

MICROLOAN FOUNDATION

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Charity number 1104287

OSCR number SC041941

Company number 04828558

MicroLoan Foundation

Report of the Trustees for the year ended 31 December 2013

The Trustees present their annual report with the financial statements of the company for the year to 31 December 2013

REFERENCE AND ADMINISTRATIVE DETAILS

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, are as follows:

Mr David Young (Chairman)
Mr Greg Delaney
Mr Peter Ryan
Mrs Caroline Ryan
Mr Alex Tweedie (resigned 3 April 2014)
Mrs Ida Levine
Mr Alan Penson
Miss Caroline Beck
Mr Anton Simanowitz

Registered Office and Operational HQ

Lamb House
Church Street
Chiswick
London
W4 2PD

Auditors

Sayer Vincent LLP
8 Angel Gate
City Road
London
EC1V 2SJ

Bank

CAF Bank Limited
25 Kings Hill Avenue
West Malling
Kent
ME19 4J

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 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.

The charity was sad to bid farewell to Alex Tweedie, who originally supported MicroLoan as a finance volunteer in Malawi shortly after the inception of the Malawi operation. Alex retires in line with a general reduction of his charity involvements but will continue to serve as a Director of MicroLoan Zambia.

Organisation

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

In addition, a Remuneration & Appointments Committee and an Audit Committee were formed in 2008. In 2013 the Remuneration & Appointments Committee comprised Alex Tweedie, Greg Delaney and David Young. The Audit Committee comprised David Young, Alan Penson, Caroline Beck 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 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 organization 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 operational capacity to establish further MicroLoan programmes.

The MicroLoan Foundation, Australia ("MLF Aus") operates with the same purpose as MicroLoan USA.

Risk management

The CEO is responsible for the day-to-day management of risk. This is also a standing agenda item at the Risk and Audit Committee which raises essential issues at Trustee Board meetings. The CEO is responsible for presenting an updated risk management assessment for review by the Risk and Audit Committee. It 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.

The Trustees are satisfied that systems are in place to monitor, manage and mitigate major risks that MicroLoan Foundation is exposed to and that appropriate steps are in place to improve these systems.

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 below.

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).

Our main operation is in Malawi and is called the MicroLoan Foundation Malawi (MLF Malawi). Following new requirements issued by the Malawi Reserve Bank, MLF Malawi changed its registration from a Trust to a limited company and transferred all assets to the new body on January 1st 2014.

Microloan Foundation (MLF Zambia – formally MicroCredit Foundation) is at the end of its third full year of operation. It is envisioned that MLF Zambia will grow to replicate in that country the coverage and impact that MLF Malawi has had in Malawi.

MLF Zambia is a registered company under Zambian law. MLF Zambia was established as a company limited by shares in order to satisfy the Bank of Zambia's regulations.

A smaller operation – the Philippines Self Help Foundation (PSHF), the inspiration behind the founding of MicroLoan – is supported by way of small grants.

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

Our objective is to combine social mission with an efficient business model. Effort is made to ensure that the Charity helps poor women in the rural areas 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) as well as measure their levels throughout the programme.

Our various microfinance 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 the individual level. If one member gets into difficulty, the others in the group provide mutual assistance and support to ensure success. Typically, in sub-Saharan Africa microloans may be as little as £20. The average loan size in our core country, Malawi, is approximately £62.

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 this 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 loan received.

Clients are required to save a proportion of the value of their loans with savings services. These are provided by agreements with local banks prepared 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 to increase their economic independence. It also gives them the potential option of using the savings if they run into difficulties (normally through illness or death of relatives).

Clients pay a 'service charge' on our loans. We levy this charge 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 additional services we offer, in particular training. Clients are also given the opportunity to graduate to added value businesses such as farming, livestock rearing or wholesaling 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 2013, MicroLoan Malawi's sustainability increased from 69% to 71%. Further progress was held back by 33% inflation, higher salary demands and a threatened strike which reduced loan growth at a challenging time. This situation arose at a time when the government was settling its own employee salary demands at levels over 60%.

Achieving greater sustainability, and ensuring that we are serving the poorest clients in rural and part-urbanised areas, are two central goals of our mission. We expect to achieve sustainability in Malawi by the end of 2015.

Overview

In general, we believe that we are building an effective model that promotes social change and addresses poverty in Africa. Our focus on women, on rural areas and on social performance management continues to build credibility and differentiate us from most microfinance operators.

In tandem we plan to increase our fundraising efforts and to raise the MicroLoan Foundation profile in donor communities in the UK and elsewhere. This will allow us to spread our work deeper into existing rural communities in southern Africa and enable as many poorer women as possible to develop businesses so that ultimately they become SMEs and employ others.

In support of this strategy, MicroLoan UK will continue to seek geographic expansion at the right time and also be prepared to offer certain technical expertise to other microfinance organisations and international NGO's.

ACHIEVEMENTS AND PERFORMANCE

2013 was another challenging year for MicroLoan's fundraising team. Thanks to some fantastic support from individuals, trusts and corporate partners, the team's hard work and commitment paid off and our original income target was exceeded. Overall, we achieved a 35% increase in our income compared to the previous year.

Trusts

We continued to receive great support from Trusts and Foundations – both crucial to MicroLoan's development. Support from Trusts and Foundations was valued at £459,987 in 2013. We were delighted and honoured to be awarded our first large institutional grants from the UK Government and the Scottish Government - both for three year periods.

Highlights of the year included:

- Waterloo Foundation. It made a three-year grant of £80,000 to support the development of our work in Zambia.
- The Turner Kirk Charitable Trust and the Estelle Trust. They agreed to support our Research & Development activities in Malawi and Zambia with donations of £15,000 and £7,500 respectively.
- The Egmont Trust. It committed to funding our work in Dowa - Malawi, with a two-year grant of £44,000.

MicroLoan's relationship with the Whole Planet Foundation also flourished. Following the success of our three-year partnership from 2010-13, Whole Planet in late 2013 agreed to support MicroLoan with a further US\$750,000 from 2013-16. Whole Planet's support consists of an interest-free loan. This will enable us to reach an additional 8,000 clients in Central and Southern Malawi.

Special thanks must also go to other trusts and foundations that donated in 2013. Their support remains pivotal to MicroLoan and ensures that some of the most marginalised women in sub-Saharan Africa can start their journey out of poverty.

We are most grateful for all these generous commitments.

Corporate Support

During 2013 a number of companies provided support to MicroLoan through donations and employee engagement ranging from promotion of our campaigns to participating in challenge events.

Among the highlights were:

- * City Women's Network (CWN) chose MicroLoan as its charity partner, raising awareness and funds from its membership made up of senior business women across a range of sectors. The partnership proved to be a huge success and the theme of 'women supporting women' seemed to resonate strongly. Our target of £15,000 was far exceeded with more than £42,000 pledged. A number of members will continue to support MicroLoan during 2014 through participation in the Malawi Challenge Trek.

- * The Language Factory, a UK based translation agency operating across the globe, continued its longstanding support of MicroLoan with a donation of £45,000 to support our expansion plans in Zambia.

- * IIR Ltd, a UK based international conference company which has supported us for a number of years continued that support in 2013 with a donation of £4,000 to our Big Give Christmas Challenge which was doubled during the campaign.

Charity links and activities

In 2013 we launched a partnership with CARE International's **lendwithcare.org** initiative. 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.

MicroLoan again took part in the *Big Give* Christmas Appeal in 2013 and raised more than £31,000. This appeal enabled us to have all donations matched during the period of the appeal. It not only raised vital funds but also awareness of MicroLoan among potential new donors.

Eight women took part in our flagship challenge event the *Malawi Challenge Trek* organised by long-term supporter and Global Finance Director of Christie's, Lynne Turner. This raised more than £20,000 for MicroLoan.

Individuals

Very special thanks must go to all our individual donors and supporters. In 2013 we increased the number of regular donors by 10%.

Communications

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

First, the London-based multi-award winning creative agency DLKW Lowe donated £154,474 worth of billable time to us in 2013. During the year DLKW worked with us on a number of key creative projects including:

- MicroLoan's complete re-branding, the first since our inception.
- A Digital Charity Box concept. This made use of the large advertising screen at London's Shepherd's Bush Westfield shopping centre to promote the charity and secure public donations. The concept was shortlisted for a number of awards including the SXSW Interactive Awards in the Activism Category.
- An outdoor advertising campaign which made use of donated poster space. Free posters across the south of England and London were donated by Total Media and JC Decaux with a rate card value of £34,160.

Second, the global technology PR firm Axicom (part of WPP) donated 30 hours every month during 2013. Among its activities, Axicom set up a MicroLoan "Media Office" and dedicated time during 2013 to raise the profile of MicroLoan through targeted PR and thought-leadership pieces on specialist websites and related blogs.

More generally, MicroLoan continued to communicate regularly with supporters in 2013 to raise awareness of our work. Our website was redesigned and we continue to make small but important changes to the site. In addition our social media activity increased substantially during the year.

MicroLoan Malawi

This has been another important year of consolidation in Malawi, given the economic and political challenges facing the country.

Currency devaluation and high inflation continued to impact business and there was unprecedented social unrest and high salary demands. To maintain stability the government increased public sector salaries in the middle of the year by 60%, setting a tough act for private sector organisations to follow. Coupled to this, international donor funds to the Malawi government were misdirected by a few government employees resulting in inter-government donor government funds (EU, IMF, USAID etc.) being withheld. This rocked economic stability, given Malawi's dependence on external aid and further weakened the currency.

Against this backdrop, MicroLoan Malawi was faced with salary demands of 50% at the start of 2013. Negotiations followed and a 30% increase was agreed. In hindsight this was a good agreement for the organisation, but it resulted in a loss of loan turnover and income from which we did not recover fully during the year given the surrounding issues.

The resulting pressures caused the management team to rethink the focus of the organisation in Malawi. In September we decided to restructure and close four Branches in the north of the country where population levels are low, poverty levels are not as extreme as in the central and southern regions and management challenges (given the distances) are greatest. Clients are gradually being handed over to other organisations to minimise disruption while loan capital and staff are being reallocated to the central and southern regions.

In parallel, significant changes were made to the number of clients handled by each Loan Manager. These rose to 450 from 353 the previous year.

MicroLoan Malawi ended the year with 26,371 clients, a 98% repayment rate for the period and a loan book value of £707,053 (2012 - £ 653,540)¹. This represented a growth of 8% against 2012 in GBP and a 35% increase in local currency.

¹ Although the kwacha value of the loan book grew significantly during 2012, the impact of the currency devaluation was to reduce the sterling value of the loan book. One pound was 250 MWK on the 31st of Dec 2011; on 31st of Dec 2012 it was 518MWK.

The Microloan Malawi CEO is supported by a Finance Manager and a Human Resources and Administration Manager both of whom were upgraded at the end of 2013 in line with Reserve Bank regulations.

MicroLoan Malawi's social performance agenda continued to progress in 2013. Bespoke training for both staff and clients was rolled out over more branches.

Progress out of Poverty (PPI) data (which evaluates and tracks poverty levels of our clients) is now being collected for all geographical regions of Malawi. This gives us the data on our poverty outreach and the poverty change in our clients that is important both for managing the operations and in reporting to donors.

Our new client training programme utilizing adult learning methodologies completed a roll-out in 2013 to all our Malawi branches.

Updated staff induction training materials were developed and piloted and are now in use for all new field staff joining the organization (Malawi and Zambia).

In addition a new system of key performance indicators (KPIs) for all field staff was piloted successfully and will be rolled out in 2014. This system ensures that performance can be measured more effectively and includes a balanced approach to financial as well as social measures.

Key relationships were maintained with the UN Development Programme (through the management of their Pro-Poor Fund), and with Whole Planet Foundation. A new pilot scheme was set up with Self Help Africa.

Another initiative reinforced a pilot farming scheme aimed at linking traditional microfinance with agricultural best practice. The pilot provided in-kind loans of core inputs for maize and groundnut farming in the central region and was highly successful. It will be expanded in 2014 and backed by specialist funders.

MLF Zambia

MicroCredit Zambia, successfully managed to regain the Microloan name that had been registered by another organisation. We are now known as MicroLoan Zambia

Zambia continues to offer a comparatively stable environment and growth opportunity for us. As a result MLF Zambia in 2013 built on the solid foundations already established and increased client numbers by 15% to 3,711.

Repayment rates for the period were 97% and the loan book value grew to £308,533 (2012 - £182,186). We continued to focus our activities in the Eastern province of Zambia and have plans to open in the Southern Province in 2014.

During 2012-13 MicroLoan worked with the Grameen Foundation to finalise a PPI for Zambia. We expect to introduce it to our branches in 2014. In addition, a new client training programme, utilizing adult learning methodologies, was introduced to all our Zambia branches.

Given the stable economic backdrop and the operational improvements we achieved, Zambia was fully sustainable in 2013. We plan to more than double our client numbers in the country in 2014.

The table below summarises the operations of our African programmes

	Malawi		Zambia		Total	
	2013	2012	2013	2012	2013	2012

Loan Book

Number of loans made	63,034	61,013	7,295	6,745	70,329	65,810
Number of clients	26,371	24,847	3,711	3,228	30,082	26,887
Average value of loans made (GBP)	62.17	67.14	130.94	106.69	97.00	87.00
Repayment rate	99.2%	99%	97.1%	98.90%	98%	99.9%

Operations

Number of branches	17	21	5	5	22	26
Number of client groups	1,673	1,714	234	220	1,907	1,934
Number of staff as at 31 December 2013	102	135	17	17	119	152

PLANS FOR THE FUTURE

In 2014 the charity plans to focus on continued consolidation and strict adherence to quality. Coupled with this, we expect to experience substantial growth in both countries thanks to current and future donors.

Country by country, a number of key objectives will stand out:

In Malawi

- To install a new MIS (management information system) together with the appointment of a new MIS manager for which generous funding has been received. This will give greater flexibility for managing the information, allow the implementation of lower interest rates as requested by the Reserve Bank, and reduce our cost base. It will also permit the charity to move to the use of mobile money over time.
- To continue to improve the efficiency of the MicroLoan model so that it reaches full sustainability by the end of 2015 despite the challenging local environment. This will involve deepening outreach from existing branches and finding new ways for loan officers to work with client groups.
- To raise a limited amount of social investment for MLF Malawi to attain sustainability from social investors. This will help us to meet the demand for more loans from our beneficiaries and to achieve our objectives.

MLF Zambia

- To deepen our expansion into the Eastern province, so reaching more clients from the core five initial branches.
- To open a further two branches in the Southern province.
- To install a new MIS system.

FINANCIAL REVIEW

A summary of our financial performance for 2013 is set out in the statement of financial activities and on the Balance sheet on pages 19 and 20.

We have consolidated all activities of MLF Zambia and MLF Malawi fully on a line-by-line basis in the statement of financial activities. A summary of the results of the subsidiaries converted into GBP is shown in note 10 of the accounts. This is in line with day-to-day operations and the level of control which MLF UK's management has over the two overseas subsidiaries.

MLF USA was previously treated as an associate but is now only disclosed as an affiliate. This change is in line with our review of the level of control we have over our related organisations.

Income

Total incoming resources increased from £1,433,761 in 2012 to £1,831,351 in 2013. This was due mainly to a significant rise in voluntary income during the year. Restricted income increased by 73% as a result of securing DFID and Scottish Government funding. Unrestricted income grew by 33%.

Voluntary Income

We received £1,020,773 (2012 - £662,163) in voluntary income during 2013 which represented a 54% increase over 2012. The organisation benefitted from a more settled fundraising team and from activities and donor relationships that had started to develop towards the end of 2013. See note 2 to the financial statements for a breakdown of income by source.

Income from charitable activities

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

Interest income in Zambia increased from £131,416 in 2012 to £214,090 in 2013 (a 63% rise). MLF Zambia continued to expand its outreach and footprint during 2013. This led to an increase in the number of loans disbursed and the average size of the loans granted as reflected in the data table above.

Interest income in Malawi fell from £623,571 in 2012 to £569,927 in 2013 (a 9% decrease). The decline was largely driven by a significant devaluation of the Malawian Kwacha over the year (- 33 %). The number of loans disbursed and client numbers both rose while the average loan size in GBP decreased from an average of £67 last year to £62 in 2013.

Expenditure

Costs of generating voluntary income

Spending on fundraising rose from £176,559 in 2012 to £248,720 in 2013 (a 41% increase) as emphasis was placed on initiatives intended to address the declining income trend highlighted in 2012.

Expenditure on charitable activities

Spending on charitable activities is made up of loan capital and operational costs by MLF Malawi and MLF Zambia as well as grants which MicroLoan UK makes to other microfinance organisations that are not within the MLF Group.

Expenditure in Africa was largely in line with that in 2012. MLF, Zambia expenditure increased by 20% to £270,944 due to the expansion of the branch network. MLF Malawi expenditure in 2013 fell by 10% to £1,020,030 due to the closure of branches in the Northern Region combined with the currency devaluation.

Governance costs

Expenditure on governance-related activities rose from £44,218 in 2012 to £59,463 this year (a 34% increase). Governance costs had been reduced in 2012 on the back of declining voluntary income. The 2013 increase reflected a more typical year.

Exchange rate differences

As a result of the ongoing currency devaluation primarily in Malawi exchange rate adjustments / differences increased to £325,331 this year. The large portion (£259,192) of the adjustment specifically relates to the revaluation of the opening balances.

Reserves and reserves policy

The group reserves position at the end of the financial year is as follows:

Unrestricted reserves - £ 198,954 (2012 - £127,431)

Restricted reserves - £1,173,919 (2012 - £1,379,401)

Restricted reserves are funds which can only be used for purposes specified by the donors, most of which are secured to fund the ongoing growth of our Africa operations in Malawi and Zambia.

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

Previously, interest income and operational expenditure in Malawi and Zambia was reflected as transactions in restricted funds. We have now established that the relevant donor restrictions only apply to the loan capital and not the income derived from the lending activities. Therefore interest income is unrestricted and this revised accounting treatment is reflected in these accounts. We believe that this represents a more accurate and fair reflection of the organisation's financial position and will adopt this approach consistently from this financial year onwards.

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 have agreed to retain the criteria followed in 2012 as outlined below.

- 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 Charity's fundraising strategy including the objective of increasing the level of unrestricted income raised each year. The Malawian and Zambian subsidiaries are required to prepare cashflow 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 targeted level of unrestricted reserves as of 31 December 2013 was in the range of £270,000 to £280,000 compared to the £198,954 actually in place.

The trustees are aware of the shortfall in unrestricted reserves against the agreed policy. The matter continues to be discussed on an ongoing basis at the Trustee meetings. Management are 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.

The Trustees have decided that the shortfall of unrestricted reserves against the agreed policy is acceptable for the time being. They are satisfied that there is both an intention and a plan to organise the charity's affairs to restore actual reserves to comply with policy as soon as practical. It is accepted that this may not happen until the end of 2016.

Investment policy and powers

The Trustees have powers of investment, as determined by our Memorandum and Articles.

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.

Auditor

Sayer Vincent LLP were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

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 the 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 2012 was 9 (2011 - 9). 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

Independent auditor's report

To the members of

Microloan Foundation

We have audited the financial statements of Microloan Foundation for the year ended 31 December 2013 which comprise the Group and Microloan Foundation Statement of Financial Activities, 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 company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. 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 auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 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 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

Independent auditor's report

To the members of

Microloan Foundation

accounting estimates made by the trustees; and the overall presentation of the 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. 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. 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 2013, 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 and the Charities Act 2011.

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 Act 2011 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

Independent auditor's report

To the members of

Microloan Foundation

- 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.

Catherine Sayer (senior statutory auditor)

Date

for and on behalf of Sayer Vincent LLP, Statutory Auditors
8 Angel Gate, City Road, LONDON EC1V 2SJ

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 2013

	Note	Unrestricted £	Restricted £	2013 Total £	2012 Total £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	417,233	603,540	1,020,773	662,163
Investment income	3	2,892	-	2,892	8,794
<i>Incoming resources from charitable activities</i>					
MLF Malawi - Loan interest income	10	569,927	-	569,927	623,571
MLF Zambia - Loan interest income	10	214,090	-	214,090	131,416
<i>Other incoming resources</i>		23,669	-	23,669	7,817
Total incoming resources		1,227,811	603,540	1,831,351	1,433,761
Resources expended					
<i>Costs of generating funds:</i>					
Costs of generating voluntary income	4	241,154	7,566	248,720	176,559
<i>Charitable activities</i>					
MLF Malawi		443,098	576,932	1,020,030	1,136,356
MLF Zambia		245,205	23,962	269,167	224,729
PSHF		31,587	5,750	37,337	7,511
MLF USA		5,262	-	5,262	4,604
MLF Namibia		-	-	-	-
<i>Governance costs</i>		59,463	-	59,463	44,218
Total resources expended		1,025,769	614,210	1,639,979	1,593,977
Net (outgoing)/incoming resources before transfers	5	202,042	(10,670)	191,372	(160,216)
Gross transfers between funds		(64,150)	64,150	-	-
Net (outgoing)/incoming resources before associates		137,892	53,480	191,372	(160,216)
Net outgoing resources from associates	11	-	-	-	(360,073)
Assets acquired with subsidiary	10	-	-	-	1,076,488
Net incoming resources before other recognised gains and losses		137,892	53,480	191,372	556,199
<i>Exchange differences</i>					
On opening funds		(230)	(258,962)	(259,192)	(158,712)
On results for the year		(66,139)	-	(66,139)	(117,017)
Net movement in funds		71,523	(205,482)	(133,959)	280,470
Reconciliation of funds					
Total funds brought forward		127,431	1,379,401	1,506,832	1,226,362
Total funds carried forward	16	198,954	1,173,919	1,372,873	1,506,832

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 above and in note 16 to the financial statements.

Microloan Foundation

Statement of Financial Activities (Incorporating an income and expenditure account)

For the year ended 31 December 2013

MICROLOAN FOUNDATION - UK Charity only

	Unrestricted	Restricted	2013	2012
	Note	£	Total	Total
		£	£	£
Incoming Resources				
<i>Incoming resources from generated funds</i>				
Voluntary Income		417,233	417,779	570,833
Investment Income		531	-	4,498
<i>Other incoming resources</i>		<u>27,217</u>	<u>-</u>	<u>72</u>
Total Incoming Resources		<u>444,981</u>	<u>417,779</u>	<u>575,403</u>
Resources Expended				
<i>Costs of generating funds</i>				
Charitable activities		246,569	7,566	176,559
Governance costs		227,128	420,882	739,208
		<u>59,464</u>	<u>-</u>	<u>44,218</u>
Total resources expended		<u>533,161</u>	<u>428,448</u>	<u>959,985</u>
Net outgoing resources		<u>(88,180)</u>	<u>(10,669)</u>	<u>(384,582)</u>
Gross transfers between funds		<u>(5,044)</u>	<u>5,044</u>	<u>-</u>
Net movement in funds		<u>(93,224)</u>	<u>(98,849)</u>	<u>(384,582)</u>
Reconciliation of funds				
Total funds brought forward		<u>127,704</u>	<u>203,840</u>	<u>716,126</u>
Total funds carried forward		<u><u>34,480</u></u>	<u><u>198,215</u></u>	<u><u>331,544</u></u>

Balance sheets

As at 31 December 2013

	Note	The group		The charity	
		2013	2012	2013	2012
		£	£	£	£
Fixed assets					
Tangible fixed assets	8	237,481	439,234	2,160	1,560
Investments	9	-	-	3,230	3,230
		<u>237,481</u>	<u>439,234</u>	<u>5,390</u>	<u>4,790</u>
Current assets					
Stock		4,856	-	-	-
Current investments		-	104,736	-	104,736
Debtors	12	1,071,364	951,098	44,437	24,973
Cash at bank and in hand		459,794	246,736	235,758	227,486
		<u>1,536,014</u>	<u>1,302,570</u>	<u>280,195</u>	<u>357,195</u>
Liabilities					
Creditors: amounts falling due within one year	13	207,325	234,972	52,890	30,441
Net current assets		<u>1,328,689</u>	<u>1,067,598</u>	<u>227,305</u>	<u>326,754</u>
Total assets less current liabilities		1,566,170	1,506,832	232,695	331,544
Creditors due after more than one year	14	193,297	-	-	-
Net assets	15	<u>1,372,873</u>	<u>1,506,832</u>	<u>232,695</u>	<u>331,544</u>
Funds					
Restricted funds	16	1,173,919	1,379,401	198,215	203,840
Unrestricted funds					
General funds		198,954	127,431	34,480	127,704
Total charity funds		<u>1,372,873</u>	<u>1,506,832</u>	<u>232,695</u>	<u>331,544</u>

Approved by the trustees on 11 June 2014 and signed on their behalf by

Alan Penson
Trustee and Treasurer

David Young
Trustee and Chairman

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

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.

These financial statements consolidate the results of the charitable company and its subsidiaries Microloan Foundation Malawi and Microloan Foundation Zambia on a line by line basis. Transactions and balances between the charitable company and its subsidiary 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 has also been provided.

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 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.

c) Incoming resources from Microloans

Interest income charged on Microloans made through the subsidiary companies MLF Malawi and MLF Zambia are included within incoming resources from charitable activities as unrestricted income.

Microcredit loans are measured at the amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, less any impairment or bad debt provision.

d) Donated services

Gifts in kind are accounted for at a reasonable estimate of their value to the charity and are included in the statement of financial activities as incoming resources when receivable. We are very grateful to supporters that provided us with many valued services in the year but as we would not ordinarily pay for them if they were not free, due to our limited resources, no value has been included in the accounts. No provision is made in these financial statements for the value of services provided by volunteers.

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

1. Accounting policies (continued)

e) Resources expended

Resources expended are allocated to the particular activity where the cost relates directly to that activity. Resources expended include attributable VAT which cannot be recovered. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function in MLF UK, is apportioned on the following basis which is an estimate, based on staff time, of the amount attributable to each activity.

	2013	2012
Cost of generating funds	22.4%	43.5%
MLF Malawi	50.9%	28.1%
MLF Zambia	16.6%	10.3%
PSHF	1.3%	0.5%
MLF USA	0.2%	0.4%
Governance Costs	3.2%	4.1%
Support Costs	5.4%	13.1%

MLF UK's Support costs are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity:

	2013	2012
Cost of generating funds	47.7%	46.6%
MLF Malawi	30.6%	34.3%
MLF Zambia	11.6%	12.5%
PSHF	2.9%	0.3%
MLF USA	0.4%	0.3%
Governance Costs	6.8%	5.7%

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

The costs of generating funds relate to the costs incurred by the group and charitable company in raising funds for the charitable work.

f) Tangible Fixed Assets

Individual fixed assets are capitalised at cost. Assets held by MLF Malawi were revalued during the year to their recoverable value to reflect the significant changes in the value of the currency in Malawi.

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

	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/bikes	n/a	20% on cost	20% on cost
Buildings	n/a	n/a	2% on cost

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

1. Accounting policies (continued)

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 which are donations and other incoming resources receivable or generated for the objects of the charity.

h) Foreign currency policy

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate of exchange ruling for the accounting period. Exchange differences are taken into account in arriving at the net incoming resources for the year.

2. Voluntary income

	Restricted £	Unrestricted £	2013 Total £	2012 Total £
Individuals	1,285	126,585	127,870	149,253
Events	-	69,574	69,574	17,531
Grant making trusts	307,546	64,900	372,446	250,772
Companies and Institutions	108,947	156,174	265,121	153,277
Grant funding - MLF Malawi	185,762	-	185,762	91,330
Total	<u>603,540</u>	<u>417,233</u>	<u>1,020,773</u>	<u>662,163</u>

With restricted voluntary income, MLF UK received a £22,160 grant from The Clothworkers' Foundation in 2012. At the end of 2013 this grant had been fully utilised.

3. Investment income

	Restricted £	Unrestricted £	2013 Total £	2012 Total £
Current investments	-	2,449	2,449	4,512
Interest, short term investments	-	-	-	4,282
Interest, long term investments	-	443	443	-
	<u>-</u>	<u>2,892</u>	<u>2,892</u>	<u>8,794</u>

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

4. Total resources expended

	Cost of generating funds	MLF Malawi	MLF Zambia	PSHF	MLF USA	Governance Costs	Support Costs	2013 Total	2012 Total
	£	£	£	£	£	£	£	£	£
Staff costs (Note 6)	176,444	401,529	130,301	9,916	1,407	25,086	42,308	786,991	750,421
Consultancy costs	-	-	-	-	-	-	-	-	6,359
Travel, subsistence and volunteers	4,119	72,411	18,858	-	-	2,746	-	98,134	97,412
Event costs	-	-	-	-	-	-	-	-	184
Audit fees	-	4,748	8,383	-	-	25,295	-	38,426	20,914
Other direct costs	23,590	512,766	97,239	-	-	-	-	633,595	643,163
Taxation	-	-	3,572	-	-	-	-	3,572	1,218
UK Premises costs	-	-	-	-	-	-	51,087	51,087	49,403
Grants	-	-	-	24,674	3,500	-	-	28,174	24,903
	<u>204,153</u>	<u>991,454</u>	<u>258,353</u>	<u>34,590</u>	<u>4,907</u>	<u>53,127</u>	<u>93,395</u>	<u>1,639,979</u>	<u>1,593,977</u>
Support Costs	<u>44,567</u>	<u>28,576</u>	<u>10,814</u>	<u>2,747</u>	<u>355</u>	<u>6,336</u>	<u>(93,395)</u>	<u>-</u>	<u>-</u>
Total resources expended	<u>248,720</u>	<u>1,020,030</u>	<u>269,167</u>	<u>37,337</u>	<u>5,262</u>	<u>59,463</u>	<u>-</u>	<u>1,639,979</u>	<u>1,593,977</u>

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

5. Net incoming/outgoing resources for the year

This is stated after charging / crediting:

	2013 £	2012 £
Depreciation	93,382	70,132
Trustees' remuneration	60,000	60,000
CEO's reimbursed expenses	8,541	7,958
Trustees' reimbursed expenses	3,292	3,875
Auditors' remuneration:		
§ Audit of parent entity	10,300	9,700
§ Other services	1,700	1,700
Operating lease rentals:		
§ Property	<u>24,000</u>	<u>16,000</u>

The trustee Peter Ryan, employed as CEO, received salary payments of £60,000 (2012 - £60,000) and £30,560 (2012 - £30,560) was contributed into his private pension. Reimbursed expenses incurred during the year were for the following

	2013 £	2012 £
Fixed Assets	45	49
Subsistence	1,630	2,456
Fundraising	674	535
IT expense	-	14
Office expense	147	1,106
Telephone	914	650
Travel	<u>5,131</u>	<u>3,148</u>
	<u>8,541</u>	<u>7,958</u>

6. Staff costs and numbers

Staff costs were as follows:

	2013 £	2012 £
Salaries and wages	714,619	673,784
Social security costs	25,456	32,524
Pension contributions	<u>46,916</u>	<u>44,113</u>
	<u>786,991</u>	<u>750,421</u>

One employee earned between £60,000 - £70,000 during the year (2012: 1)

	The group		The charity	
	2013 No.	2012 No.	2013 No.	2012 No.
Number of employees at the year end date	128.0	160.0	9.0	8.0
Average weekly number of employees (full-time equivalent) during the year	<u>139.0</u>	<u>159.0</u>	<u>8.0</u>	<u>7.0</u>

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

7. Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's overseas subsidiaries are subject to local taxes which are shown within their results for the year.

8. Tangible fixed assets

The group	Land and Buildings	Office Equipment £	IT Equipment £	Website Costs £	Motor Vehicles £	Totals £
Cost or valuation						
At the start of the year	174,087	79,209	12,707	18,805	265,212	550,020
Acquired with subsidiary	-	-	-	-	-	-
Additions in year	332	13,686	1,265	3,840	-	19,123
Disposals in year	-	-	-	-	(23,365)	(23,365)
Foreign exchange revaluation of assets	(44,734)	(21,015)	(320)	-	(56,261)	(122,330)
At the end of the year	<u>129,685</u>	<u>71,880</u>	<u>13,652</u>	<u>22,645</u>	<u>185,586</u>	<u>423,448</u>
Depreciation						
At the start of the year	2,203	36,468	8,407	18,805	44,903	110,786
Acquired with subsidiary	-	-	-	-	-	-
Charge for the year	2,532	8,605	1,853	1,680	78,712	93,382
Disposals in year	-	-	-	-	-	-
Foreign exchange revaluation of assets	(565)	(7,902)	(90)	-	(9,644)	(18,201)
At the end of the year	<u>4,170</u>	<u>37,171</u>	<u>10,170</u>	<u>20,485</u>	<u>113,971</u>	<u>185,967</u>
Net book value						
At the end of the year	<u>125,515</u>	<u>34,709</u>	<u>3,482</u>	<u>2,160</u>	<u>71,615</u>	<u>237,481</u>
At the start of the year	<u>171,884</u>	<u>42,741</u>	<u>4,300</u>	-	<u>220,309</u>	<u>439,234</u>

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

The Charity	Land and Buildings	Office Equipment	IT Equipment	Website Costs	Motor Vehicles	Totals
		£	£	£	£	£
Cost						
At the start of the year	-	4,219	8,596	18,805	-	31,620
Additions in year	-	-	-	3,840	-	3,840
At the end of the year	-	4,219	8,596	22,645	-	35,460
Depreciation						
At the start of the year	-	4,001	7,255	18,805	-	30,061
Charge for the year	-	218	1,341	1,680	-	3,239
At the end of the year	-	4,219	8,596	20,485	-	33,300
Net book value						
At the end of the year	-	-	-	2,160	-	2,160
At the start of the year	-	218	1,341	-	-	1,559

9. Investments

	The group		The charity	
	2013	2012	2013	2012
	£	£	£	£
Investment in subsidiary undertakings	-	-	3,230	3,230

Microloan Foundation

Notes to the financial statements

For the year ended 31 December 2013

10. Subsidiary undertakings

A summary of the results of the two subsidiary organisations are 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. Prior to 2012, Microloan Foundation Malawi was treated as an associate undertaking and the value of reserves acquired at 1 January 2012 was £1,076,488.

	MLF Malawi		MLF Zambia	
	2013	2012	2013	2012
	£	£	£	£
Interest income on microcredit loans	569,927	623,571	214,090	131,416
Grant and other income	451,145	465,794	100,337	114,195
Bank interest	2,361	4,296	-	-
Total income	1,023,433	1,093,661	314,427	245,611
Operating and administrative expenses	(856,011)	(939,306)	(222,129)	(170,358)
Profit / (loss) on ordinary activities	167,422	154,355	92,298	75,253
Tax	-	(2,029)	(3,572)	811
Profit / (loss) for financial year	167,422	152,326	88,726	76,064

11. Share of net assets in associates

	MLF Malawi	MLF Namibia	MLF USA	Total
	£	£	£	£
At 31 December 2011	309,069	(1,444)	52,448	360,073
Net outgoing resources from associates	(309,069)	1,444	(52,448)	(360,073)
At 31 December 2012	-	-	-	-

Microloan Foundation Malawi was previously treated as an associate undertaking and the value of reserves acquired at 1 January 2012 was £1,076,488. Microloan Foundation USA was not recognised as an associate undertaking for 2012. This change is line with our review of the level of control the MLF UK have over our closely related organisations. Microloan Foundation Namibia ceased operations in October 2011.

Microloan Foundation

Notes to the financial statements

For the Year Ended 31 December 2013

12. Debtors

	The group		The charity	
	2013	2012	2013	2012
	£	£	£	£
Amounts due from subsidiary entities	-	-	15,326	-
Accrued investment income	-	2,214	-	2,214
Other debtors and prepayments	79,535	50,446	29,111	22,759
MicroCredit loans	991,829	898,438	-	-
	<u>1,071,364</u>	<u>951,098</u>	<u>44,437</u>	<u>24,973</u>

13. Creditors: amounts falling due within one year

	The group		The charity	
	2013	2012	2013	2012
	£	£	£	£
Other creditors and accruals	103,311	98,500	52,890	30,441
Bank overdraft	2,523	21,733	-	-
Deferred tax	3,727	1,830	-	-
Deferred income	42,702	112,909	-	-
Loan	55,062	-	-	-
	<u>207,325</u>	<u>234,972</u>	<u>52,890</u>	<u>30,441</u>

14. Creditors: amounts falling due within one year

	The group		The charity	
	2013	2012	2013	2012
	£	£	£	£
Short term loan agreement	193,297	-	-	-

The loans represent amounts borrowed by MLF Malawi directly to help fund its activities from the Whole Planet Foundation and Fonds European Financement Solidaire.

15. Analysis of group net assets between funds

	Restricted funds	General funds	Total funds
	£	£	£
Tangible fixed assets	-	237,481	237,481
Net current assets	1,173,919	154,770	1,328,689
Creditors due after more than one year	-	(193,297)	(193,297)
Net assets at the end of the year	<u>1,173,919</u>	<u>198,954</u>	<u>1,372,873</u>

Microloan Foundation

Notes to the financial statements

For the Year Ended 31 December 2013

16. Movements in funds

	At the start of the year £	Incoming resources £	Outgoing resources £	Other movements £	Transfers between funds £	At the end of the year £
Restricted funds:						
MicroVentures	19,714	-	(11,607)	-	-	8,107
Malawi new branch fund	77,541	14,625	(61,550)	-	-	30,616
Malawi growth fund	103,063	164,472	(252,956)	-	-	14,579
Zambia start up fund	-	151,037	(23,962)	-	-	127,075
UK Office	2,522	-	(7,566)	-	5,044	-
PSHF fund	1,000	17,881	(5,750)	-	-	13,131
DFID	-	69,763	(65,057)	-	-	4,706
MLF Malawi	-	185,762	(185,762)	-	-	-
Funds held by MLF Zambia	229,974	-	-	(16,445)	-	213,529
Funds held by MLF Malawi	945,587	-	-	(242,517)	59,106	762,176
Total restricted funds	1,379,401	603,540	(614,210)	(258,962)	64,150	1,173,919
Unrestricted funds:						
General funds	127,431	1,227,811	(1,025,769)	(66,369)	(64,150)	198,954
Total unrestricted funds	127,431	1,227,811	(1,025,769)	(66,369)	(64,150)	198,954
Total funds	1,506,832	1,831,351	(1,639,979)	(325,331)	-	1,372,873

Other movements consists of gains and losses on foreign exchange in the year and the acquisition of the assets of MLF Malawi and the loss of the share in the associate undertakings.

Purposes of restricted funds

MicroVentures - to cover set up and ongoing costs related to training activities in Malawi

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

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 development

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

Funds held by MLF Malawi - restricted for use as loan capital in microcredit activities in Malawi

Microloan Foundation

Notes to the financial statements

For the Year Ended 31 December 2013

17. Operating lease commitments

The group and charity had annual commitments for land and buildings at the year end under operating leases expiring as follows:

	The group		The charity	
	2013	2012	2013	2012
	£	£	£	£
Less than 1 year	6,667	6,667	6,667	6,667
1 - 2 Years	-	-	-	-

18. Related party transactions

The charity has taken advantage of the exemption available under FRS 8 not to disclose transactions with subsidiary undertakings.

Two trustees of Microloan Foundation were also trustees of Microloan Foundation USA. Grants of £3,500 were made by Microloan Foundation to MicroLoan Foundation USA during the year (2012 - £3,267).

Microloan Foundation USA made a grant of £101,606 to Microloan Foundation Malawi during the year.