MICROLOAN FOUNDATION

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Charity number 1104287

OSCR number SC041941

Company number 04828558

MicroLoan Foundation

Report of the Trustees for the year ended 31 December 2011

The Trustees present their annual report with the financial statements of the company for the year to 31 December 2011

Directors and Trustees

The directors of the charitable company (the Charity) are its trustees for the purposes of Charity law and throughout this report are collectively referred to as the trustees.

The Trustees serving during the year, and since the year end, were as follows:

Mr David Young	(Chairman)
Mr Greg Delaney	
Mr Peter Ryan	
Mrs Caroline Ryan	
Mr Alex Tweedie	
Mrs Ida Levine	(appointed 26 January 2011)
Mr Alan Penson	(appointed 17 July 2012)
Miss Caroline Beck	(appointed 17 July 2012)
Mr Egmont Kock	(resigned 19 October 2011)
Mr Nick Ridge	(resigned 19 October 2011)
Mr Jeff Bennett	(resigned 25 May 2011)
Mr Iain Richardson	(resigned 1 March 2012)

Structure, Governance and Management

Governing Document

MicroLoan Foundation (the "Charity") is a company limited by guarantee, governed by its Memorandum and Articles of Association dated 10 July 2003 as amended and updated on the Companies House Register. It is also registered as a Charity with the Charity Commission of England and Wales.

Appointment of Trustees

The Charity appoints new Trustees by carefully selecting the functional skills that are required for the development and governance of the MicroLoan Foundation. In 2011 this approach led to the identification of Ida Levine (International Commercial and Financial Services Lawyer). Alan Penson (Treasurer and Accountant) and Caroline Beck (Charity Secretary, Regulatory Expert and Accountant) were appointed similarly in 2012. The appointment of trustees is governed by the Memorandum and Articles of Association A new Trustee is proposed, seconded and voted in at trustee meetings.
The Charity bid farewell to two Founding Trustees, Nick Ridge and Jeff Bennett, who had served for over ten years, Iain Richardson who had served for six as Treasurer and Egmont Kock, who moved on to concentrate on an education charity and outside business interests. A rotational appointment of Trustees has been put in place with terms of

3 years, with a maximum period of service of two terms.

Organisation

The Board of Trustees, which must have at least three members, provides governance and oversight of the Charity, and meets every two months (more frequently if required).

In addition, a Remuneration & Appointments Committee and an Audit Committee were formed in 2008. In 2011 the Remuneration & Appointments Committee comprised Alex Tweedie, Greg Delaney and Iain Richardson. The Audit Committee comprised David Young, Iain Richardson and Ida Levine. Both committees report to the Board of Trustees.

Peter Ryan acts both as a Trustee and as the CEO of the organisation. The Charity Commission gave its consent to Peter being employed in the role of CEO and to his continuing to serve as a trustee.

Related parties

The Charity has an association with the MicroLoan Foundation, Malawi ("MicroLoan Malawi") which is a registered trust in Malawi. The MicroLoan Foundation ("MicroLoan UK") provides advice to local Malawi management and trustees, in addition to grants to support the Malawi operation. Two UK trustees are also trustees of MicroLoan Malawi.

The MicroCredit Foundation, Zambia ("MCF Zambia") is a limited company, with a not-for-profit objective. MicroLoan UK owns 50% of the share capital and under a shareholders agreement has a beneficial interest in 100% of the ordinary share capital. MCF Zambia commenced operations in 2009 having received approval to do so from the Bank of Zambia. Two UK trustees are also directors of MCF Zambia.

The MicroLoan Foundation, Namibia ("MicroLoan Namibia") was set up an Incorporated Association not-for-gain, on 18 March 2009. It ceased activities in 2012, due to a lack of local funding. MicroLoan UK provided advice to local Namibian management and trustees, in addition to grants to support the operation. One UK trustee and one Microloan Foundation USA Trustee were trustees of MicroLoan Namibia.

The MicroLoan Foundation, USA ("MicroLoan USA") is a tax-exempt non-profit 501 (3C) organization under section 501(c) (3). Its purpose is creating a base in the USA to raise funds and awareness of the MicroLoan Foundation activities and developing operational capacity to establish further microloan programmes. Two of the UK trustees are also directors of MicroLoan USA.

The MicroLoan Foundation, Australia ("Microloan Aus") operates with the same purpose as MicroLoan USA. Two UK trustees are also directors of Microloan Aus.

Risk Management

The CEO is responsible for the day to day management of risk. This is also a standing agenda item at Trustee Board meetings where the CEO presents an updated risk management assessment for review by trustees. This includes:

- identifying the risks the Charity may face
- the implementation of systems, controls and procedures to manage identified risks

To reflect the risks commensurate with the growth of the Charity, the trustees have Trustee Indemnity Insurance with the approval of the Charity Commission.

Reference and Administrative Details

Company Number:	04828558
Charity Number:	104287
OSCR Numbers:	SC041941

Registered Office and Operational HQ

Lamb House
Church Street
Chiswick
London
W4 2PD

Relevant organisations & persons

Auditor	Bank
BDO LLP	CAF Bank Limited
2 City Place	25 Kings Hill Avenue
Beehive Ring Road	West Malling
Gatwick	Kent
East Sussex	ME19 4JQ
RH6 0PA	

Objectives and activities

The MicroLoan Foundation (MicroLoan) is a London-based charity providing microfinance services in sub-Saharan Africa. The objectives of the Charity are the relief of poverty, the advancement of education and the relief of sickness in the developing world by the provision of microloans. The principal activity of the Charity is the provision of grants and support to microfinance operations, predominantly established by MicroLoan (UK).

The main operation currently supported is in Malawi and is called the MicroLoan Foundation (MicroLoan Malawi). MicroLoan Malawi is a registered NGO and a trust, governed locally by CONGOMA (the Council of NGOs in Malawi) and the NGO Board of Malawi.

MicroCredit Foundation (MCF Zambia) is at the end of its second full year of operation. It is envisioned that MCF Zambia will grow to replicate the coverage and impact that MicroLoan Malawi has had. MCF Zambia is a registered company under Zambian law and a subsidiary of MicroLoan UK. MCF Zambia was established as a company limited by shares in order to satisfy the Bank of Zambia's regulations.

In October 2009 MicroLoan Namibia began operating in northern Namibia, where research indicated a strong identifiable need for micro credit services. Namibia poses new challenges given the fragmentation of rural communities, the difficulty of raising local matching funds and other adverse operating factors.

A smaller operation, the inspiration behind the founding of MicroLoan – the Philippines Self Help Foundation (PSHF) – is supported by way of small grants. We are also in the process of registering an operation in Zimbabwe.

The micro finance programmes within the MicroLoan group provide small loans, basic business training and on-going guidance to groups of women. This enables the recipients to develop self-sustainable livelihoods, to feed, clothe and educate their families, and to work their way out of the poverty trap. Full details of the activities, including case studies involving some of the Charity's clients, can be found on the website - www.microloanfoundation.org.uk.

How we work

The focus of our activities is to combine social mission with an efficient business model. Effort is made to ensure that the Charity helps women below the income level of $1.25 per day (USA equivalent) to increase their income levels. This is supported by strong social performance management (SPM), run by specialist UK and Malawi (SPM) Managers together with the support of outside experts, Staff are sensitised to the importance of (SPM) and targeted to achieve relevant key performance indicators (KPI).

The various micro finance organisations predominantly make loans to groups of around 15 women. The women receive individual loans, but take collective responsibility for repayment of each other's loans. The

group structure, and joint and several liability for repayment, provides security for repayment at individual levels. This means that if one member gets into difficulty the others provide mutual assistance and support to ensure success throughout the group. In sub-Saharan Africa loans start from as little as £5. The average loan size is approximately £76.

The loan programmes are complemented by business and group cohesion training. Since around two-thirds of our clients have had little or no schooling, we consider the training to be essential to the overall success of our programme. To this end all clients generally receive eight training sessions before their first loan, and subsequently receive training during the fortnightly, three weekly or monthly repayment meetings, depending on the type of loans received.

Clients are required to save a proportion of the value of their loans with savings services facilitated through agreements with local banks to open accounts on our clients' behalf. This aspect of our work is crucial, since it enables clients to learn how to build up their own reserves of capital for the first time and increase their economic independence. It also gives them the potential option to use savings when they run into difficulties (normally through illness or death of relatives).

Clients pay a 'service charge' on loans. We levy 'service charges' on our loans for three reasons:

- To impress on borrowers that credit is never free, and to prepare them for a time when they graduate from our programme to become customers of a retail bank.
- To offset the cost of the extensive package of additional services, in particular training, which we offer. Clients are also given the opportunity to graduate to added value businesses such as irrigation farming, solar, knitting and sewing which provide enhanced earnings potential.
- To cover some of our core operating costs and so be able to assist more women.

Experience has shown that our formula works well. The high level of repayment (98%), with low levels of default, means that the charity is able to recycle loans and advance second and tertiary loans and assistance. In turn, this leads to greater business sustainability.

During 2011 MicroLoan Malawi's sustainability dropped from 78% to 63% due to the serious agricultural, economic and political difficulties that the country experienced.

Achieving sustainability, and ensuring that we are serving the poorest clients in rural and peri-urban areas, are both central to our mission.

Achievements and performance

Despite the prolonged economic recession, MicroLoan was able to build on its voluntary income levels in 2011. Donations of £1.6m increased vs. the previous year.

This record reflected the efforts of our UK fundraising team at the start of the year, support from volunteers and the provision of additional support services from a number of companies (below) which resulted in more donor leads.

- DLKWLOWE – advertising
- Axicom (WPP) – PR
- Rabbit – social media
- Allen and Overy – legal services
- Deloitte - consultancy

DKLWLOWE, for example, developed an online digital poster campaign, 'pennies for life', which subsequently won a top Lion award at the Cannes International advertising festival

Our increased donor funds were used to support our African programmes in a variety of ways during 2011.

The total value of these gifts in kind was £366,284.

MicroLoan Malawi

2011 was a challenging year for Malawi. There was political instability, a persistent fuel shortage and civil unrest. A weak economy was made worse by rising inflation and low prices for staples such as maize and primary exports like tobacco.

Within this difficult environment MicroLoan Malawi focused on the second year of a two-year consolidation period. The number of branches was maintained at 21. Our resources were concentrated on efficiency improvements, systems, controls and procedures and the development of our Social Performance Management work (SPM) and client training.

MicroLoan Malawi ended the year with 18,990 clients and a loan book value of £1.57 million. This represented a reduction of 21% against 2010 as the organisation concentrated its efforts on supporting clients through an exceptionally difficult period. This was a creditable result, given that other NGO's had to retrench and some large corporates were forced to close factories due to a lack of Foreign Exchange.

Through the year considerable progress was made in strengthening the local management team. A new CEO was recruited in late 2011 and is supported by a new Finance Manager and a Human Resources and Administration Manager. Our leadership strength in Malawi will continue to be important in delivering key projects and service improvements;

Significant investment in the development of improved client training

was also made in 2011. This included the use of simple pictures and role play to enable the basic business lessons to be easily assimilated by the clients. The training concentrated on post-disbursement and is now being rolled out to all branches. Development of pre-disbursement training modules is on-going.

Investment in long-term growth was supported by the introduction of Sage software in the finance department during the year and further development of our Management Information System – MicroLoan Manager.

The charity remains committed to achieve the highest Social Performance Standards at all levels. Progress out of Poverty Index (PPI) data was collected across the central region of Malawi, with compliance and quality checks incorporated to ensure a high level of data integrity. These developments have laid the foundations for implementation of PPI data collection across all MicroLoan Malawi's operations.

Key relationships were established with the UK's DFID (Business Innovation Facility), the UNDP (Management of their Pro-Poor Fund) and the Financial Inclusion in Malawi Fund (FIMA)) as well as other multilateral and institutional donors. A successful partnership was set up with Unilever enabling our rural clients to be able to act as direct retailers of Unilever products.

In general the hostile economic situation in Malawi had a negative impact on repayments and portfolio at risk towards the year end. Yet despite this, MicroLoan Malawi achieved an overall repayment rate of 97% - marginally lower than the organisation's recent levels but strong within a particularly difficult context.

MCF Zambia

Zambia still offers an exciting growth opportunity for MicroLoan. In 2011 stable management and a benign political and economic environment in the country helped MCF Zambia to build on the solid foundations established in the past few years. Client numbers rose by 53.5% to 2,040 clients at year-end while the loan book value increased by 81.4%.

New loan products and processes were developed to ensure that we continue to meet clients' needs and remain competitive. Portfolio quality remained high in 2011 with no arrears and an annual repayment rate of 100%. The sustainability of businesses receiving MicroLoan grants improved too.

An additional branch was added in Lundazi in 2011 as well as one loan officer. Planning is now underway to increase branch numbers in 2012 across Zambia's Eastern province and elsewhere in the country.

MicroLoan Namibia

MicroLoan Foundation ceased operations in Namibia in October 2011. Following the successful set up of our first Branch and refinement of the model to suit the local conditions, previously promised funding was not forthcoming. So, with reluctance given the social need, the decision was taken to close the operation. This was done gradually to minimise the effect on our clients and where possible, the women were transferred to another local microfinance organisation.

MicroLoan Namibia ceased disbursing to new groups in July 2011, and reduced the loan book to zero in October 2011.

The table below summarises the operations of our African programmes

	Malawi		Zambia		Namibia		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Loan Book								
Number of loans made	44,640	48,293	4,797	2,868	175	556	49,612	51,717
Number of clients	18,990	23,387	2,040	1,329	183	358	21,213	25,074
Value of new loans made (GBP)	3,020,987	3,551,673	434,403	242,824	20,766	48,367	3,476,156	3,842,863
Average value of loans made (GBP)	74.23	73.54	84.29	84.67	88.71	86.99	76.41	74.31
Repayment rate	97%	98.50%	99.90%	99.90%	98%	94%	98.3%	99%
Operations								
Number of branches	21	21	3	2	1	1	25	23
Number of client groups	1,343	1,468	138	83	20	29	1,501	1,580
Number of staff as at 31 December 2011	161	153	14	10	0	3	175	166

Financial Review

Incoming resources

Total income for the MicroLoan Foundation group in 2011 was £1,642,109 of which the voluntary income including donations, other grants and donated services was £1,559,607. As in 2010 the charity demonstrated that it is able to grow donor support even in the face of prolonged economic downturn.

One indicator of this underlying strength was a 10% increase in donations received from companies to £316,562 in 2011 compared to £287,497 in 2010. This reflected the strengthening of the MicroLoan brand both within the UK and (importantly for the group's future) in Africa as well as increased support from entrepreneurs in private limited companies.

Trusts continued to be the greatest source of voluntary income, contributing £471,394 to 2011.Volunteer-led events boosted individual

contributions to £356,504. The MicroLoan model, which demonstrates that a small amount of money can make a significant and lasting difference to an African woman's lifestyle, remains an appealing proposition to individual donors

Our group accounts

For the third year MicroLoan UK has prepared group accounts. These incorporate the results of the operations of the Charity's Zambian-based subsidiary, MCF Zambia, in 2011. MCF Zambia earned income of £76,993 on its microloans in the year. MicroLoan Foundation Malawi continued to be treated as an associate of MicroLoan UK. MicroLoan Foundation USA and MicroLoan Foundation Namibia were also treated as associates of MicroLoan UK for accounting purposes.

The MicroLoan UK interest for all associates is determined by the average proportion of the MicroLoan UK directors on the Board of the relevant MicroLoan organisation.

The charity had no direct activities in Scotland during the year, although the charity's expansion in Malawi was supported by the Scottish Government during 2008-10 and further applications will be made to the Scottish Government for funding in due course.

Costs of generating funds

Group charitable expenditure on fundraising activities amounted to £514,884 in 2011 (2010 – £262,683). This reflected reporting the corporate gifts in kind, without which the figure would have been the equivalent to 24% of voluntary income raised. We consider this ratio to be healthy for a charity at MicroLoan's stage of development as funds are required to be invested into fundraising for future rewards.

Expenditure on charitable activities

The charitable programmes which MicroLoan UK supports developed and achieved efficiencies in 2011. These developments were reflected in a 1% decline in the funding of our overseas programme to £903,873 in 2011 compared to £911,203 in 2010.

MicroLoan Malawi was the principal recipient of funding, with £716,814 (or 79% of the total) expended in Malawi in 2011, a 1.3% increase on 2010 spending of £707,587. Funding from the UK is used primarily to grow the size of the MicroLoan Malawi loan book, to support capital expenditure and to subsidise any operating shortfall on overheads.

Overall there was a net inflow of resources of £66,721 which was primarily due to the net inward flow of unrestricted funds of £127,443.

Of the funds carried forward, restricted funds for the group totaled £874,894. The largest restricted fund balance of £360,073 represents MicroLoan UK's share of net assets in its associates. Other major

restricted funds carried forward are £135,950 for the Malawi new branch fund and £150,164 for the Zambia start-up programme.

Reserves policy

It is the view of the Trustees that the Charity should hold adequate financial reserves to meet possible risks. In assessing the level of risk the trustees looked at the UK charity sector and associated charities in Africa. In this context it was concluded that Microloan requires reserves because:

- It has no endowment funding and is entirely dependent for income upon donor funding from year to year which inevitably is subject to fluctuation.
- The programmes it supports in Africa are, to varying degrees, not fully self-sufficient and will require financial support from the charity in coming years to ensure that their operations may continue.

In future the Trustees decided that reserves will be retained to meet the following:

- Six months' operating costs for the charity's UK office excluding costs covered by any restricted donation held in the Charity's year end restricted reserves.
- Six months' operating shortfall as calculated by the difference between projected interest income and operating costs on the Malawian and Zambian microfinance programmes - but excluding any costs covered by a restricted donation held in the Charity's year-end restricted reserves.
- The Charity's fundraising strategy including the objective of increasing the level of unrestricted income raised.

The policy will be reviewed by the Board at least annually.

In total, the Trustees consider the targeted level of unrestricted reserves as of 31 December 2011 to be approximately £300,000. The actual unrestricted reserves of the Charity at year-end 2011 were £351,468. The Charity's fundraising strategy is now focused on increasing the unrestricted income that is raised.

Investment policy and powers

The Trustees have wide-ranging powers of investment as determined by the Memorandum and Articles, but do not have powers to delegate investment management or to appoint a nominee.

Due to the Charity's reserve requirement (see above), funds are held that exceed short term expense requirements and forecast programme costs, but to which access may be required at short notice. These excess funds are placed in fixed deposit accounts with a basket of UK retail banks. The maturity of these funds is designed to correspond with forecast expenditure and reserve requirements, whilst the nature of these investments ensures that no unnecessary risks are taken with

donor funds.

Funds required to meet liquidity and short term expenditure requirements are retained in an interest bearing current account with the charity's bankers.

The invested funds held in fixed deposit accounts achieved an average rate of return of 1.34% (2010 – 1.07%)

Plans for the future

In 2012 the charity will focus on continued consolidation. Our short term purpose is to continue to refine our business model particularly in Malawi, the heart of our current and likely future expansion.

Country by country, we anticipate concentrating on a number of key aspects of our work:

MicroLoan Malawi

- Under a new CEO and HR professional appointed at the end of 2011 we will continue to reorganise our Loan and Training Officers in order to optimise clients handled.
- We will continue to refine the agricultural model and embed it deeper into our core microfinance operations.
- We will work to upgrade to an entirely new scalable MIS system in 2013. To ease the transition, our purpose-built MIS system MicroLoan Manager has been upgraded to start networking the branches, supported by specific funding from FIMA (part of UNDP)
- Appropriate Sage software has been procured and will be integrated with MicroLoan Manager as part of this upgrade.
- The legal structure of MicroLoan Malawi will be changed to that of a limited company as required by recent microfinance legislation in the country. Evaluation will be made as to whether we should extend the range of products offered to our customers.
- A new client training programme will be rolled out to the Central Region and development training provided to all staff.
- PPI (Progress out of Poverty) operations will be consolidated in the Central Region. The Rights and Responsibilities document, Code of Ethics and client hotline will all be made operational.

MCF Zambia

- We plan to consolidate our foundations in Zambia so that we are ready to build to a 20-branch network. The first step will be to open a fourth and fifth branch in the Eastern province in 2012

- We will be working with local banks to find a way to cheapen the cost of providing banking services to the poor.
- The Rights and Responsibilities document will become operational and development training will be provided to all staff.

Overview

In general, we believe that we have established a highly effective model that can promote social change in Africa.

As result we plan to increase our focus on fundraising and raising the profile of MicroLoan in donor communities in the UK and elsewhere so that we can spread our work deeper into existing rural communities in southern Africa. This includes reaching as many as possible poorer women and enabling the development of businesses with them so that ultimately they will become SMEs and employ others.

In support of this strategy, MicroLoan UK will seek registration in new countries, notably Zimbabwe, and provide technical support to our overseas fundraising associates in the USA and Australia.

Trustees' Responsibilities in Relation to the Financial Statements

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with the UK Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The Trustees are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a "going concern" basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that show and explain the Charity's transactions, disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and for taking reasonable steps to prevent and detect fraud and other irregularities.

In accordance with company law, as the company's directors, we certify that:

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware.
- We have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

This Trustees' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Auditor

A resolution will be proposed at the Annual General Meeting that BDO be reappointed as auditor to the Charity for the ensuing year.

Registered office:

Lamb House, Church Street
Chiswick, London
W4 2PD

Signed on behalf of the Board

Trustee, Alan Penson

INDEPENDENT AUDITORS REPORT TO THE TRUSTEES AND MEMBERS OF THE MICROLOAN FOUNDATION

We have audited the financial statements of the Microloan Foundation for the year ended 31 December 2011 which comprise the Group Statement of Financial Activities, the Group Income and Expenditure account, the Group and Parent Charitable Company Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees and 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 charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement (set out on page 13), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006, section 151 of the Charities Act 2011 and under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2011, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities Act 2011, the Charities and Trustee

Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared 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 following matters where the Companies Act 2006, the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate, sufficient and proper accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.

Andrew Stickland, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom
Date: 27 September 2012

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

MICROLOAN FOUNDATION-Group
Statement of Financial Activities
year ended 31st December 2011

	Note	General Funds	Restricted Funds	2011 Total	2010 Total
Incoming Resources		£	£	£	£
Voluntary income	4	949,222	610,385	1,559,607	1,246,541
Charitable activities	5	-	76,993	76,993	41,418
Investment income	6	4,647	-	4,647	3,628
Other Income		862	-	862	312
Total incoming resources		954,731	687,378	1,642,109	1,291,899
Resources Expended					
Costs of generating funds	7	(344,417)	(170,467)	(514,884)	(262,683)
Charitable activities	7	(386,669)	(517,204)	(903,873)	(911,203)
Governance costs	7	(96,202)	-	(96,202)	(53,250)
Total resources expended		(827,288)	(687,671)	(1,514,959)	(1,227,136)
Net Incoming Resources Before Associate and Other recognised losses		127,443	(293)	127,150	64,763
Deemed gain/ (loss) on increase/reduction of share in associate	12	-			41,656
Net incoming/(outgoing) resources from associates	12		(19,726)	(19,726)	139,270
Net Incoming/(Outgoing) Resources Before Other recognised gains and losses		127,443	(20,019)	107,424	245,689
Other recognised gains/(losses)					
Exchange differences					
On opening funds		-	(42,117)	(42,117)	1,669
On results for the year		-	1,414	1,414	(1,668)
Net Movement in Funds for the Year		127,443	(60,722)	66,721	245,690
Reconciliation of funds					
Total funds brought forward		224,025	935,616	1,159,641	913,951
Total funds carried forward		351,468	874,894	1,226,362	1,159,641

All amounts relate to continuing activities. All gains and losses recognised in the year are included above. The notes on pages 22 to 32 form part of these financial statements. The Charity has taken advantage of the exemption in the Companies Act 2006 not to present its own statement of financial activities. However, group statements of financial activities include gross income of the Charity of £1,545,679 and net incoming resources of £53,384.

MICROLOAN FOUNDATION-Group
Income and Expenditure Account
year ended 31st December 2011

	2011	2010
	£	£
Total income	1,642,109	1,291,899
Net incoming/(outgoing) resources from associates	(19,726)	139,270
Total expenditure	(1,514,545)	(1,225,893)
Net income for the year before taxation and investment asset disposals	107,838	205,276
Taxation	(414)	(1,243)
Net income for the year	107,424	204,033

The consolidated summary income and expenditure account is derived from the consolidated statement of financial activities on page 18 which, together with the notes to the accounts on pages 22 to 32 provides full information on the movements during the year on all funds of the group.

All amounts shown relate to continuing activities.

MICROLOAN FOUNDATION - Group
Balance Sheet year ended 31st December 2011

	Note	2011		2010	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	10	40,600		28,498	
Fixed-term investments	11	132,378		170,421	
Share of net assets in associate	12	360,073		409,126	
			533,051		608,045
Current Assets					
Current investments	13	50,000		131,371	
Debtors	14	158,110		94,592	
Cash at bank and in hand		549,339		385,698	
Total Current Assets			757,449		611,661
Current Liabilities					
Amounts falling due within one year	15	(64,138)		(60,065)	
			(64,138)		(60,065)
Net Current Assets			693,311		551,596
Net Assets			1,226,362		1,159,641
The Funds of the Group					
Unrestricted income funds					
General funds	16	351,468		224,025	
Total unrestricted funds			351,468		224,025
Restricted funds	16		874,894		935,616
Total Group Funds			1,226,362		1,159,641

Company Number: 04828558

These financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime.

Approved by the Board of Trustees on 28 September 2012 and signed on it's behalf by:
Alan Penson, Trustee

MICROLOAN FOUNDATION - Charity
Balance Sheet year ended 31st December 2011

	Note	2011		2010	
		£	£	£	£
Fixed Assets					
Tangible Fixed Assets	10	8,257		13,826	
Fixed-Term Investments	11	132,378		170,421	
Investment in Subsidiary Undertaking	11	3,230		3,230	
Total Fixed Assets			143,865		187,477
Current Assets					
Current Investments	13	50,000		131,371	
Debtors	14	28,611		17,205	
Cash at bank and in hand		526,643		358,737	
Total Current Assets			605,254		507,313
Current Liabilities					
Amounts falling due within one year	15	(32,993)		(32,048)	
			(32,993)		(32,048)
Net Current Assets			572,261		475,265
Net Assets			716,126		662,742
The Funds of the Charity					
Unrestricted Income Funds					
General Funds	16	351,468		224,025	
Total Unrestricted Funds			351,468		224,025
Restricted Funds			364,658		438,717
Total Charity Funds			716,126		662,742

Company Number: 04828558

These financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime.

Approved by the Board of Trustees on 26th September 2012 and signed on it's behalf by:
Alan Penson, Trustee

1. Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 2006.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the Charity and its subsidiary undertaking on a line by line basis.

The Charity's share of the results from its associates (MicroLoan Malawi, MicroLoan Namibia and MicroLoan USA) has been included in these financial statements. The Charity's share was determined by the weighted average percentage of voting rights held by the Charity during the year. In 2011 the percentage share in Malawi was 29% (2010– 26%). The percentage share in MicroLoan USA was 49% (2010- 49%) and the percentage share in MicroLoan Namibia was 25% (2010- 25%).

The Charity's share of the net assets of its associates has also been included in these financial statements. The Charity's share was determined by the percentage of voting rights held by the Charity at year end. In 2011 the percentage share in Malawi was 29% (2010- 29%). The percentage share in Microloan USA was 49% (2010- 49%). The percentage share in Microloan Namibia was 25% (2010- 25%). There is no expectation that the reserves of the associates will be distributed to the UK.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

b) Incoming resources

Voluntary income including donations, gifts and legacies and grants that provide core funding or are of a general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred where:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the Charity has unconditional entitlement

Investment income is recognised on a receivable basis.

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- The donor has imposed conditions which must be met before the Charity has unconditional entitlement

Investment income is recognised on a receivable basis.

c) Donated services

The Group benefits from the services of volunteers, many thousands of free hours and unclaimed out-of-pocket expenses by a large number of supporters. In addition companies, organisations and individuals have, in many cases, provided the use of facilities, equipment, consultancy services and premises for various activities and meetings without charge. The value of our major company contributions have been estimated by them and included in the consolidated statement of financial activities as income and expenditure when there is a cost to the third party of donating the gift/service (2011 - £366,284; 2010 - £106,258). This figure does not include a value for the volunteer work which is indispensable to the work that the Group undertakes.

d) Volunteers

No provision is made in these financial statements for the value of services provided by volunteers.

e) **Resources Expended**

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance-related grants are recognised as the goods or services are supplied. Other grant payments are recognised when a contractual obligation arises that result in the payment being unavoidable.

f) **Irrecoverable VAT**

Irrecoverable VAT is charged against the category of expenditure on which it was incurred.

f) **Tangible Fixed Assets**

Individual Fixed Assets are capitalised at cost.

Tangible Fixed Assets are depreciated on a straight line basis over their estimated useful life:

	Charity	MCF Zambia
Office equipment	33% on cost	10% on cost
IT equipment	33% on cost	25% on cost
Website costs	33% on cost	n/a
Motor vehicles/bikes	n/a	20% on cost

g) **Funds Structure**

The Charity has a number of restricted income funds to account for situations where a donor has given funds for a specified purpose. Details of such grants, and the expenditure covered by them, are given in note 16 to the accounts.

All other funds are unrestricted income funds.

2. Legal Status of the Trust

The Trust is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £10.

3. Trading Subsidiaries

MicroLoan UK has one trading subsidiary, MCF Zambia the results of year 2011 are shown below. MCF Zambia is incorporated in Zambia.

	2011	2010
	£	£
Interest income on microcredit loans	76,993	41,418
Other Income-Grant Funding	19,437	25,587
Bank interest		13
Total income	96,430	67,018
Operating and administrative expenses	(124,703)	(100,394)
Net Profit/(loss) before taxes	(28,273)	(33,376)
Taxation	(414)	(1,243)
Net profit/(loss) after taxes	(28,687)	(34,619)

4. Voluntary Income

	Group 2011			
	Unrestricted	Restricted	Total	2010 Total
Voluntary Income Source	£	£	£	£
Individuals	215,255	29,429	244,684	303,335
Events	141,246	-	141,246	22,481
Grant making trusts	70,607	400,787	471,394	607,641
Companies	155,830	160,732	316,562	287,497
Grant funding-MCF Zambia	-	19,437	19,437	25,587
Donated services	366,284	-	366,284	-
Total	949,222	610,385	1,559,607	1,246,541

5. Income from Charitable Activities

	Group 2011	Group 2010
	£	£
Interest income on microcredit loans	76,993	41,418

6. Investment Income

	Group 2011	Group 2009
Investment Income	£	£
Current investments	310	370
Interest, short-term investments	392	1,215
Interest, long-term investments	3,945	2,043
Total	4,647	3,628

7. Resources Expended Group – 2011

	Generating Funds	Subsidiary (MCF Zambia)	MLF Malawi	MV Malawi	PSHF	Namibia	USA	Governance	Total 2011	Total 2010
	£	£	£	£	£	£	£	£	£	£
Costs directly allocated to activities										
Staff costs	129,006	64,487	-	-	-	-	-	-	193,493	171,592
Consultancy costs*	230,352	602	104,025	-	-	258	-	45,892	381,129	20,751
Travel, subsistence and volunteers	3,420	7,169	33,286	-	-	3,724	-	553	48,152	55,650
Event costs	5,307	-	-	-	-	-	-	-	5,307	1,013
Audit fees	-	4,534	-	-	-	-	-	17,381	21,915	29,261
Other direct costs	14,705	49,927	3,372	20	-	158	-	904	69,086	63,675
Taxation	-	414	-	-	-	-	-	-	414	1,243
Grants	-	-	315,552	126,767	7,650	15,175	3,311	-	468,455	600,762
Support costs allocated to activities										
Management costs	46,721	10,204	54,424	-	-	3,401		12,750	127,500	132,951
General Office & Finance staff costs	23,656	13,169	63,488	-	-	3,131	-	8,101	111,545	89,769
UK office costs	50,326	4,569	13,380	7	-	1,871	-	3,529	73,682	47,098
Other support costs	8,080	806	2,473	20	-	344	-	2,558	14,281	13,371
Total resources expended	511,573	155,881	590,000	126,814	7,650	28,062	3,311	91,668	1,514,959	1,227,136

* Consultancy costs include £366,284 of services provided in kind – see note 1c for further information.

8. Analysis of Staff Costs.

	Group 2011	Group 2010	Charity 2011	Charity 2010
	£	£	£	£
Salaries and wages	355,902	320,384	295,987	278,094
Social security costs	32,524	30,003	32,524	30,003
Pension costs	44,113	43,663	39,541	39,558
Total	**432,539**	**394,050**	**368,052**	**347,655**

	Group 2011	Group 2010	Charity 2011	Charity 2010
Number of employees at year end	19	19	9	9
Average number of employees	16	16	8	8
Number of employees with compensation greater than £60,000	1	1	1	1

The Charity does not operate a pension scheme for its employees but it made contributions to stakeholder pension schemes of the employees choosing, for five staff in 2011 (2010 - five). The charity made contributions to these schemes of £39,541 (2010 - £39,558). MicroCredit Foundation (Zambia) operates an employee pension scheme, contributions of which were £4,572 during the year (2010 - £4,105).

For the Charity one employee earned more than £60,000 in the year (2010 - one). This employee was paid between £80,000 and £90,000 (2010 paid between £80,000 -£90,000) which included £22,560 paid in to the employee's private pension under a salary sacrifice scheme. A further £8,000 was contributed by the company which is not taken into account in determining the salary bandings of this employee. MicroCredit Foundation Zambia did not have any employees with compensation in excess of £60,000.

9. Movement in Total Funds for the Year

This is stated after charging:

	Group 2011	Group 2010	Charity 2011	Charity 2010
	£	£	£	£
Depreciation	16,763	13,312	8,475	8,152
Auditor's remuneration				
External audit fees	21,915	28,087	17,381	17,466
Other services	480	1,174	480	1,174
Additional external audit fees 2010/2009	1,500		1,500	5,750
	23,895	29,261	19,361	24,390
Operating Leases				
Rental payments on buildings	27,748	28,164	25,106	25,751

10. Tangible Fixed Assets

Group

	Office Equipment	IT Equipment	Website Costs	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2011	6,929	8,369	18,805	17,483	51,586
Additions	1,807	4,734	-	31,070	37,611
Disposals	(88)	(1,842)	-	(14,361)	(16,291)
At 31 December 2011	8,648	11,261	18,805	34,192	72,907
Depreciation					
At 1 January 2011	3,683	3,977	9,222	6,207	23,089
Charge for the year	1,406	3,613	4,791	7,169	16,979
Eliminated on disposal	(26)	(1,053)	-	(6,682)	(7,762)
At 31 December 2011	5,063	6,537	14,013	6,694	32,307
Net Book Value					
At 31 December 2010	3,246	4,392	9,583	11,276	28,497
At 31 December 2011	**3,585**	**4,724**	**4,792**	**27,499**	**40,600**

Charity

	Office Equipment	IT Equipment	Website Costs	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2011	3,721	6,430	18,805	-	28,956
Additions	344	2,879	-	-	3,223
Disposals	-	(952)	-	-	(952)
At 31 December 2011	4,065	8,357	18,805	-	31,227
Depreciation					
At 1 January 2011	2,416	3,492	9,222	-	15,130
Charge for the year	915	2,768	4,791	-	8,474
Eliminated on disposal	-	(634)	-	-	(634)
At 31 December 2011	3,331	5,626	14,013	-	22,970
Net Book Value					
At 31 December 2010	1,305	2,938	9,583	-	13,826
At 31 December 2011	**734**	**2,731**	**4,792**	-	**8,257**

11. Fixed Asset Investments

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Investment in subsidiary undertaking	-	-	3,230	3,230
Fixed-term investments				
Birmingham Midshires fixed-term deposit	102,152	99,631	102,152	99,631
Lloyds fixed-term deposit	30,226	70,790	30,226	70,790
	132,378	170,421	132,378	170,421

12. Associate

Abbreviated Statement of Financial Activities for Associates

	2011				2010
	MLF Malawi (29% share)	MLF Namibia (25% share)	MLF USA (49% share)	Total Associates	Total Associates
	£	£	£	£	£
Incoming Resources					
Donated assets	-		-	-	426
Interest from charitable activities	203,589	1,381	-	204,970	185,522
Activities in furtherance of the Charity's objectives	168,120	-	66,925	235,045	266,053
Interest income	1,634	4	-	1,638	1,036
Gains on revaluation	8,953	-	-	8,953	-
Total incoming resources	382,296	1,385	66,925	450,606	453,037
Resources Expended					
Cost of activities in furtherance of the Charity's objectives	374,142	11,581	65,448	451,171	304,692
Bad debts	15,160	1,946	-	17,106	9,075
Tax	2,055	-	-	2,055	-
Total resources expended	391,357	13,527	65,448	470,332	313,767
Net (Outgoing)/Incoming resources	(9,061)	(12,142)	1,477	(19,726)	139,270

Abbreviated Balance Sheet for Associates

	2011				2010
	MLF Malawi (29% share)	MLF Namibia (25% share)	MLF USA (49% share)	Total Associates	Total Associates
	£	£	£	£	£
Fixed assets	80,997	231	-	81,228	77,701
Current assets	311,812	3,050	62,632	377,494	430,956
Liabilities under one year	(83,739)	(4,725)	(10,185)	(98,649)	(99,531)
Net Assets	309,070	(1,444)	52,448	360,073	409,126

Share of Net Assets in Associates

	2011				2010
	MLF Malawi	MLF Namibia	MLF USA	Total	
	£	£	£	£	£
At 1 January	346,706	11,488	50,932	409,126	229,946
Exchange gain/(loss) on results for the year	304	1,101	9	1,414	(1,688)
Exchange gain/(loss) on opening funds	(28,880)	(1,891)	29	(30,742)	(58)
Deemed gain/(loss) on acquisition/disposal of part share of associate	-	-	-	-	41,656
Net interest in results of associate	(9,061)	(12,142)	1,477	(19,726)	139,270
At 31 December	**309,070**	**(1,444)**	**52,448**	**360,073**	**409,126**

13. Current Investments

	Group 2011	Group 2010	Charity 2011	Charity 2010
	£	£	£	£
Fixed interest deposit accounts	50,000	131,371	50,000	131,371
Total	50,000	131,371	50,000	131,371

14. Debtors

	Group 2011	Group 2010	Charity 2011	Charity 2010
	£	£	£	£
Accrued investment income	2,181	2,165	2,181	2,165
Other debtors and prepayments	35,076	18,606	26,430	15,040
MicroCredit loans	120,853	73,821	-	-
Total	158,110	94,592	28,611	17,205

All debtors are due within one year

15. Creditors: Amounts falling due within one year

	Group 2011	Group 2010	Charity 2011	Charity 2010
	£	£	£	£
Other creditors & accruals	64,138	60,065	32,993	32,048
Of which:				
Secured	-	-	-	-
Unsecured	64,138	60,065	32,993	32,048

All creditors are due within one year.

16. Analysis of charitable funds

a) Analysis of unrestricted fund movements

	Funds at 1 January 2011	Incoming Resources	Resources Expended	Funds at 31 December 2011
	£	£	£	£
General fund	224,025	588,447	(461,004)	351,468
Total	224,025	588,447	(461,004)	351,468

Restricted funds are all contained within current assets. All other assets and liabilities are unrestricted.

b. Analysis of Restricted Fund Movements

	Funds at 1 January 2011	Incoming Resources	Resources Expended	Other Movements	Funds at 31 December 2011
	£	£	£		£
MicroVentures - to cover set up and ongoing costs related to training activities in Malawi	124,819	35,486	(131,934)	-	28,371
Malawi new branch fund - to fund loan book capitalisation and cover start up and operating cost shortfalls in the first two years of a branch's existence	176,025	145,800	(185,875)	-	135,950
Malawi growth fund - to support the growth in existing Malawi branches and the overall operation	50,794	24,047	(47,944)	-	26,897
Zambia start up fund - to support the costs of opening MicroCredit Foundation in Zambia	36,828	189,339	(98,627)	-	127,540
Namibia start up fund - to support the costs of opening a Microfinance operation in Namibia		-		-	
Mozambique start up fund - to support the costs of opening a Microfinance operation in Mozambique	26,260	-	(26,260)	-	
UK Office - to support the salary costs of charity employees	22,359	192,376	(168,835)	-	45,900
PSHF fund - to support the operations of PSHF	-	3,900	(3,900)	-	-
MLF USA - to support the operations of MLF in the USA	1,632	-	(1,632)	-	
Funds held by MCF Zambia - restricted for use in microcredit activities in Zambia	87,773	96,430	(22,664)	(11,375)	150,164
Total before share of associate	526,490	687,378	(687,671)	(11,375)	514,822
Share in associates, MLF Malawi, MLF Namibia, and MLF USA - restricted for use in microcredit activities in relevant countries	409,126	-	-	(49,053)	360,073
Total	**935,616**	**687,378**	**(687,671)**	**(60,429)**	**874,894**

Resources expended for funds held by MCF Zambia are the difference between funds granted to MCF Zambia of £102,453 and direct expenses of MCF Zambia of £125,117.

17. Related Party Disclosures

The trustee Peter Ryan, employed as CEO, received salary payments in 2011 of £60,000 (2010 - £60,000). In addition, £30,560 (2010 - £30,560) was contributed into Peter Ryan's private pension.

During the year, £15,850 of expenses were reimbursed to one trustee (2010 - £7,987).

Expense Category	Group 2011
	£
Fixed Assets	575
Food/meals	2,588
Fundraising	1,217
IT expense	805
Office expense	3,492
Telephone	1,216
Travel	5,957
Total Expenses	15,850

Two UK trustees are also trustees of the MicroLoan Foundation, Malawi. Grants of £442,319 were made to MicroLoan Foundation Malawi during the year (2010 - 400,053).

Two UK trustees are also directors of MicroCredit Foundation Zambia. Grants of £102,453 were made to MicroCredit Foundation Zambia during the year (2010 - £84,029).

One UK trustee is also a trustee of MicroLoan Foundation Namibia. Grants of £15,175 were made to MicroLoan Foundation Namibia during the year (2010 - £53,113).

Two UK trustees were also trustees of MicroLoan Foundation USA. Grants of £3,311 were made to MicroLoan Foundation USA during the year (2010 - nil).

18. Cash flow statement

The charity has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small charitable company.