



Giving hope not hand outs



# MicroLoan Foundation

[microloanfoundation.org.uk](http://microloanfoundation.org.uk)

## Annual Report & Financial Statements 2015

**MICROLOAN FOUNDATION** (A company limited by guarantee)

Annual report and financial statements for the year ended 31 December 2015

Charity number 1104287

OSCR number SC041941

Company number 0428558

## Our Purpose

To help the poorest women in rural Africa transform their lives by lifting themselves and their families out of poverty.



## Our Mission

We strive to be the leading charity providing business training, unsecured loans and ongoing mentoring to a growing number of women clients developing village-based micro businesses.

**Our clients are poor women** without access to education, capital, business training or financial services - but they are the bedrock of a healthy society.

**We listen to our clients** and measure “social performance” to enhance our services and social purpose.

**Our donors, staff and volunteers** enable our work, and are central to our success; they are second in importance to our clients.

**Our long-term aim is ambitious:** to be sustainable and help more than 100,000 women and their families each year across a growing number of African countries.

**Geographic expansion will be measured** and determined based on objective market criteria, with the aim that each country’s operations become self-sufficient over time.

**The micro-finance “virtuous circle”** - recycling loan repayments to fund an expanding number of clients - requires a vigilant commercial approach. MicroLoan focuses on operational controls, efficiency, oversight and governance.

**We distinguish MicroLoan** in the minds of clients, donors and the development community to raise future start-up funds and to retain and expand our client base.



## Our Values

**Far-reaching:** Many women in Africa are stuck in poverty, struggling to support themselves and their families. We find and help them so they can build a sustainable life, irrespective of background and belief.

**Attentive:** We respect and listen to all, especially the individuals we help. They know what they need.

**Small:** We discover the point where a small intervention can make the biggest impact – we can take a chance with someone if it is small.

**Consistent:** We do what is right with conviction, sensitivity, enthusiasm and inventiveness.

**Open:** We are open and honest about success and failure, use time and funds effectively, value teamwork and accept there is always a better way.

## Chairman's Introduction

MicroLoan Foundation (MLF) is a UK charity providing micro-finance services in sub-Saharan Africa. Our vision is to help the poorest rural women transform their lives by lifting themselves and their families out of poverty by creating small sustainable businesses.

The principal activity of the Charity is the provision of grants and support to local micro-finance operations, established by MicroLoan UK.

MLF Malawi opened in 2002 and is our largest operation. MLF Zambia is now in its sixth year of operation. We plan to enter Zimbabwe in the second half of 2016.

When the time is right we will enter new territories. Three have already been identified for future geographic expansion.

### Our methodology

We provide business training, unsecured small loans, and on-going

guidance to groups of women in rural villages. This helps individual clients develop sustainable livelihoods, to feed, clothe and educate their families, and to work their way out of the poverty trap.

To measure our effectiveness, we use Social Performance Management (SPM) to ensure we continue to deliver on our social mission. And with historical repayment levels over 97.5%, MicroLoan is able to recycle loans again and again to help even more women. We call this the virtuous circle.

We have recently invested in fundraising to raise our profile among donors and to secure increased funding. This will allow us to extend and deepen our activities in existing countries.

### Our performance

2015 was a year of great progress including stronger management in Africa, better data, tighter control

and more focussed fundraising. But, this was offset by severe currency devaluation in Africa due to a major drought and much lower global commodity pricing.

### Our colleagues

MicroLoan is a small, complex international organisation and our colleagues often work in challenging circumstances or with limited resources. I wish to thank all of them for their exceptional commitment and enthusiasm.

### Our donors and volunteers

Without the considerable generosity of our donors and volunteers it would be impossible for MicroLoan to function, without doubt you are second only in importance to our clients.

### Our clients

They are the 140 000 women and their 500 000 children who have to date managed to start businesses with our help.

### Our board

As I step down after some seven years as trustee and chairman I would like to thank all past and present trustees. The charity has benefitted from its earliest days by attracting a diverse group of highly experienced individuals. Their challenge and guidance has been invaluable, their comradeship a pleasure.

My successor as Chairman will be Alan Penson who has been with MicroLoan for three years as Treasurer building an intimate knowledge of Africa and the charity. We have worked closely, he is an excellent choice, and I wish him and our colleagues every success.



**David Young**  
Chairman



## Changing lives

In the countries where MicroLoan Foundation (MLF) works, more than 70% of the population is existing on less than \$1.25 per day and rural populations are experiencing high levels of poverty.

Women are typically more disadvantaged than men and are more likely to be living in poverty. They struggle to feed their families, take care of them when they are sick, provide a roof over their heads or send their children to school. With the average woman in sub-Saharan Africa looking after four children as well as other dependants, life becomes a daily battle to survive.

### MicroLoan Foundation is helping

At MLF we believe in providing hope for the future, not simply handouts. By helping women to build small sustainable businesses, we are supporting them to be better able to cope with the shocks and stresses that undermine their progress out of poverty. Long term, the women we work with are able to improve

the well-being and standard of living for themselves and their families.

### Women and children

Since 2002 when MicroLoan started, we have helped over **140,000 women** to start businesses that provide a regular income. In turn fewer children stay out of school due to family income problems\* and families are able to pay for essential school provisions like uniforms and pens. Nearly **500,000 children** have been given the chance to go to school, eat regular meals and get vital healthcare when needed.



### Villages and communities

The impact is wider still with these small businesses helping villages and communities to thrive economically and socially. MicroLoan works in hundreds of villages across Malawi and Zambia operating from 26 branches.

### Women are empowered

In countries where women and girls are often marginalised, we are helping to improve gender equality, and also empowering women in their homes, businesses and communities. By helping them to build their skills and knowledge, their confidence grows and so does their voice.

A recent McKinsey report estimated that if every woman in the world could play an equivalent role to men in work, we could add as much as **28 trillion dollars to the global economy by 2025.**

*\*Ivy Migue, University of Edinburgh, Report 2015*

**140,000**

women starting small businesses

**57%**

of clients see increase in household cash income

**500,000**

children have a chance to go to school

**71%**

of clients are food secure

**60%**

of clients are saving regularly





## Our approach

Rural women living in poverty are unable to increase their household income, as they lack access to affordable, accessible, reliable financial services as well as skills in financial literacy and managing a business. So we need to make sure our services not only get to those who need them the most, but are adapted to meet the needs of the communities in which we work.

### We reach rural areas

To reach those who need our help the most, we have branches in many towns. MicroLoan's



Loan & Training Officers travel out on motorbikes, journeying many hours each day to support our clients in remote villages.

### We work with women

We know that investing in women and girls can have the biggest impact on alleviating poverty and a greater impact on the wider family and community. Evidence from a range of countries shows that increasing the share of household income controlled by women changes spending in ways that benefit children by improving their health and education.



### We adapt our training

Before the women receive their loans, they take part in training that covers business planning to market

research. Then, every two weeks, the Loan & Training Officers visit the women in their villages to provide additional training and support the development of profitable enterprises.



This approach is designed to reflect the lives of poor, rural-based women, many of whom have low literacy levels. Training is delivered through games and songs. Role play and visual aids help the women to understand business and financial concepts in relevant terms.

### We encourage regular savings

We teach our clients the discipline of saving regularly. The savings help pay for important family expenses such as school fees and health

costs. They also act as an insurance against sudden crises (serious illness, natural disasters, or theft) that can otherwise result in further impoverishment for those who are just holding their heads above the poverty line.

### We work with groups

Forming groups of 10-15, the women can pool their resources to support each other – not just financially, but also emotionally. Their problems are seen as mutual, not individual, and the group can help each other with transport, collective bargaining and knowledge.



## The women we support

Enala and Selina are just two of the women whose lives have been transformed with our support. Through their entrepreneurship, they are helping to build a better future for themselves, their families and children. Read their stories [here](#).



### Selina Milanzi's story

*Selina had to leave school and marry when her father died but life with her husband was good and after Selina joined MicroLoan, things were looking positive for the family with their three children. Then tragedy hit again when Selina's husband died leaving her with five young dependants as she was by now also looking after two orphans from other families.*

*Traditionally a man's property is inherited by his family and not his wife, so his wife can lose everything if she loses her husband. But Selina's business activities with MicroLoan enabled her to save money as well as to build properties to generate additional rental income which protected her home, her livelihood and her children. "I think MicroLoan has benefited me a lot because in the past I used to be lacking in all sorts in the home but now I am able to take care of my family. We do not lack food or go to bed on an empty stomach. As far as I am concerned, MicroLoan has become my husband. Thank you so much MicroLoan."*

### Enala Banda's story

*Enala has not had the easiest of lives. She started school late, as her parents, who were subsistence farmers, could not afford school fees and struggled to provide even the basics for their children. Once at school, she excelled and had dreams of becoming a teacher, but throughout her education, Enala and her sister were taken out of school to earn money and help support the family. She was eventually forced to marry to be able to look after her younger sisters.*

*History began to repeat itself when Enala's own children began missing school because she could not afford books or uniforms. Enala said, "It was a very difficult time. We had plans but we had no idea who to turn to for help. I want to leave my children better off than I was".*

*Then Enala joined a MicroLoan group in her village where she found the support and motivation to set up a small business selling tomatoes and fish. Enala is now able to provide for her family and send her children to school. Because of MicroLoan's training programme she understands how to make a profit and how to spend that profit to change her life and break the cycle of poverty. In Enala's words: "Life is good, I am comfortable. I am able to buy things for my household. Now we have food, my children no longer go to bed on an empty stomach. My children's education has improved. I can now fend for my family. It gives me hope for the future".*





# CEO Report

## Fundraising

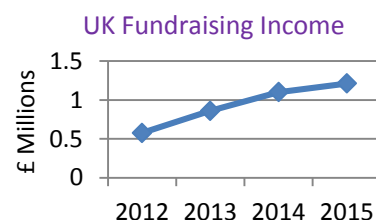
Our supporters, together with the hard work and commitment from our fundraising team, helped us to raise our fundraising income by 16% to £1,296,441 in 2015 (2014: £1,115,722).

Our income continues to benefit from support from institutions, trusts, foundations and corporate partners, as well as thousands of individual donors taking on challenge events, making regular donations and major gifts to the charity.

We wish to convey our sincere thanks to all our supporters. Our **Roll of Donors** at the end of this report lists all those supporters who kindly donated over £500 in the year 2015.

**Institutions, Trusts & Foundations**  
Support from Institutions, Trusts and Foundations totalled £796,910 in 2015 contributing 61% to our overall voluntary income.

We benefitted from over £200,000 in new grants due to an increase of applications in 2014 and 2015. Strong programme reporting on existing multi-year grants continued to support our ongoing funding from the Department for International Development (DFID) and the Scottish Government.



MicroLoan's partnership with the Whole Planet Foundation continued to grow with continued support for our work in Central and Southern Malawi plus new support for our work in Southern Zambia and an additional grant to support the development of our new Management Information System (MIS). We are extremely proud of



our partnership with the Whole Planet Foundation and grateful for their continued support.

Highlights of the year included:

- The Scottish Government and DFID granted us £142,240 and £143,956 respectively, as part of their continued support for our work in Malawi.
- Whole Planet Foundation gave £107,621 as the first instalment of a new three year grant for our work in Zambia. This was in addition to their ongoing valued support in Malawi.
- Whole Planet Foundation granted us £57,925 from their Impact Fund to support the roll-out of tablet devices and associated technology to help achieve wider operational efficiencies and costs savings.
- The Headley Trust donated £30,000 as part of its two year support for our agri-loans programme in Malawi.
- More than £20,000 was secured from our growing Small Trust programme.



## Corporate Support

MicroLoan continued to boost the support it receives from companies and associations in 2015.

Highlights included:

- We were the beneficiary at the annual dinner of The Association of Corporate Treasurers for a second year running and were honoured to have both Deborah Meaden and Baroness Karren Brady talk about their support for MicroLoan. The event raised over £63,000 and also generated a number of corporate CSR introductions.



- A corporate gift from Capital Group.
- £9,600 given by Social Bite.
- £5,000 each from Barclays and White & Case.

We also gratefully received donations and support from Mischon De Reya, Starbucks, Christies and Deutsche Bank.



## Campaigns & Events

2015 saw a number of high profile campaigns and events that raised more than £120,000 and delivered additional value through the introduction to potential new donors and partners. Both the Christie's and Deutsche Bank events were a result of the work of our Women's Development Board.

Highlights were:

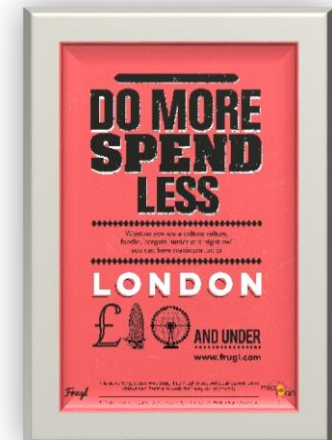
- An auction event at Christie's raised more than £30,000
- Our summer and Christmas matching appeals together raised over £50,000 through our existing supporter base.

- Deutsche Bank kindly hosted a tour of their private art collection which generated £15,000 along with a number of new corporate partnerships with law firms.
- A BBC Lifeline appeal filmed in Malawi with Deborah Meaden raised over £15,000 and resulted in national publicity through the BBC produced film.



- Through the generosity of Total Media, Exterion Media, Posterscope and Mullen-Lowe, we ran a *Women 4 Women* outdoor poster campaign during which we sold donated poster space on the London Underground to female small business entrepreneurs in the

UK. The campaign raised more than £20,000 and attracted a mass of social media attention.



## Major Donors

MicroLoan is fortunate to have the support of a number of individuals who are able to make donations above £5,000. This level of donation allows us to invest in significant projects and growth.

We would like to say special thanks to:

- John and Alison Lapish for their continued support for our Nsanje branch in Malawi.



- Lynne Turner for her unrestricted gift as well as her continued support of MLF through the Women's Development Board (see below).
- Elizabeth and Michael Corley for their unrestricted gift.

We would also like to thank a number of other donors who have made significant gifts in 2015 but who wish to remain anonymous.

## Legacies

We also received two donations in 2015 left to us as part of gifts in wills. We are honoured to be remembered in this way by individuals who were considered friends of MicroLoan. Beryl Kessel left us £5,000 in her will while Margaret Horrocks left us shares worth over £15,000.

## Individuals

Very special thanks must go to all our individual donors and supporters who continue to help MicroLoan. From our tremendous support in the local community to all those taking part in challenge events, whether fundraising or making regular and one-off donations, MLF supporters continue to give their time and money, while generating increased awareness of the work we do. Their contribution to MicroLoan is invaluable.



## Volunteers

### Women's Development Board

Members of our dynamic UK-based Women's Development Board (WDB) volunteer their time and energy to raise funds and open networks for us.

They organise events, bring their contacts to them and also ask their companies to support us. Through these activities they raised more than £70,000 in 2015. The WDB now make up an essential part of the MicroLoan fundraising extended team.

In 2015 Ida Levine stepped down as the Chair of the WDB and Lynne Turner succeeded her. We would like to thank Ida for all hard work she undertook and Lynne for taking over her new role with such energy and enthusiasm.

### Community Fundraising Group

Our newly formed Community Fundraising Group (CFG), chaired by Mike Sell, CEO of Total Media, took on the Thames Path Challenge raising over £20,000. We look forward to 2016 as the group's plans for more local fundraising take shape.





## Communications

MicroLoan is fortunate to receive pro-bono support from three communications agencies.



The London-based multi-award winning creative agency Mullen-Lowe (formerly DLKW Lowe) works with us on a number of key creative projects. In 2015 they included:

- 'Women 4 Women' Poster Campaign
- Our new website design that will be launched in 2016.

The global technology PR firm AxiCom (part of WPP) donated 30 hours every month during 2015 as well as taking part in the British 10K in support of MLF.

In addition, Teneo PR is providing extra support within the city community.

More generally, MicroLoan communicated regularly with supporters in 2015 to raise awareness of our activities. Work progressed on our new website build. And our social media activity increased substantially during the year.



## MLF Australia and MLF USA

The MicroLoan volunteer boards in Australia and the USA continue to drive awareness and raise funds from our supporters overseas contributing more than £40,000 in 2015.

## Scotland

Dr Alex Evan-Wong, a medical consultant who worked in Malawi in 2005 through Rotary International Doctor Bank, continues to help raise funds and the profile of MicroLoan Foundation in Scotland while supporting our partnership with The Scottish Government.

## Other volunteers

At MicroLoan we have always benefitted from volunteers offering their time and experience to help further our cause. 2015 was no exception and we were very fortunate to have the help of several volunteers both in the UK and Africa helping us with everything from social media, event support, fundraising and project management. We simply would not achieve the results we do without this invaluable help.



## Charity links and activities

Our partnership with CARE International's **lendwithcare.org** initiative continued to consolidate in both countries with a commitment made to support us in Zimbabwe. This scheme allows individuals in the UK to lend small amounts of money to entrepreneurs in poor communities around the world. The link with MicroLoan means that for the first time, **lendwithcare.org** lenders can support individuals and groups in Zambia and Malawi who are starting or growing their own businesses.



A similar successful relationship with the USA-based Kiva.org exists to support our work in Malawi.





## MicroLoan Malawi

MicroLoan Malawi ended the year with 25,897 active clients (2014: 29,763); a 95.7% repayment rate for the period and a loan book value of £607,888 (2014: £933,839). This represented a decline of 34% vs. 2014. Portfolio at Risk – (i.e. all loans overdue by more than 30 days referred to as 'PAR 30') consolidated at 7.4%. This represented an improvement from 2014 (8.1%).



The mixture of floods, drought in Malawi in 2015 had a more serious affect than had been anticipated, with the result that the portfolio at

risk in the early part of the year started to rise to an unsatisfactory level. Management consequently took the sensible step of focusing on addressing 'core issues' rather than increasing loan volumes or sizes. This had an inevitable impact on sustainability which fell from 83% in 2014 to 66% this year. This together with a near 25% devaluation reduced the loan book value.

Our CEO moved to another organisation and we appointed the Finance Director as Acting CEO for a large part of the year. After an extensive international search, a new CEO has been selected and subject to the approval of the local Reserve Bank will start work shortly.

In addition, to strengthen our oversight we appointed a new Head of Operations and brought in two outside consultants - to sharpen all aspects of HR, and to concentrate on IT and Management Information System (MIS) installation.

There are a number of other positive factors to report:

We designed and piloted new processes and procedures to better control loan size increases and to allow individual borrowers to have greater flexibility to join and leave groups and access their savings when needed. These were piloted successfully in two branches and are being rolled out in all 17 branches in 2016.

- A new cloud-based MIS system, Musoni, was selected and is now up and running successfully. Over time it will significantly improve the availability of information to the management and loan staff. We hope to equip the staff with hand held 'pc tablets' in the latter half of 2016.
- Our Regional Managers have taken greater control of integrating our social performance management programme. We are pleased to
- Our 'Tilime' farming programme, which enables the provision of training and inputs to increase the yields of maize, continues to be successful. We are extending the training element to all our clients across the country in 2016/17. In addition, we are deepening an existing partnership with Self Help Africa to provide loans to their mature farming groups. We believe that food security is an essential element in our poverty alleviation programme.



report that MicroLoan achieved the next stage of 'TrueLift' – a Trust Mark to signify commitment to positive and long-lasting change for people affected by conditions of poverty.

## MicroLoan Zambia

MLF Zambia progressed well in 2015, increasing client numbers by 48% to 7,059 (2014 – 4,782).

Zambia's currency declined in value by 40% in 2015 as world copper prices dropped (fuelled by the reduction in demand from China) whilst inflation rose to 30%. This impacted significantly on our sterling reported results.

Repayment rates for the period rose to 98% (2014 – 94%) while the loan book value reduced to £341,024. (2014 - £417,312).

There are a number of other positive developments to report:

- We opened three new Branches in the Southern Region, making four in total, whilst continuing to build on our activities in the Eastern province of Zambia from our Chipata HQ
- The appointment of a second Regional Supervisor strengthened the control of the local operations in the Southern region.
- We consolidated our thinking on establishing strong independent regions as a solution to managing the large physical distances that exist in Zambia.
- The operation was fully sustainable in local currency, but regrettably this was offset by currency losses.
- Our portfolio at risk (PAR 30) consolidated at 3.7%.
- We successfully installed the new MIS (Musoni) in the last quarter running it successfully in parallel with the previous system, MicroLoan Manager. Handheld 'PC Tablets' will be given to loan officers later in 2016.



	Malawi				Zambia				Total			
	2015	2014	2013	2012	2015	2014	2013	2012	2015	2014	2013	2012
<b>Loan Book</b>												
Number of loans made (000s)	50	67	63	61	14	9	7	7	64	76	70	68
Number of clients (000's)	26	30	27	23	7	5	4	3	33	35	31	26
Average value of loans made (GBP)	55	54	62	67	95	133	131	107	64	94	97	87
Repayment rate (%)	96	95	99	99	98	94	97	99	96	94	98	99
<b>Operations</b>												
Number of branches	17	17	17	21	9	6	5	5	26	23	22	26
Number of client groups	1,705	1,857	1,673	1,535	473	300	234	220	2,178	2,157	1,907	1,755
Number of staff as at 31 December	107	95	102	134	38	26	17	17	145	126	119	152

## Future Plans

2016 will be another important year of 'step change' for MicroLoan as the team works hard to deliver our three-year plan – a significant increase of our client base by 2017 and the opening of operations in at least one new country

Overall we will:

- Invest in our core UK fundraising team, with the appointment in April, 2016 of a major donor fundraiser.
- Open an office in Zimbabwe (subject to registration with the Reserve Bank and all other local authorities) no later than the second half of 2016.
- Review three new countries. Preliminary visits have been made to Swaziland, Lesotho and KwaZulu-Natal in South Africa.

- Strengthen our local teams at all levels, gradually building a regional office in Africa to include our Regional Director, Director of Finance, HR and Social Performance Team.
- Achieve sustainability in Malawi and Zambia no later than 2017, through increased operational efficiency in Africa and greater control over risk and fraud.

**Peter Ryan**

CEO & Founder





## Financial Review

A summary of our financial performance for 2015 is set out in the statement of financial activities and on the balance sheet on pages 16 and 17.

We have consolidated the results of MLF Zambia and MLF Malawi in sterling. A summary of the results in UK (£) is shown in note 10 of the accounts.

### Income

This year incoming resources for the Group increased from £2,031,805 in 2014 to £2,208,324 in 2015 in spite of the exchange rate devaluation in both Malawi and Zambia. The main contributors to income growth are (a) Interest income generated by the Zambian operations increased by 32%, a significant achievement given the currency devaluation (b) Total UK voluntary income increased by 16% as a result of the increase in unrestricted income due to various successful fundraising activities

such as winning Charity of the Year with the Association of Corporate Treasurers.

Restricted income in 2015 was in line with the previous year and represents 62% (2014: 70%) of total voluntary income.



### Voluntary Income

We received £1,296,441 (2014: £1,115,722) in consolidated voluntary income during 2015, with income growth levelling out at 16% following a 9% increase in 2014.

The investment made in the fundraising team during 2015 contributed to the ability of the team to develop and broaden the

donor base. Note 15 to the financial statements shows a breakdown of income by source.

### Income from charitable activities

This represents loan interest income from our operations in Malawi and Zambia.

Interest income in Zambia increased to £315,875 (2014 - £238,476). MLF Zambia continued to expand its outreach by increasing client numbers to 7,059 (2014 - 4,782) and the number of loans disbursed from 8,888 in 2014 to 14,109.

Interest income in Malawi decreased by 12% in GBP terms to £579,204 (2014 £660,509). As reflected in the data table, on page 13, client numbers decreased by 13% to 25,897 (2014 - 29,763) the number of loans disbursed during 2015 decreased to 50,449 from 66,907 in 2014.

2015 proved to be an extremely difficult and challenging year in Malawi as a result of the drought which impacted directly on the

ability of our clients to repay their loans and therefore the number and value of loans we could disburse.

This was combined with a devaluation of the exchange rate, high levels of inflation and changes in the management team.

We have since taken the necessary action to strengthen the management team and implement new operational procedures, including the MIS system, to help the organisation better monitor and control its lending activities going forward.



### Costs of generating voluntary income

The management, backed by the Board took a proactive decision to invest significantly in Fundraising to provide the necessary funds to support the projected expansion. This increased both the number and quality of the team and provided the security to invest in a new website and related donor research. In addition the funding is essential to ensure the smooth replacement of two three year grants from the Scottish Government and DFID, which come to an end in the early part of 2016.

### The fundraising efficiency ratio

I.e. the fundraising cost divided by (the addition of the fundraising income and the value of loans made in Africa for 2015) came in at a creditable 7%. The Board considers that this ratio accurately reflects the unique ability of MicroLoan to recycle donated money.

**The traditional fundraising cost ratio**, which had decreased progressively from 27% in 2012 to

21% in 2014, rose in 2015 to 24% as fundraising direct costs increased to £311,209 due to investment.

The average historical ratio remains in line with the industry standard return on investment.



### Expenditure on charitable activities

Spending on charitable activities increased by 15% to £1,558,129 (2014: £1,353,066). The expenditure is made up principally of the operational costs of MLF Malawi (30% inflation) and MLF Zambia (inflation ranging from 17% - 22%) as well as loan capital grants to the Group.

### Expenditure in Africa

Expenditure in MLF Zambia rose by 31% to £490,078 (2014: £373,643) due to the ongoing expansion of the branch network and inflation-

related cost increases. MLF Malawi expenditure increased by 9% to £1,053,435 (2014 £967,913).

Inflation in Malawi averaged 30% throughout the year whereas the Malawi Kwacha exchange rate moved from MKW735 in December 2014 to MKW953 at the end of 2015.

### Governance costs

Expenditure on governance-related activities increased to £83,404 (2014 £66,982). We continue to invest in strengthening the organisation's overall governance compliance both in the UK and Africa.

### Exchange rate differences

As a result of currency fluctuations in both Malawi and Zambia during 2015, we ended the year with an exchange rate loss of £409,540 (2014 £105,734). However, 2015 was a year of high volatility in both countries emphasised by the unexpected and significant exchange rate devaluation in Zambia.

### Reserves and reserves policy

Restricted reserves are funds which can only be used for purposes specified by the donors, most of

which are secured to fund the on-going growth of our Africa operations.

Unrestricted reserves represent funds held pending their application for use towards the general activities and purposes of the Charity.

It is the view of the Trustees that the Charity should hold adequate financial reserves to meet the identified risks. The Trustees assess the level of risk on an ongoing basis by looking at the UK charity sector as a whole and drawing from its experiences working in Africa.



In assessing the level of risk, the Trustees agreed to retain the criteria followed in 2014 (as outlined below) for 2015.

- Six months' operating costs for the Charity's UK office excluding costs covered by any restricted funding 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 reserves.



The Malawian and Zambian subsidiaries are required to prepare cash flow forecasts and retain sufficient cash on hand to cover their operational expenses and new loan disbursements. When additional funds are required this is funded by the UK Charity from restricted reserves.

The Group reserves position at the end of the 2015 financial year was as follows:

- Unrestricted reserves: £527,276 (2014: £387,530)
- Restricted reserves: £1,003,047 (2014: £1,305,117)

This is after reconciling all items in £ sterling. Consequently these figures take into account the impact of falling exchange rates.

The targeted level of unrestricted reserves as of 31 December 2015 is £375,000 compared to actual unrestricted reserves of £527,276 at the close of the year.

The Charity's fundraising strategy includes the objective of increasing the level of unrestricted income.



The reserves position continues to be monitored and discussed on an ongoing basis at the Trustee meetings. Management is tasked with closely monitoring the situation and providing regular reports to the Trustees as a means of ensuring full attention is given to this important issue.

### Social Investment

The charity continues to take social investment to support the additional loan book in Africa. This allows us to obtain more benefit from philanthropic donations. Such investment totalled £437,642 in 2015. The loan terms include both with and without interest. To minimise foreign exchange risk we seek to match social investment loans to local currencies whenever practical.





# Governance

## 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 2015, and since the year end, are:

David Young (Chairman) (resigned 4/5/16)

Peter Ryan

Caroline Ryan

Ida Levine (resigned 4/5/16)

Alan Penson

Caroline Beck

Sally Burton-Graham (appointed 29/6/15)

Robert Jenkins (appointed 21/3/16)

Dina Shiloh (appointed 29/6/15)

Jo Olney (appointed April 15 2016)

Anton Simanowitz (resigned 4/12/15)

Danny Witter (appointed 29/6/15)

## 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 and Office of the Scottish Charity Regulator.

## 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. The appointment of trustees is governed by the Memorandum and Articles of Association. A new trustee is proposed, seconded and voted in at a trustee meeting.

A rotational appointment of trustees has been put in place with terms of three years, with a maximum period of service of two

terms. All trustees are required to visit the work in Africa, and meet the management teams. They are also required to read and sign the Conflict of Interest and Code of Ethics documents together with advice on being a Trustee.

As a result of the rotational policy, and after six years of service, we said a sad farewell to our Chairman David Young and fellow Trustee Ida Levine. Alan Penson was elected unanimously to the position of Chair and Jo Olney was recruited as Treasurer. Anton Simanowitz left the Board at the end of the year due to other commitments. We are pleased that he will continue to advise on social performance informally.

During 2015 the Charity put in place a formal search to recruit more trustees able to support fundraising.

As a result, the Board was strengthened by the recruitment of Dina Shiloh, a lawyer from Mishcon de Reya, Danny Witter, an

investment banker and social entrepreneur, Sally Burton-Graham, Fundraising Director of Worldwide Cancer Research, and Robert Jenkins – private equity and social investment experience in Africa with Jacana and the Gatsby Foundation.

## Organisation

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

The UK Board has established two sub-committees being the:

Remuneration and Appointments Committee and the Audit and Risk Committee. Both committees report to the Board of Trustees. In 2015 the Remuneration & Appointments Committee comprised Alan Penson, Caroline Beck and Dina Shiloh. The Audit Committee comprised David Young, Alan Penson, Caroline Beck, Ida Levine and Danny Witter.



## Remuneration Policy

MicroLoan aims to set positions and salaries within the appropriate scale whilst being mindful of the mix of business and charitable skills required to run the organisation efficiently. A performance appraisal system is used in the annual review process.

Salaries of all staff are proposed and evaluated by the remuneration committee and are benchmarked against comparable charities using the Croner's salary guide, together with the support of an outside consultant

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

## Related parties

The MicroLoan Foundation, USA ("MicroLoan USA") is a tax-exempt non-profit organisation under section 501(c) (3), and is an affiliate of MicroLoan Foundation. The principal activity of MicroLoan USA

is creating a base in the USA to raise funds and awareness of the MicroLoan Foundation activities and developing the operational capacity to establish further MicroLoan programmes.

The MicroLoan Foundation, Australia ("MLF Aus") is also an affiliate operating with the same purpose as MicroLoan USA.

## Risk Management

The CEO is responsible for the day-to-day management of risk.

To reflect the risks commensurate with the growth of the Charity, the Trustees have trustee indemnity insurance.

The Trustees have identified the following key risks

- Client loan repayments
- Reserves and cash shortfalls
- Foreign Exchange risk
- Cash Management
- Operational risk including Fraud

The Board plans to work closely with the management team to track and monitor the identified risk on an ongoing basis and ensure

satisfied that effective systems are in place to monitor, manage and mitigate major risks that MicroLoan Foundation is exposed to and that the appropriate steps are in place to improve these systems where necessary.

## Public Benefit Statement

The Trustees ensure that the activities of the charity are consistent with its charitable objects and aims. In agreeing our annual plans, the Trustees take into account public benefit as set out in the Charity Commission's general guidance on public benefit.

The Trustees believe there is clear public benefit derived from the objectives and activities of the MicroLoan Foundation as set out above.

## Investment policy and powers

Due to the Charity's reserve requirement and the nature of its charitable activities (see above), funds are held that exceed short term spending requirements and forecast programme costs, but are available to access at short notice.

These "excess" funds are placed in liquid 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. 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.

## Registered Office and Operational HQ

1 Canal Court  
152-154 Brentford High St, TW8 8JA

## Bank: CAF Bank Limited

25 Kings Hill Avenue  
West Malling, Kent, ME19 4J

## Auditors: Sayer Vincent

Invicta House,  
108-114 Golden Lane,  
London, EC1Y 0TL

Sayer Vincent LLP was re-appointed as the charitable company's auditors in 2015 and has expressed a willingness to continue.



### Trustees' responsibilities in relation to the financial statements

The Trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the report of the Trustees and the financial statements in accordance with applicable law and 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 charitable company and the Group and of the incoming resources and application of resources, including income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and apply them consistently;
- Observe the methods and principles in the Charities SORP;

- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on a 'going concern' basis unless it is inappropriate to assume that the charitable company will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and the group

and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware.
- They have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Finally, the Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the

event of winding up. The total number of such guarantees at 31 December 2015 was 9 (2014: 7).

The Trustees are members of the charity but this entitles them only to voting rights. The Trustees have no beneficial interest in the Group or the Charity.

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

### Signed on behalf of the Board



**Alan Penson**  
Trustee and Treasurer



**David Young**  
Trustee and Chairman



## Roll of Donors

A special thanks to all of our supporters who made a financial donation of £500 or more in 2015 some of whom wish to remain anonymous.

Akos Szabo  
Alchemy Foundation  
Alex Tweedie  
Alison Bates  
Andrew Coats  
Arimathea Charitable Trust  
Ashley Kraiss  
Barclays Bank  
Baroness Karren Brady  
Beryl Kessel  
Bill Adams  
Black Swan Osteopathy  
Bliss Family Charity  
Boltini Trust  
Brian Perry  
C.B. & H.H. Taylor 1984 Trust  
Capital Group  
Charlotte Redcliffe  
Chris Jones  
Chris Tuffey  
Christie's Auction House  
Clare Houston  
Courtney Graham  
Cynthia Ashton  
Dania Selglie  
Danny Witter

David Young  
Department for International Development  
Dina Shiloh  
Doddle Bags  
Downe House School  
Dr John Graham  
Emma Thomas  
Engage Fundraising  
Episcopal Diocese of Texas  
Father O'Mahony Memorial Trust  
Frieda Grier  
Geoffrey Westmore  
Guy Davison  
Henhurst Charitable Trust  
Ida Levine  
J Leon Philanthropy Council  
Jackie Bowie  
James Richardson  
Joel Donovan  
John & Alison Lapish  
John & Jackie Hall  
John Fletcher  
John H. Wilson  
John Winter  
Kathleen Hughes  
Keith Gilmour  
Kirstie Spence  
Lebus Charitable Trust  
Lee McDarby  
Lend With Care

Like Mary Ltd  
Liz Fasciana  
Lucy Symondson  
Lynne Turner  
Mahmuda Jafarey  
Majella O'Boyle  
Malcolm B Pennycuik  
Malcolm Cooper  
Mark Eastgate  
Mark Wood  
Marr Munning Trust  
Mary Nettleship  
Matthew Davies  
Matthew Smart  
Mayer Brown  
Michael & Elizabeth Corley  
Michael Cornish Charitable Trust  
Michael Hayes  
Mike Sell & Geraldine Gallacher  
Mishcon de Reya  
Miss K.M. Harbinson's Charitable Trust  
Nicholas & Christine Beale  
Scotland Malawi Business Group  
Michael Headley  
E D Hale  
Judith McCaul  
Mrs M A Lascelles' Charitable Trust  
My Expert People  
Ned McLean  
Nicholas Foster

Nicholas Hill  
Nicholas Wong  
Nick Falkingham  
Nick O'Donohoe  
Nigel Lingwood  
Nihar Rach  
Oliver Cordell  
Olivia Amos  
Open Gate Trust  
Pearson Education Ltd  
People Puzzles Ltd  
Persula Foundation  
Peter Calnan  
Peter Jones  
Philip Smith  
Pro-Seed  
Rhiannon Trust  
Richard Bottomley  
Richard Ellis  
Robert Burns  
Robert Jenkins  
Roger Burge  
Rosalind Phillips  
Rowse Family Trust  
Russell James  
Schroder Charity Trust  
Scottish Government  
Sebastian and Flora Lyon  
Simon Neville  
Sir James Roll Charitable Trust  
Slingshot Sponsorship

Social Bite  
St Mark's Overseas Aid Trust  
Starbucks Coffee Company UK  
Sunil Boorman  
Tanner Trust  
Taylor Thomson Whitting  
Terhas Berhe  
The Abbey School  
The Allan & Nesta Ferguson Charitable Settlement  
The Association of Corporate Treasurers  
The Austin Bailey Foundation  
The Crag House Charitable Trust  
The Cumber Family Charitable Trust  
The Dischma Charitable Trust  
The Egmont Trust  
The estate of Margaret A Horrocks  
The Fulmer Charitable Trust  
The Goyder Family Trust  
The Headley Trust  
The Morel Charitable Trust  
The Oliver Stanley Charitable Trust  
The Pat Newman Memorial Trust  
The SDL Foundation  
The Spears-Stutz Charitable Trust  
The Tilehouse Trust  
The Waterloo Foundation  
Thomas Wortley  
Tony Wilkinson  
Total Media  
Upper Street London Ltd  
Ursula Van Almsick

Westcroft Trust  
White & Case  
Whole Planet Foundation  
World Traders Charitable Trust  
Wyndham Charitable Trust  
Yann Umbricht



# Independent Auditor's Report

We have audited the financial statements of MicroLoan Foundation for the year ended 31 December 2015 which comprise the Group Statement of Financial Activities, the Group and MicroLoan Foundation Balance Sheets, the Group statement of Cash Flows 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 company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities set out in the report of the Trustees, 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 as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance

with regulations made under 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 Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

Give a true and fair view of the state of the Group's and the parent charitable company's affairs as



at 31 December 2015, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 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 report of the Trustees, 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 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 and sufficient 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 report of the Trustees and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

**Signed for and on behalf of Sayer Vincent LLP, Statutory Auditors**



**Catherine Sayer**  
Senior statutory auditor

27 May 2016

Invicta House, 108-114 Golden Lane,  
LONDON, EC1Y 0TL

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

## Microloan Foundation

### Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2015

	Note	Unrestricted £	Restricted £	2015 Total £	Unrestricted £	Restricted £	2014 Total £
<b>Income from:</b>							
Donations and legacies	2	499,531	796,910	1,296,441	328,786	786,936	1,115,722
Charitable activities							
MLF Malawi - Loan Interest Income		579,204	-	579,204	660,509	-	660,509
MLF Zambia - Loan Interest Income		315,875	-	315,875	238,476	-	238,476
Investments	3	8,466	-	8,466	1,065	-	1,065
Other		8,338	-	8,338	16,033	-	16,033
<b>Total income</b>		<b>1,411,414</b>	<b>796,910</b>	<b>2,208,324</b>	<b>1,244,869</b>	<b>786,936</b>	<b>2,031,805</b>
<b>Expenditure on:</b>							
Cost of raising funds	4	402,977	-	402,977	253,291	-	253,291
Charitable activities							
MLF Malawi	4	440,857	612,579	1,053,436	490,413	477,500	967,913
MLF Zambia	4	310,643	179,435	490,078	295,154	78,489	373,643
PSHF	4	9,016	5,600	14,616	(12,291)	21,473	9,182
MLF USA	4	-	-	-	-	2,268	2,268
<b>Total expenditure</b>		<b>1,163,493</b>	<b>797,614</b>	<b>1,961,107</b>	<b>1,026,567</b>	<b>579,730</b>	<b>1,606,297</b>
<b>Net income / (expenditure) for the year</b>	8	<b>247,921</b>	<b>(704)</b>	<b>247,217</b>	<b>218,302</b>	<b>207,206</b>	<b>425,508</b>
Gross transfers between funds		35,302	(35,302)	-	15,771	(15,771)	-
<b>Net income / (expenditure) before other recognised gains and losses</b>		<b>283,223</b>	<b>(36,006)</b>	<b>247,217</b>	<b>234,073</b>	<b>191,435</b>	<b>425,508</b>
Exchange differences							
On opening funds		(15,102)	(266,064)	(281,165)	(10,317)	(60,237)	(70,554)
On results for the year		(128,375)	-	(128,375)	(35,180)	-	(35,180)
<b>Net movement in funds</b>		<b>139,746</b>	<b>(302,070)</b>	<b>(162,323)</b>	<b>188,576</b>	<b>131,198</b>	<b>319,774</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		387,530	1,305,117	1,692,647	198,954	1,173,919	1,372,873
<b>Total funds carried forward</b>		<b>527,276</b>	<b>1,003,047</b>	<b>1,530,324</b>	<b>387,530</b>	<b>1,305,117</b>	<b>1,692,647</b>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17 to the financial statements.

## Microloan Foundation

### Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2015

	Note	Unrestricted £	Restricted £	2015 Total £	Unrestricted £	Restricted £	2014 Total £
<b>Income from:</b>							
Voluntary Income		499,531	717,069	1,216,600	328,786	769,976	1,098,762
Investments		8,466	-	8,466	124	-	124
Other		250,817	-	250,817	141,576	-	141,576
<b>Total income</b>		<b>758,814</b>	<b>717,069</b>	<b>1,475,883</b>	<b>470,486</b>	<b>769,976</b>	<b>1,240,462</b>
<b>Expenditure on:</b>							
Cost of generating voluntary income		402,978	-	402,978	293,586	-	293,586
Charitable activities		13,880	735,220	749,100	139,109	562,771	701,880
Other		-	-	-	-	-	-
<b>Total expenditure</b>		<b>416,858</b>	<b>735,220</b>	<b>1,152,078</b>	<b>432,695</b>	<b>562,771</b>	<b>995,466</b>
<b>Net income / (expenditure) for the year</b>		<b>341,956</b>	<b>(18,151)</b>	<b>323,805</b>	<b>37,791</b>	<b>207,205</b>	<b>244,996</b>
Gross transfers between funds		-	-	-	76,397	(76,397)	-
<b>Net movement in funds</b>		<b>341,956</b>	<b>(18,151)</b>	<b>323,805</b>	<b>114,188</b>	<b>130,808</b>	<b>244,996</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		148,668	329,023	477,691	34,480	198,215	232,695
<b>Total funds carried forward</b>		<b>490,624</b>	<b>310,872</b>	<b>801,496</b>	<b>148,668</b>	<b>329,023</b>	<b>477,691</b>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17 to the financial statements.



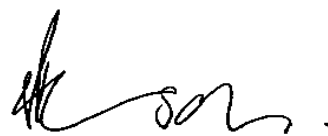
As at 31 December 2015

	Note	The group 2015 £	2014 £	The charity 2015 £	2014 £
<b>Fixed assets:</b>					
Tangible assets	9	332,563	314,105	92,314	76,679
Investments	10	15,480	-	18,710	3,230
Deferred tax asset	11	145,895	163,057	-	-
		<b>493,939</b>	477,162	<b>111,024</b>	79,909
<b>Current assets:</b>					
Stock		10,496	-	-	-
Debtors	13	1,119,069	1,387,968	632,641	197,940
Cash at bank and in hand		503,716	598,061	274,843	373,147
		<b>1,633,282</b>	1,986,029	<b>907,484</b>	571,087
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	14	492,919	393,135	181,414	83,804
<b>Net current assets / (liabilities)</b>		<b>1,140,363</b>	1,592,894	<b>726,070</b>	487,283
<b>Total assets less current liabilities</b>		<b>1,634,302</b>	2,070,056	<b>837,094</b>	567,192
Creditors: amounts falling due after one year	15	103,978	377,409	35,598	89,501
<b>Net assets</b>		<b>1,530,324</b>	1,692,647	<b>801,496</b>	477,691
<b>Funds:</b>					
Restricted income funds	16	1,003,047	1,305,117	310,872	329,023
Unrestricted income funds:					
Designated funds		91,111	73,663	91,111	73,663
General funds		436,165	313,867	399,513	75,005
Total unrestricted funds		527,276	387,530	490,624	148,668
<b>Total funds</b>		<b>1,530,324</b>	1,692,647	<b>801,496</b>	477,691

Approved by the trustees on 4 May 2016 and signed on their behalf by



**Peter John Ryan**  
CEO & Trustee



**Alan Anthony Penson**  
Treasurer

## Microloan Foundation

### Consolidated statement of cash flows

For the year ended 31 December 2015

	Note	2015 £	£	2014 £	£
<b>Cash flows from operating activities</b>					
<b>Net cash provided by / (used in) operating activities</b>	18		<b>440,900</b>		114,237
<b>Cash flows from investing activities:</b>					
Dividends, interest and rents from investments		8,466		1,065	
Proceeds from the sale of fixed assets		-		-	
Purchase of fixed assets		(149,389)		(138,393)	
<b>Net cash provided by / (used in) investing activities</b>			<b>(140,923)</b>		(137,328)
<b>Cash flows from financing activities:</b>					
Shares issued		7,499			
Repayments of borrowing		(709,834)		(292,832)	
Cash inflows from new borrowing		625,733		625,680	
<b>Net cash provided by / (used in) financing activities</b>			<b>(76,602)</b>		332,849
<b>Change in cash and cash equivalents in the year</b>			<b>223,375</b>		309,758
Cash and cash equivalents at the beginning of the year			598,061		459,794
Change in cash and cash equivalents due to exchange rate movements			(317,720)		(171,491)
<b>Cash and cash equivalents at the end of the year</b>	19		<b>503,716</b>		598,061

## 1 Accounting policies

### a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries Microloan Foundation Malawi and Microloan Foundation Zambia on a line by line basis. Transactions and balances between the charitable company and its two subsidiaries have been eliminated from the consolidated financial statements. Balances between the two companies are disclosed in the notes of the charitable company's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

### b) Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. The transition date was 1 January 2014. The trustees consider that the only adjustment required was to restate governance costs for 2014 so that these are allocated to the activities of the charity.

### c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

### d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

### e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.



**1 Accounting policies (continued)**

**f) Donations of gifts, services and facilities**

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

**g) Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

**h) Fund accounting**

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

**i) Expenditure and irrecoverable VAT**

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Costs of raising funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose

Expenditure on charitable activities includes the costs undertaken to further the purposes of the charity and their associated support costs

Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

**1 Accounting policies (continued)****j) Allocation of support costs**

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Cost of generating funds	45.0%
MLF Malawi	32.5%
MLF Zambia	21.4%
PSHF	1.1%

**k) Operating leases**

Rental charges are charged on a straight line basis over the term of the lease.

**l) Tangible fixed assets**

Items of equipment are capitalised at cost. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

	MLF UK	MLF Zambia	MLF Malawi
Office Equipment	33% on cost	10% on cost	10% on cost
IT Equipment	33% on cost	25% on cost	25% on cost
Website costs	33% on cost	n/a	n/a
Motor vehicles	n/a	20% on cost	20% on cost
Buildings	n/a	n/a	2% on cost

**m) Investments in subsidiaries**

Investments in subsidiaries are at cost.

**1 Accounting policies (continued)**

**n) Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. Donated items of stock, held for distribution or resale, are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market.

**o) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**p) Creditors and provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**q) Pensions**

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charitable company to the fund. The charitable company has no liability under the scheme other than for the payment of those contributions.

**r) Deferred tax**

Full provision is made for deferred tax as calculated under the liability method. Deferred tax is accounted for as fixed asset as the benefit is expected to be utilised over more than one year. Deferred taxation arising from timing differences on the inclusion of income or expenditure in the profit and loss and the related tax computation is taken to the profit and loss.



**2 Income from donations and legacies**

	Unrestricted £	Restricted £	2015 Total £	2014 Total £
Individuals	212,696	-	212,696	95,433
Events	118,638	-	118,638	101,669
Grant making trusts	97,441	691,978	789,419	780,350
Companies and Institutions	70,756	25,090	95,846	121,310
Grant funding - MLF Malawi	-	78,832	78,832	11,096
Grant funding - MLF Zambia	-	1,010	1,010	5,864
	<u>499,531</u>	<u>796,910</u>	<u>1,296,441</u>	<u>1,115,722</u>

**3 Income from investments**

	Unrestricted £	Restricted £	2015 Total £	2014 Total £
Current investments	8,466	-	8,466	1,065
Interest, long term	-	-	-	-
Investments	-	-	-	-
	<u>8,466</u>	<u>-</u>	<u>8,466</u>	<u>1,065</u>

## 4 Analysis of expenditure

	Cost of raising funds £	Charitable activities				Governance costs £	Support costs £	2015 Total £	2014 Total £
		MLF Malawi £	MLF Zambia £	PSHF £	MLF USA £				
Staff costs (Note 6)	208,786	487,946	257,680	4,870	-	35,330	-	994,612	855,347
Travel, subsistence and volunteers	2,621	81,355	28,102	-	-	-	-	112,078	104,650
Audit fees	-	9,191	5,926	-	-	15,240	-	30,357	28,111
Other direct costs	99,622	438,415	146,150	-	-	32,835	61,514	778,536	673,068
Taxation	-	(29,757)	8,469	-	-	-	-	(21,288)	(171,849)
UK premises costs	-	-	-	-	-	-	59,210	59,210	67,749
Grants	-	-	-	7,602	-	-	-	7,602	49,221
	311,029	987,150	446,327	12,472	-	83,405	120,724	1,961,107	1,606,297
Support costs	54,379	39,202	25,875	1,268	-	-	(120,724)	-	-
Governance costs	37,569	27,084	17,876	876	-	(83,405)	-	-	-
<b>Total expenditure 2015</b>	<b>402,977</b>	<b>1,053,436</b>	<b>490,078</b>	<b>14,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,961,107</b>	<b>1,606,297</b>
Total expenditure 2014	253,291	967,913	373,643	9,182	2,268	-	-	-	-

Of the total expenditure, £1,163,493 was unrestricted (2014: £1,026,567) and £797,614 was restricted (2014: £579,730).

**5 Net income / (expenditure) for the year**

This is stated after charging / crediting:

	2015 £	2014 £
Depreciation	43,825	38,435
Trustees' remuneration	62,179	60,960
CEO's reimbursed expenses	9,919	10,429
Trustees' reimbursed expenses	-	1,404
Operating lease rentals:		
Property	23,639	6,764
Auditors' remuneration (excluding VAT):		
Audit of parent entity	10,800	10,500
Other services	2,550	2,550

**6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel**

Staff costs were as follows:

	2015 £	2014 £
Salaries and wages	845,042	752,076
Redundancy and termination costs	16,648	-
Social security costs	37,226	32,639
Pension contributions	95,696	70,632
	<b>994,612</b>	<b>855,347</b>

The following number of employees received employee benefits (excluding employer pension costs) during the year between:

	2015 No.	2014 No.
£60,000 - £69,999	<b>2</b>	<b>1</b>

Pension contributions made on behalf of these employees totaled £30,560 (2014: £30,560)

The total employee benefits including pension contributions of the key management personnel were £285,343 (2014: £252,247).

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2015: £nil). No charity trustee received payment for professional or other services supplied to the charity (2014: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs (2014: £1,404) incurred by members relating to attendance at meetings of the trustees.

**7 Staff numbers**

The average number of employees (head count based on number of staff employed) during the year was as follows:

	2015 No.	2014 No.
Raising funds	7.5	6.0
Malawi	107.0	101.0
Zambia	32.0	26.0
Support	2.5	2.0
Governance	1.0	1.0
	<u>150.0</u>	<u>136.0</u>

**8 Related party transactions**

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

**9 Tangible fixed assets****The group**

	Buildings £	Office Equipment £	Computer equipment £	Motor vehicles £	Website costs £	Total £
<b>Cost</b>						
At the start of the year	127,326	29,939	137,789	187,111	22,645	504,810
Additions in year	-	39,281	31,272	78,836	-	149,389
Foreign exchange revaluation	(28,885)	(16,244)	(16,256)	(65,113)	-	(126,499)
At the end of the year	<u>98,441</u>	<u>52,976</u>	<u>152,805</u>	<u>200,834</u>	<u>22,645</u>	<u>527,701</u>
<b>Depreciation</b>						
At the start of the year	6,324	12,714	36,047	113,855	21,765	190,705
Charge for the year	2,001	7,080	7,251	26,613	880	43,825
Foreign exchange revaluation	(1,434)	(2,671)	(6,522)	(28,765)	-	(39,393)
At the end of the year	<u>6,891</u>	<u>17,123</u>	<u>36,776</u>	<u>111,702</u>	<u>22,645</u>	<u>195,137</u>
<b>Net book value</b>						
At the end of the year	<u>91,550</u>	<u>35,853</u>	<u>116,029</u>	<u>89,132</u>	<u>-</u>	<u>332,563</u>
<b>Net book value</b>						
At the start of the year	<u>121,002</u>	<u>17,225</u>	<u>101,742</u>	<u>73,256</u>	<u>880</u>	<u>314,105</u>

All of the above assets are used for charitable purposes.



## 9 Tangible fixed assets (continued)

## The charity

	Freehold property £	Office Equipment £	Computer equipment £	Motor vehicles £	Website Costs £	Total £
<b>Cost</b>						
At the start of the year	-	4,219	85,058	-	22,645	<b>111,922</b>
Additions in year	-	-	17,448	-	-	<b>17,448</b>
At the end of the year	-	4,219	102,506	-	22,645	<b>129,370</b>
<b>Depreciation</b>						
At the start of the year	-	4,219	9,259	-	21,765	<b>35,243</b>
Charge for the year	-	-	933	-	880	<b>1,813</b>
At the end of the year	-	4,219	10,192	-	22,645	<b>14,411</b>
<b>Net book value</b>						
At the end of the year	-	-	92,314	-	-	<b>92,314</b>
<b>Net book value</b>						
At the start of the year	-	-	75,799	-	880	<b>76,679</b>

All of the above assets are used for charitable purposes.

## 10 Listed investments

	The group		The charity	
	2015	2014	2015	2014
	£	£	£	£
Equity shares (acquired during the year)	<b>15,480</b>	-	<b>15,480</b>	-
Investment in subsidiary undertaking	-	-	<b>3,230</b>	3,230
	<b>15,480</b>	-	<b>18,710</b>	3,230

**11 Deferred tax asset**

	The group		The charity	
	2015	2014	2015	2014
	£	£	£	£
Temporary differences on tax within subsidiaries	<b>145,895</b>	163,057	-	-

**12 Subsidiary undertakings**

A summary of the results of the two wholly owned subsidiary organisations is shown below, converted into GBP. The activities of Microloan Foundation Zambia (formerly Microcredit Foundation Zambia) and Microloan Foundation Malawi have been consolidated on a line by line basis. A detailed explanation of the activities of the subsidiary companies is included within the annual report of the trustees.

	MLF Malawi		MLF Zambia	
	2015	2014	2015	2014
	£	£	£	£
Interest income on microcredit loans	<b>579,204</b>	660,509	<b>315,875</b>	238,476
Grant and other income	<b>476,142</b>	165,936	<b>272,482</b>	14,264
Other income	<b>8,142</b>	941	-	-
Total income	<b>1,063,487</b>	827,386	<b>588,357</b>	252,740
Operating expenses	<b>(1,085,765)</b>	(918,216)	<b>(584,071)</b>	(340,482)
Profit / (loss) on ordinary activities	<b>(22,278)</b>	(90,830)	<b>4,286</b>	(87,742)
Tax	<b>29,757</b>	-	<b>(8,469)</b>	23,992
Profit / (loss) for financial year	<b>7,479</b>	(90,830)	<b>(4,183)</b>	(63,750)

**13 Debtors**

	The group		The charity	
	2015	2014	2015	2014
	£	£	£	£
Amounts due from subsidiary entities	-	-	<b>537,598</b>	155,518
Other debtors and prepayments	<b>170,157</b>	112,440	<b>95,043</b>	42,422
MicroCredit loans	<b>948,912</b>	1,275,528	-	-
	<b>1,119,069</b>	1,387,968	<b>632,641</b>	197,940

	The group		The charity	
	2015	2014	2015	2014
	£	£	£	£
Other creditors and accruals	134,343	131,000	96,270	83,804
Deferred income	24,912	66,946	-	-
Bank overdraft	-	63,069	-	-
Loan	333,664	132,120	85,144	-
	<b>492,919</b>	<b>393,135</b>	<b>181,414</b>	<b>83,804</b>

	The group		The charity	
	2015	2014	2015	2014
	£	£	£	£
Short term loans:				
Due in 1-2 years	103,978	211,314	35,598	17,696
Due in 2-5 years	-	166,095	-	71,805
	<b>103,978</b>	<b>377,409</b>	<b>35,598</b>	<b>89,501</b>

Loan provider

- Oikocredit
- CAF Venturesome
- Fonds European Financement Solidaire
- KIVA Microfunds
- Care International - Lend With Care
- Whole Planet Foundation
- Care International - Lend With Care

Country	Currency
MLF UK	Pounds Sterling
MLF UK	Pounds Sterling
MLF Malawi	Malawian Kwacha
MLF Malawi	US Dollar
MLF Malawi	US Dollar
MLF Malawi	US Dollar
MLF Zambia	US Dollar

## 16 Analysis of group net assets between funds

	Restricted funds £	Designated funds £	General funds £	Total funds £
Tangible fixed assets	-	-	332,563	332,563
Investments	-	-	15,480	15,480
Deferred tax asset	-	-	145,895	145,895
Net current assets	1,003,048	91,111	46,204	1,140,363
Long term liabilities	-	-	(103,978)	(103,978)
<b>Net assets at the end of the year</b>	<b>1,003,048</b>	<b>91,111</b>	<b>436,165</b>	<b>1,530,324</b>

## 17 Movements in funds

	At the start of the year £	Incoming resources & gains £	Outgoing resources £	Foreign exchange losses £	Transfers £	At the end of the year £
<b>Restricted funds:</b>						
Malawi new branch fund	105	-	(4,315)	-	4,210	-
Malawi growth fund	113,032	189,765	(327,693)	-	49,673	24,777
Zambia start up fund	104,563	155,459	(157,380)	-	(76,275)	26,367
UK office	69,256	65,926	(28,808)	-	(17,448)	88,926
PSHF fund	-	5,600	(5,600)	-	-	-
DFID	(2,925)	143,957	(112,853)	-	2,151	30,330
Scottish Government	15,993	142,240	(57,001)	-	21,387	122,619
R&D	29,000	14,122	(24,122)	-	(19,000)	-
Funds held by MLF Zambia	256,856	1,010	(1,010)	(100,004)	-	156,852
Funds held by MLF Malawi	719,237	78,832	(78,832)	(166,060)	-	553,177
<b>Total restricted funds</b>	<b>1,305,117</b>	<b>796,911</b>	<b>(797,614)</b>	<b>(266,064)</b>	<b>(35,302)</b>	<b>1,003,048</b>
<b>Unrestricted funds:</b>						
Designated funds:						
MIS Designated fund	73,663	-	-	-	17,448	91,111
General funds	313,867	1,411,414	(1,163,493)	(143,476)	17,854	436,165
<b>Total unrestricted funds</b>	<b>387,530</b>	<b>1,411,414</b>	<b>(1,163,493)</b>	<b>(143,476)</b>	<b>35,302</b>	<b>527,276</b>
<b>Total funds</b>	<b>1,692,647</b>	<b>2,208,325</b>	<b>(1,961,107)</b>	<b>(409,540)</b>	<b>-</b>	<b>1,530,324</b>



**17 Movements in funds (continued)**

**Purposes of restricted funds**

**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

**Malawi growth fund**

To support the growth in existing Malawi branches and the overall operation

**Zambia start up fund**

To support the costs of opening MicroCredit Foundation in Zambia

**UK Office**

To support the salary costs of charity employees and the implementation of a new management information system. As funds are spent on the new system, they are transferred to a designated fund.

**PSHF fund**

To support the operations of the Philippines Self Help Foundation

**DFID**

GPAF grant providing 6,300 women in Malawi with financial services in the form of micro loans and support for small business devevelopment

**Scottish Government**

To fund loan capitalisation in the Central region of Malawi

**MLF Malawi**

To fund the loan book capitalisation and related training activities in Malawi.

**Funds held by MLF Zambia**

Restricted for use as loan capital in microcredit activities in Zambia

**Funds held by MLF Malawi**

Restricted for use as loan capital in microcredit activities in Malawi

**Purposes of designated funds**

MIS Designated fund - represents the net book value of the MIS system

## 18 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2015 £	2014 £
<b>Net income / (expenditure) for the reporting period (as per the statement of financial activities)</b>	<b>247,217</b>	425,508
Depreciation charges	<b>43,825</b>	38,435
Dividends, interest and rent from investments	<b>(8,466)</b>	(1,065)
Donated investments received	<b>(15,480)</b>	-
(Profit)/loss on the disposal of fixed assets	-	17,412
(Increase)/decrease in stocks	<b>(10,496)</b>	4,856
(Increase)/decrease in debtors	<b>268,899</b>	(316,604)
(Increase)/decrease in deferred tax asset	<b>17,162</b>	(163,057)
Increase/(decrease) in creditors	<b>(101,760)</b>	108,752
<b>Net cash provided by / (used in) operating activities</b>	<b>440,900</b>	114,237

## 19 Analysis of cash and cash equivalents

	At 1 January 2015 £	Cash flows £	Other changes £	At 31 December 2015 £
Cash in hand	598,061	223,375	(317,720)	<b>821,436</b>
<b>Total cash and cash equivalents</b>	<b>598,061</b>	<b>223,375</b>	<b>(317,720)</b>	<b>503,716</b>

**20 Operating lease commitments**

The group's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	<b>The Group</b>		<b>Charity</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£</b>	£	<b>£</b>	£
Less than one year	<b>20,500</b>	20,500	<b>20,500</b>	20,500
One to five years	<b>20,500</b>	41,000	<b>20,500</b>	41,000

**21 Legal status of the charity**

The charity 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 £1.



Giving hope not hand outs

For any enquiries you are welcome to contact MicroLoan Foundation at:

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or on

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[www.microloanfoundation.org.uk](http://www.microloanfoundation.org.uk)

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**#StartSomething**



Registered charity number 1104287

Published April, 2016