Clann Credo Company Limited by Guarantee

Directors' Report and Financial Statements

For the financial year ended 31 December 2019

Registered number: 253147

Clann Credo Company Limited by Guarantee

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Clann Credo Company Limited by Guarantee

Directors and other information

Directors

Jerry Butler
Gary Brennan
Jim Egan (appointed 25th June 2019)
Magdalen Fogarty (resigned 11th September 2019)
Mary Lawlor
Colin McCrea
Emer Ní Bhrádaigh
Sarah Nic Lochainn
Grace Redmond
Jim Rourke
Paul Sullivan (resigned 25th June 2019)

Company secretary

Paul O'Sullivan (resigned 27th June 2020)
Emer Ní Bhrádaigh (appointed 7th July 2020)

Registered office

Irish Social Finance Centre
10 Grattan Crescent
Inchicore
Dublin 8
D08 R240

Independent auditors

Mazars
Chartered Accountants & Statutory Audit Firm
Block 3, Harcourt Centre
Harcourt Road
Dublin 2

Bankers

Bank of Ireland
177 Drimnagh Road
Walkinstown
Dublin 12

Solicitors

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2

Registered number
253147

The directors present their annual report and audited financial statements for the financial year ended 31 December 2019.

Principal activities

Clann Credo Company Limited by Guarantee ("Clann Credo") or ("the Company") 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 through:

a) making 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; and

b) providing 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

2019 was a year which continued to see additional interest in Clann Credo's pioneering work in advancing social investment in Ireland.

We were delighted that our founder Sr Magdalen Fogarty was awarded Irish Trustee of the Year at the National Charity Impact Awards, hosted by the Wheel and held in Dublin's Mansion House on December 10th, 2019. Sr Magdalen retired from our Board during the year and was also bestowed with the honour of Founding President at a civic reception held in the Tholsel, Kilkenny city on 27th September 2019. This event was a great celebration of the over twenty-five years of commitment and contributions she has made to social investment and finance in Ireland. It was attended by her family, Presentation sisters, Clann Credo volunteers, staff and supporters.

A new three-year strategic plan was developed during the year and finalised in early 2020. Significant engagement was made with investors, customers, staff, board and other key stakeholders through surveys, workshops and individual interviews. The plan envisages continued growth and interest in the social finance sector with development work to continue improving our IT infrastructure and looking at possible new developments, product offerings and strategic alliances. The timing of the implementation of some of the measures envisaged in the Strategic Plan may be delayed as a result of the COVID-19 pandemic. Despite this, the Board is confident that the Company's operations will continue to expand over the period of the Plan.

Marketing activity continued in the year with Information & Networking Roadshows held in Wexford and Louth with 130 people attending. Quarterly newsletters were reintroduced. Our three new staff members who joined in 2018 have been actively introducing themselves to our customers and stakeholders and have settled in as part of the team.

The additional staff and promotional activity appeared to be successful as over €21.9 million in new loans were disbursed in 2019 up from €16.9 million in 2018, an increase of 30%. As a result, the loan book total has increased by 21% and stood at just under €34.6 million (2018: €28.7 million) at the year end.

The high level of approvals has been sustained into the first quarter of 2020 although there was fall off during the second quarter due to the impact of COVID-19. It is expected that approval levels will revert to normal as the country and social development activity returns to normal following the easing of lockdown restrictions.

Directors' report *(continued)*

For the financial year ended 31 December 2019

Results for the year

The Company made a surplus for the financial year of €114,385 compared with a surplus of €47,140 in 2018.

Income for the year was €1,675,879 as detailed on page 12 (2018: €1,219,134). The most significant element of this was SDI interest income which represents 92% of income at €1,524,589 and has increased by 41% from 2018 (€1,084,299). This is due to an increase in new loan activity and growth in the loan portfolio size as detailed above.

Legal and arrangement fee income increased by 45% to €156,233 from €108,017 in 2018.

Administrative expenses for the current year increased by 22% from €887,785 to €1,082,560. This is primarily due to the increase in staff costs due to new staff being hired in late 2018.

Funding costs increased by 55% to €232,705 from €149,964 reflecting an increase in loans from the Social Finance Foundation with the balance increasing from €23.1 million to €28.7 million at the end of 2019.

SDI loans increased by 21% from €28.7m at 31 December 2018 to €34.6 million at the end of 2019.

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. The level of provision for bad debt stands at € 2.39 million (2018: €2.23 million) which represents 12% (2018: 13%) of Clann Credo's net loan exposure.

At year end, the Company had an agreement with regards to a loan facility with the Social Finance Foundation of up to €30 m (2018: €25m). 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.

Future developments

Other than envisaged in the Strategic Plan, the directors have no plans to significantly change 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.

Charitable status

The Company was granted charitable tax exemption by the Revenue Commissioners on 4 August 1999 (CHY N0.13308) 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 and secretary

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 and secretary who served during the financial year were:

Jerry Butler
Gary Brennan
Jim Egan (appointed 25th June 2019)
Magdalen Fogarty (resigned 11th September 2019)
Mary Lawlor
Colin McCrea
Emer Ní Bhrádaigh
Sarah Nic Lochainn
Grace Redmond
Jim Rourke
Paul Sullivan (resigned 25th June 2019)

Paul O'Sullivan (company secretary – resigned 27th June 2020)
Emer Ní Bhrádaigh (company secretary - appointed 7th July 2020)

Paul O' Sullivan resigned as company secretary and retired as chief executive officer on the 27th June 2020.
Grace Redmond, Jerry Butler and Emer Ní Bhrádaigh retire by rotation at the annual general meeting and are eligible to offer themselves for re-election.

Governance

The Company is governed by a voluntary Board of Directors which provides leadership, strategic direction and oversight of the organisation. The directors, who are also the trustees of Clann Credo, at the date of this report and those who served during the year together with the dates of any changes are set out in the preceding section of this report. The composition of the Board is designed to ensure that the members have a comprehensive skills base to ensure that an appropriate range of knowledge and experience is represented on the Board.

The Board is committed to complying with the Charities Governance Code by the end of 2020.

Board members are appointed for a 3-year term but may be re-elected. In accordance with the Charities Governance Code (November 2018), the Board may consider introducing a maximum continuous term for which directors can serve.

The Board is responsible for making strategic decisions on the Company's plans, budgets and policies. The Board meets at least 6 times per annum, unless otherwise agreed, to ensure that Clann Credo is performing in accordance with its annual plan, is adhering to its policies and procedures, is operating within its agreed annual budget and is in compliance with its legal and statutory requirements. The Board has continued to meet regularly during 2020 but, in accordance with Government directives, these meetings are held remotely using teleconferencing facilities. The CEO attends all Board meetings but is not a member of the Board.

Budgeting and expenditure are carried out under the principles of cost effectiveness. The Board approves an annual operational plan and financial budget. A review of the performance against the plan is a standing item at each Board meeting.

Governance (continued)

Board members are required to disclose any potential conflicts of interest or confirm that no such conflicts exist on an annual basis. In the event of a conflict of interest being declared, the relevant Board member does not participate in any decision where he/she might have a conflict. A register of any conflicts of interest is maintained by the Company Secretary.

There are 3 board subcommittees:

- Audit: Consists of 6 members (currently 4 Directors and 2 volunteers). The Committee is responsible for overseeing the audit function, finance and development issues, administration/personnel matters and corporate governance. It meets quarterly with additional meetings as required. The committee met 6 times in 2019.
- Risk & Advisory: Consists of 8 members (currently 4 Directors and 4 volunteers). The Committee is responsible for providing support to projects that may be experiencing operational or financial difficulties, assisting Social Finance Executives in dealing with impaired loans and monitoring the performance of the Clann Credo Loan Book on an ongoing basis reviewing the overall trends in levels of any impaired loans. It meets six times per annum with additional meetings as required. The committee met 6 times in 2019.
- Evaluation: This Committee has 7 members (4 Directors and 3 volunteers). The Company has 3 tiers of approval levels, depending on the loan size and complexity of the project. Approval of smaller, less complex projects is delegated to the Senior Management of the Company (Delegated Evaluation Committee). The Small Evaluation Committee approves medium term loans and consists of Senior Management as well as the Chair or Vice Chair of the Evaluation Committee. The Evaluation Committee approves larger and more complex applications as well as all applications considered to be high risk. It meets 10 times per annum. The Head of Finance and Admin attends all meetings and all projects for consideration are presented by the relevant Social Finance Executive.

Volunteers

Clann Credo has a small number of volunteers who contribute enormously to the fabric of the Company. They are primarily engaged as members of the various Board subcommittees. All volunteers provide their services as subcommittee members free of charge and operate in compliance with the Company's Volunteer Policy.

Principal risks and uncertainties

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

1) Currency risk

The Company operates principally in the Republic of Ireland, and therefore is not normally subject to currency risks.

2) 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.

3) 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.

4) 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 12% (2018: 13%) of Clann Credo's net exposure appears to be adequate to meet potential loan losses. At the end of 2019, this figure stands at € 2.39 million (2018: €2.23 million).

5) COVID-19

The COVID-19 pandemic has had an impact on the Company's operations and several mitigating actions have been implemented to ensure the continuation of our operations. Since 12 March 2020, all Clann Credo staff have been working from home and communications continue between board, staff and customers through phone, email and the use of video conferencing applications.

Despite the impact of COVID-19, loan approvals and disbursals were ahead of expectations in Quarter 1 2020. There was a decline in both approvals and disbursements in Quarter 2. Despite this interest income for the first 6 months of 2020 was ahead of the corresponding period in 2019. It is expected that loan activity will revert to normal levels as the country and activity returns to normal following the easing of lockdown restrictions.

The Company has agreed to defer repayments for a significant number of borrowers. This is referred to further in the Going Concern section of this report.

The Board is satisfied that appropriate and adequate control systems are in place to identify and manage the external and internal risks to the organisation, to ensure compliance with legal and regulatory requirements, to ensure efficient and effective use of the company's resources, to safeguard the assets and to maintain the integrity of the company.

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 Crescent, Inchicore, Dublin 8.

Events since the end of the year

The COVID -19 global pandemic has caused significant economic disruption throughout the world since the year end. The impact of the pandemic is reported and commented on in the relevant sections throughout this report.

Compliance with SORP for Charities

The financial statements have been prepared in accordance with Irish Generally Accepted Accounting Practice including Financial Reporting Standard 102 ('FRS 102') and in compliance with the 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

Going concern

Due to the COVID-19 pandemic, the Company has agreed to defer repayments for a significant number of borrowers. These deferments include short term arrangements for reduced payments, interest only, partial interest payments only and full payment moratoria. The Board has reviewed the impact of these arrangements on the Company's ability to meet its obligations and has determined that there is not a material uncertainty in relation to the going concern status of the Company.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Political donations

The Company made no political donations during the year (2018: nil).

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 each of the directors is aware:

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

Auditors

Mazars, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

This report was approved by the board on 30th July 2020 and signed on its behalf by:

Colin McCrea

Colin McCrea

Director

Jim Egan

Jim Egan

Director

Date: 30th July 2020

Clann Credo Company Limited by Guarantee

Directors' responsibilities statement

For the financial year ended 31 December 2019

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 the financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2014.

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 surplus or deficit 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 judgements 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 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.

On behalf of the Board:

Colin McCrea

Colin McCrea

Director

Jim Egan

Jim Egan

Director

Date: 30th July 2020

INDEPENDENT AUDITOR'S REPORT TO THE

MEMBERS OF CLANN CREDO COMPANY LIMITED BY GUARANTEE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Clann Credo Company Limited by Guarantee ('the company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income and retained earnings, Balance sheet, Statement of cash flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31/12/2019 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE

MEMBERS OF CLANN CREDO COMPANY LIMITED BY GUARANTEE

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with 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 and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report. The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE

MEMBERS OF CLANN CREDO COMPANY LIMITED BY GUARANTEE

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf . This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our 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 auditor's 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.

Michael Tuohy

Michael Tuohy **Date: 30 July 2020**

for and on behalf of Mazars

Chartered Accountants & Statutory Audit Firm

Harcourt Centre,

Block 3

Harcourt Road

Dublin 2

Clann Credo Company Limited by Guarantee

Statement of comprehensive income and retained earnings

For the financial year ended 31 December 2019

	Note	2019 €	2018 €
Incoming resources	4	**1,675,879**	1,219,134
Administrative expenses		**(1,082,560)**	(887,785)
Operating surplus	5	**593,319**	331,349
Increase in provision on SDI loans	8	**(246,229)**	(134,245)
Interest payable and similar charges	9	**(232,705)**	(149,964)
Surplus for the financial year		**114,385**	47,140
Retained earnings at the beginning of the financial year		**117,425**	70,285
Surplus for the financial year		**114,385**	47,140
Retained earnings at the end of the financial year		**231,810**	117,425

All amounts relate to continuing operations.

There was €Nil other comprehensive income for 2019 (2018: €Nil).

The notes on pages 15 to 29 form part of these financial statements.

Clann Credo Company Limited by Guarantee

Balance sheet
As at 31 December 2019

	Note	2019 €	2019 €	2018 €	2018 €
Fixed assets					
Tangible assets	10		**6,009**		7,534
Financial assets	11		**30,191**		30,191
			36,200		37,725
Non-current assets					
Debtors: amounts falling due after more than one year	12		**22,981,109**		18,486,973
Current assets					
Debtors: amounts falling due within one year	12	**11,812,305**		10,426,663	
SDI loan provision		**(2,394,015)**		(2,227,985)	
Cash at bank	13	**8,910,025**		8,409,537	
		18,328,315		16,608,215	
Current liabilities					
Creditors: amounts falling due within one year	14	**14,894,489**		12,383,853	
Net current assets			**3,433,826**		4,224,362
Non-current liabilities					
Creditors: amounts falling due after more than one year	15		**26,219,325**		22,631,635
Total net assets			**231,810**		117,425
Capital and reserves					
Profit and loss account	18		**231,810**		117,425

The notes on pages 15 to 29 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors:

Colin McCrea

Colin McCrea

Director

Jim Egan

Jim Egan

Director

Date: 30th July 2020

Clann Credo Company Limited by Guarantee

Statement of cash flows

For the financial year ended 31 December 2019

	2019	2018
Cash flows from operating activities	**€**	€
Profit for the financial year	**114,385**	47,140
Adjustments for:		
Depreciation of tangible assets	**6,927**	5,530
Interest paid	**232,705**	149,964
Increase in provision on SDI loans	**246,229**	134,245
Decrease in debtors	**47,110**	114
Increase in creditors	**414,313**	56,869
Increase in amounts owed to The Clann Credo Fund	**34,446**	14,196
Net cash generated from operating activities	**1,096,115**	408,058
Cash flows from investing activities		
Purchase of tangible fixed assets	**(5,401)**	(4,889)
Interest paid	**(232,705)**	(149,964)
Write off on SDI loans	**(80,199)**	(33,724)
(Increase) in SDI loans	**(5,926,889)**	(8,202,838)
Net cash used in investing activities	**(6,245,194)**	(8,391,415)
Cash flows from financing activities		
New long-term loans	**19,158,691**	14,674,510
Capital repayments	**(13,509,124)**	(6,844,345)
Net cash received in financing activities	**5,649,567**	7,830,165
Net increase/(decrease) in cash and cash equivalents	**500,488**	(153,192)
Cash and cash equivalents at beginning of financial year	**8,409,537**	8,562,729
Cash and cash equivalents at the end of financial year	**8,910,025**	8,409,537

Cash and cash equivalents at the end of financial year comprise:

	2019	2018
Cash at bank	**8,863,626**	8,363,138
SDI Cash	**46,399**	46,399
	8,910,025	8,409,537

Notes to the financial statements

For the financial year ended 31 December 2019

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. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 2.

The financial statements are presented in Euro (€) which is also the Company's functional currency, in whole number values rounded to the nearest Euro.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 ('FRS 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 judgement in applying the Company's accounting policies (see note 3).

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

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 and value added tax. 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.

Interest income

Interest income relates to interest on SDI loans. The company accounts for income on these loans on a cash receipts basis and it is recorded within the statement of comprehensive income and retained earnings in incoming resources. This is considered the most prudent method of measuring interest income.

2.3 Grants

Income grants are recognised in income over the period in which the related expenditure is recognised.

2. **Accounting policies (*continued*)**

2.4 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.

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 comprehensive income and retained earnings.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 comprehensive income and retained earnings for the year. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.6 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.

2.7 Cash and cash equivalents

Cash is represented by cash 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.

2. Accounting policies (*continued*)

2.8 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 comprehensive 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.

2.9 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.

2.10 Finance costs

Finance costs are charged to the statement of comprehensive 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.

2. Accounting policies *(continued)*

2.11 Operating leases: The Company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive 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.

2.12 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 comprehensive 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.

2.13 Borrowing costs

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

2.14 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 comprehensive 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.

3. Judgements 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 judgements 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

	2019	2018
	€	€
SDI interest	**1,524,589**	1,084,299
Bank interest	**602**	16,529
Legal and arrangement fees	**156,233**	108,017
Other income	**31,361**	27,485
Equalisation fee	**(36,906)**	(17,196)
	1,675,879	1,219,134

5. Operating surplus on ordinary activities

The operating surplus is stated after charging:

	2019	2018
	€	€
Depreciation of tangible fixed assets	**6,927**	5,530
Defined contribution pension cost	**63,051**	48,197
Rent - operating leases	**22,500**	22,500
Board costs	**11,312**	13,593
Audit fees (inclusive of VAT)	**12,300**	12,252
	116,090	102,072

6. Employees

Staff costs were as follows:

	2019	2018
	€	€
Wages and salaries	**671,512**	560,237
Social Insurance Costs	**67,714**	55,229
Cost of defined contribution scheme	**63,051**	48,197
Other staff benefits	**15,872**	10,902
	818,149	674,565

The Company's directors did not receive any remuneration in respect of qualifying services in the current year (2018: €NIL).

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

	2019	2018
	No.	No.
Staff members	**11**	9

7. Pension commitments

The Company operates a defined contribution 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 €63,051 (2018: €48,197).

Notes to the financial statements
For the financial year ended 31 December 2019

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

	2019	2018
	€	€
Increase in provision on SDI loans	**246,229**	134,245
	246,229	134,245

9. Interest payable and similar charges

	2019	2018
	€	€
Interest payable and similar charges	**232,705**	149,964
	232,705	149,964

10. Tangible fixed assets

Current financial year:

	Fixtures and fittings	**Office equipment**	**Total**
	€	**€**	**€**
Cost or valuation			
At 1 January 2019	13,191	38,705	51,896
Additions	-	5,401	5,401
At 31 December 2019	**13,191**	**44,106**	**57,297**
Depreciation			
At 1 January 2019	8,562	35,799	44,361
Charge for the financial year	2,636	4,291	6,927
At 31 December 2019	**11,198**	**40,090**	**51,288**
Net book value			
At 31 December 2019	**1,993**	**4,016**	**6,009**
At 1 January 2019	4,629	2,905	7,534

10. Tangible fixed assets (*continued*)

Prior financial year:

	Fixtures and fittings €	Office equipment €	Total €
Cost or valuation			
At 1 January 2018	11,433	35,573	47,006
Additions	1,758	3,131	4,889
At 31 December 2018	13,191	38,704	51,895
Depreciation			
At 1 January 2018	6,185	32,646	38,381
Charge for the financial year	2,377	3,153	5,530
At 31 December 2018	8,562	35,799	44,361
Net book value			
At 31 December 2018	4,629	2,905	7,534
At 1 January 2018	5,248	2,927	8,175

Clann Credo Company Limited by Guarantee

Notes to the financial statements
For the financial year ended 31 December 2019

11. Financial assets

Current financial year:

	Investments in subsidiary companies	Unlisted investments	Total
	€	€	€
Cost or valuation			
At 1 January 2019	1	30,190	30,191
At 31 December 2019	**1**	**30,190**	**30,191**
Net book value			
At 31 December 2019	**1**	**30,190**	**30,191**
At 1 January 2019	1	30,190	30,191

Prior financial year:

	Investments in subsidiary companies	Unlisted investments	Total
	€	€	€
Cost or valuation			
At 1 January 2018	1	30,190	30,191
At 31 December 2018	1	30,190	30,191
Net book value			
At 31 December 2018	1	30,190	30,191
At 1 January 2018	1	30,190	30,191

	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 Homelessness 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.

Notes to the financial statements

For the financial year ended 31 December 2019

12. Debtors

	2019	2018
	€	€
Due after more than one year		
SDI loans	**22,806,109**	18,299,473
Prepayments and accrued income	**175,000**	187,500
	22,981,109	18,486,973

	2019	2018
	€	€
Due within one year		
SDI loans	**11,790,307**	10,370,054
Prepayments and accrued income	**21,998**	56,609
	11,812,305	10,426,663

SDI loans

	2019	2018
	€	€
Loans outstanding at the beginning of the year	**28,669,527**	20,466,689
Loans advanced	**21,941,817**	16,897,060
Loan repayments	**(15,991,418)**	(8,760,416)
Other items	**(23,510)**	66,194
Loans outstanding at the end of the year	34,596,416	28,669,527

12. Debtors (*continued*)

Maturity analysis of SDI loans:

	2019 €	2018 €
Amounts due in less than one year	**11,790,307**	10,370,054
Amounts due between one and two years	**2,934,900**	2,797,974
Amounts due between two and five years	**9,781,710**	6,082,659
Amounts due after five years	**10,089,499**	9,418,840
	34,596,416	28,669,527

Provision against financial assets

	2019 €	2018 €
Opening balance	**2,227,985**	2,127,464
Specific provision charged in the year	**246,229**	134,245
Other adjustments / (write offs)	**(80,199)**	(33,724)
Closing balance	**2,394,015**	2,227,985

13. Cash and cash equivalents

	2019 €	2018 €
Cash at bank	**8,863,626**	8,363,138
SDI — cash held at Credit Union	**46,399**	46,399
	8,910,025	8,409,537

14. Creditors: Amounts falling due within one year

	2019	2018
	€	€
Other loans (See note 15)	11,673,475	9,611,598
Amounts owed to The Clann Credo Fund	2,455,317	2,420,871
Taxation and social insurance	19,908	19,456
Accruals	345,856	226,460
Deferred income	399,933	105,468
	14,894,489	12,383,853

Amounts owed to The Clann Credo Fund are unsecured, interest free and are repayable 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.

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

	2019	2018
	€	€
Other loans	26,219,325	22,631,635
	26,219,325	22,631,635

	2019	2018
	€	€
Analysis of loans less than and greater than one year		
Balance at the start of the year	32,243,233	24,413,068
Non - bank loans drawn down during the year	19,158,691	14,674,510
Capital repayments of loans during the year	(13,509,089)	(6,809,896)
Capital fees (a)	-	-
Levy (b)	-	-
Loan write offs/ adjustments (d)	(35)	(34,449)
	37,892,800	32,243,233

15. Creditors: amounts falling due after more than one year (continued)

(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 (2018: 0%).

(c) The borrowings from the Social Finance Foundation amounting to €28,739,825 (2018: €23,090,259) 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.

16. Financial commitments

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

	2019	2018
	€	€
Amounts falling due in less than one year	**11,673,475**	9,611,598
Amounts falling due 1-2 years	**2,916,664**	2,514,676
Amounts falling due 2-5 years	**6,394,542**	5,000,255
Amounts falling due after more than 5 years	**16,908,119**	15,116,704
	37,892,800	32,243,233

17. Financial instruments

	2019	2018
	€	€
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**41,142,617**	34,881,270
	41,142,617	34,881,270
Financial liabilities		
Financial liabilities measured at amortised cost:	**40,693,973**	(34,890,564)
	40,693,973	(34,890,564)

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

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

Notes to the financial statements
For the financial year ended 31 December 2019

18. Reserves

Profit and loss account

The Profit and loss account includes all current and prior year retained surpluses and deficits.

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. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

	2019 €	2018 €
Loans contracted for but not drawn down / provided for in these financial statements	**20,389,034**	25,942,650
	20,389,034	25,942,650

21. Commitments under operating leases

	2019 €	2018 €
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	**100,000**	110,000
	150,000	160,000

22. 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 (2018: €22,500) by The Irish Social Finance Centre Company Limited by Guarantee ('ISFC'). There is a balance included in prepayments of €187,500 (2018: €200,000), which has arisen as a result of prepaid rent to ISFC. There are also loans included in SDI loans (note 12) to ISFC of €587,337 (2018: €623,212). Interest charged amounted to €18,549 (2018: €19,644).

Paul O'Sullivan and Emer Ní Bhrádaigh are directors, who act in a voluntary capacity and for no remuneration, of ISFC. Paul O'Sullivan resigned as director of the ISFC on 27th June 2020 on his retirement from Clann Credo. 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 expenses of €2,460 (2018: €3,000) on behalf of The Clann Credo Fund and an equalisation fee of €36,906 (2018: €17,196) was charged to The Clann Credo Fund during the year. A balance of €2,455,317 (2018: €2,420,871) 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.

23. Events since the end of the year

The COVID -19 global pandemic has caused significant economic disruption throughout the world since the year end. From March 12th 2020, all Clann Credo staff have been working from home and communications continue between board, staff and customers through phone, email and the use of video conferencing applications. Up to that date and indeed to the end of the first quarter to March 2020, loan disbursals and approvals were ahead of expectations.

However, from that date a significant number of customers have been granted a temporary moratorium on repayments for up to six-months The loan book performance is expected to be challenging for the foreseeable future but it will continue to be monitored closely showing projects as much forbearance as is possible and helping and assisting as best we can.

The forbearance being showed will naturally affect both the income generated in 2020 and the level of bad debt provisions that maybe required. New loan approvals and disbursals are expected to decrease for the coming months. It is not possible at this time to estimate by how much but the position will be kept under constant review by the Board.

24. Approval of financial statements

The board of directors approved these financial statements for issue on 30th July 2020.