---|---|---|
| **Amounts falling due in less than one year** | | |
| | 3,684,964 | 3,407,060 |
| **Amounts falling due 1-2 years** | | |
| | 1,644,393 | 1,520,380 |
| **Amounts falling due 2-5 years** | | |
| | 3,589,752 | 3,319,027 |
| **Amounts falling due after more than 5 years** | | |
| | 12,116,888 | 11,203,082 |
| | 21,035,997 | 19,449,549 |

## 17. Financial instruments

| | 2016 € | 2015 € |
|---|---|---|
| **Financial assets** | | |
| Financial assets that are debt instruments measured at amortised cost | 23,564,095 | 22,102,232 |
| | 23,564,095 | 22,102,232 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | (23,608,269) | (22,097,187) |
| | (23,608,269) | (22,097,187) |

Financial assets measured at amortised cost comprise Socially Directed Investment (SDI) loans and cash on hand and in bank

Financial Liabilities measured at amortised cost comprise other loans, accruals and amounts owed to Clann Credo Fund.

## 18. Reserves

### Profit and loss account

Profit and loss account – includes all current and prior period retained surpluses and deficits.

# Notes to the financial statements

**For the financial year ended 31 December 2016**

## 19. Company status

The company is limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding €6.35 each towards the assets of the company in the event of liquidation.

## 20. Comparative information

Certain comparative amounts have been restated to conform to current year presentation.

## 21. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Contracted for but not provided in these financial statements | **10,203,789** | 4,191,500 |
| | **10,203,789** | 4,191,500 |

## 22. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Future minimum lease payments** | | |
| Not later than 1 year | **10,000** | 10,000 |
| Later than 1 year and not later than 5 years | **40,000** | 40,000 |
| Later than 5 years | **130,000** | 140,000 |
| | **180,000** | 190,000 |

# Notes to the financial statements
**For the financial year ended 31 December 2016**

## 23. Related party transactions

During the year the company had transactions with the following related parties :

The company was charged licence fees and related services of €22,500 (2015 - €39,300) by The Irish Social Finance Centre Company Limited by Guarantee (ISFC). There is a balance included in prepayments of €225,000 (2015 - €237,500), which has arisen as a result of prepaid rent to ISFC. There is also loans included in SDI loans (note 12) to ISFC of €690,779 (2015 - €712,992). Interest charged amounted to €21,710 (2015 - €21,837).

Jerry Butler, Magdalen Fogarty and Emer Ní Bhrádaigh are directors, who act in a voluntary capacity and for no remuneration, of ISFC. It has been granted charitable tax exemption by the Revenue Commissioners (CHY 13119), and its principal activity is to develop resources and networks for and among individuals and organisations that are involved in social investing and in activities constituting the 'Social Economy', thus making a contribution to a sustained reduction of poverty and social disadvantage, promotion of social inclusion and nurturing civil society organisations.

The company paid expensese of €2,000 on behalf of The Clann Credo Fund and an equalisation credit of €1,037 (2015 - (€28,353)) was charged to The Clann Credo Fund during the year. A balance of €2,419,856 (2015 - €2,422,890) is included in creditors at the year end. The Clann Credo Fund is a body, the purpose of which is one and the same as that of Clann Credo Company Limited by Guarantee, namely to act as an agent of positive social change through investing in projects which have a social, economic and community benefit.

## 24. Approval of financial statements

The board of directors approved these financial statements for issue on 04 April 2017.