

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**Financial Statements
For the year ended 31st December 2008**

Audit Services



AUDIT ■ TAX ■ ADVISORY

AMG Global
Public Accountants and Business Advisors
Delamere House, 2nd Floor
Victoria Avenue
PO Box 2051
Blantyre, Malawi

© 2006 AMG Global, a company registered in Malawi, is a member firm of AMG Global. All rights reserved.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**FINANCIAL STATEMENTS
For the year ended 31 December 2008**

CONTENTS	<u>Page</u>
Trustees' report	1
Independent Auditor's report	3
Income statement	5
Statement of changes in fund balances	6
Statement of financial position	7
Statement of cash flows	8
Notes to the financial Statements	9

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

TRUSTEES' REPORT
For the year ended 31 December 2008

The trustees have pleasure in submitting their report together with the audited financial statements of MicroLoan Foundation for the year ended 31 December 2008.

Nature of Business

MicroLoan Foundation is a Non Governmental Organisation managed by the Board of Trustees incorporated in Malawi in 2003. It is also registered with CONGOMA. The Organisation combines a charitable mission with a flexible, entrepreneurial culture, thus providing microloans and life skills training (through its Microventure project) to poor individuals in Malawi.

Trust Registered Office

The trust's registered office is situated on Boma Street in Collado House, P. O. Box 491, Kasungu.

Financial Performance

The results and state of affairs of the trust are set out in the accompanying income statement, statement of changes in fund balances, statement of financial position, statement of cash flows, and notes to the financial statements.

Trustees

The following served as trustees of the trust during the year ended 31 December 2008

Rev. Francis Kaulanda	Chairman
Mr. Charles Mandala	Trustee
Mrs. Etta Mmangisa	Trustee
Mr. Peter John Ryan	Trustee
Mr. Iain Richardson	Trustee

Auditors

The trust's auditors, AMG Global Certified Public Accountants, have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors.

Statement of Trustees' Responsibilities for the Financial Statements

The Trustees Incorporation Act, 1962 requires trustees to ensure that for each accounting period financial statements are prepared which show a true and fair view of the state of affairs of the trust and of its results for that period, and which are properly prepared in accordance with the relevant provisions of the Trustees Incorporation Act, 1962.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

TRUSTEES' REPORT

For the year ended 31 December 2008

The trustees accept responsibility on behalf of the trust for the maintenance of proper accounting records sufficient for this purpose. Accordingly, the trustees have: -

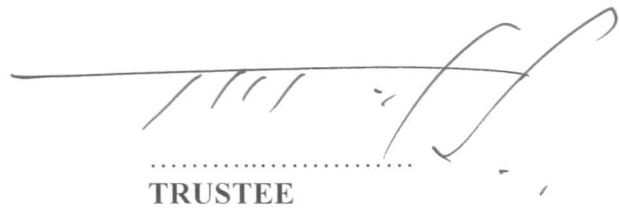
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated that applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis having determined that the trust has adequate resources to continue in operational existence for the foreseeable future.

The trustees are responsible for establishing controls to prevent the falsification of entries in the books of account and to facilitate the detection of inaccuracies therein.



.....
TRUSTEE

23/7/.....2009



.....
TRUSTEE

Office Address:
2nd Floor, Delamere House
Victoria Avenue
Blantyre
Malawi

Mail Address:
P.O. Box 2051
Blantyre
Malawi

Telephone: +265-01- 830 811
+265-01- 830 708
Cell: +265-08-201 966
Fax: +265-01- 830 694
Email: amgglobal@globemw.net
amgglobal@africa-online.net



Certified Public Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT TO THE REGISTERED TRUSTEES OF MICROLOAN FOUNDATION

Scope

We have audited the accompanying financial statements of Micro Loan Foundation, which comprise the statement of financial position as at December 31, 2008 and the income statement, statement of changes in fund balances and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees Responsibility for the Financial Statements

Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Trustees Incorporation Act, 1962 and in conformity with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether, due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MicroLoan Foundation as at 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Trustees Incorporation Act, 1962 and in conformity with International Financial Reporting Standards.



AMG Global
Certified Public Accountants and Business Advisors
Blantyre (Malawi)

.....23/7/.....2009

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

INCOME STATEMENT

For the year ended 31 December 2008

REVENUE	Note	<u>2008</u> MWK'000	<u>2007</u> MWK'000
Interest income	1	58,276	19,066
Donations	2	114,862	74,171
Other income	3	<u>2,598</u>	<u>1,292</u>
Total income		<u>175,736</u>	<u>94,529</u>
 EXPENDITURE			
Staff costs	4	42,350	20,739
Administration expenses	5	49,188	26,777
Depreciation	8	10,923	6,895
Microventure operations		17,805	8,235
UK Overhead Costs		283	-
Bad debts	6	<u>3,672</u>	<u>1,634</u>
Total expenditure		<u>124,221</u>	<u>64,280</u>
 Surplus before tax		51,515	30,249
 Income tax expense	7	<u>(-)</u>	<u>(-)</u>
 Surplus after tax		<u>51,515</u>	<u>30,249</u>

The financial statements are to be read in conjunction with notes to the financial statements on pages 9 to 18.

The auditor's report is on page 3.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**STATEMENT OF CHANGES IN FUND BALANCES
For the year ended 31 December 2008**

	Capital Fund MWK'000	Accumulated Funds MWK'000	Total MWK'000
Balance at 01/01/2007	3,816	32,706	36,522
Additions – Donated assets	923	-	923
Surplus for the year	-	30,249	30,249
Transfer of depreciation	(1,526)	1,526	-
Balance at 31/12/2007	<u>3,213</u>	<u>64,481</u>	<u>67,694</u>
Balance at 01/01/2008	3,213	64,481	67,694
Additions – Donated assets	1,391	-	1,391
Surplus for the year	-	51,515	51,515
Transfer of depreciation	(1,874)	1,874	-
Balance at 31/12/2008	<u>2,730</u>	<u>117,870</u>	<u>120,600</u>

The financial statements are to be read in conjunction with notes to the financial statements on pages 9 to 18.

The auditor's report is on page 3

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
As at 31 December 2008**

ASSETS	Note	<u>2008</u> MWK'000	<u>2007</u> MWK'000
Non current assets			
Property & Equipment	8	<u>38,115</u>	<u>26,525</u>
Current Assets			
Loans and other receivables	9	<u>91,304</u>	<u>33,012</u>
Related party recoverable	12	<u>776</u>	<u>-</u>
Cash and Bank Balances	10	<u>20,638</u>	<u>14,423</u>
Total current assets		<u>112,718</u>	<u>47,435</u>
Total assets		<u>150,833</u>	<u>73,960</u>
FUNDS AND LIABILITIES			
Funds			
Accumulated Funds		<u>117,870</u>	<u>64,481</u>
Capital Fund		<u>2,730</u>	<u>3,213</u>
Total funds		<u>120,600</u>	<u>67,694</u>
Liabilities			
Trade and other Payables	11	<u>6,172</u>	<u>1,588</u>
Tax payable		<u>250</u>	<u>250</u>
Related party payables	12	<u>-</u>	<u>273</u>
Deferred Donated Income	13	<u>8,012</u>	<u>-</u>
Deferred Interest Income	14	<u>15,799</u>	<u>4,155</u>
Total current liabilities		<u>30,233</u>	<u>6,266</u>
Total funds and liabilities		<u>150,833</u>	<u>73,960</u>

The financial statements were approved by the Board of Trustees on 23/7/2009 and signed on its behalf by: -

.....
TRUSTEE

.....
TRUSTEE

The financial statements are to be read in conjunction with notes to the financial statements on pages 9 to 18.

The auditor's report is on page 3

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**STATEMENT OF CASH FLOWS
For the year ended 31 December 2008**

	Notes	<u>2008</u> K MWK'000	<u>2007</u> K MWK'000
Operating activities			
Donations, Interest from customers and other income		124,680	79,768
Cash paid to suppliers and employees		<u>(95,951)</u>	<u>(54,077)</u>
Cash flows from operations		<u>28,272</u>	<u>25,691</u>
Investing activities			
Acquisition of non-current assets	8	<u>(22,514)</u>	<u>(22,931)</u>
Cash flows from investing activities		<u>(22,514)</u>	<u>(22,931)</u>
Net increase in cash & cash equivalents		6,215	2,760
Cash and cash equivalent at the beginning of the year		<u>14,423</u>	<u>11,663</u>
Cash and cash equivalents at the end of the year	10	<u>20,638</u>	<u>14,423</u>

The financial statements are to be read in conjunction with notes to the financial statements on pages 9 to 18.

The auditor's report is on page 3

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

Significant accounting policies

The following accounting policies have been consistently applied in all material respects by MicroLoan Foundation.

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Committee of the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the International Financial Reporting and Interpretations Committee (IFRIC).

(b) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements are presented in Malawi Kwacha (MWK), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the financial assets and liabilities held at fair value.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the trustees to exercise judgement in the application of policies and reported amounts in assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical cost experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Revenue

Donations are recognized in the income statement on a receipt basis.

Other income is measured at the fair value of consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of operation.

Interest income is accrued on a time basis by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimates cash receipts through the expected life of the financial assets to that assets net carrying amount.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

Significant accounting policies

(d) Expenses

Expenses are recognized in the financial statements when an obligation has been incurred.

(e) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantially enacted to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax assets is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

Significant accounting policies

(f) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and any recognized impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Property and equipment are depreciated on a straight line basis at annual rates estimated to reduce them to their anticipated residual value over their expected useful lives as follows:

Land	Not depreciated
Buildings	50 years
Motor vehicles	5 years
Motor cycles/Bicycles	5 years
Furniture and fittings	10 years
Office equipment	4 years
Miscellaneous equipment	5 years

The residual value, if not insignificant, is reassessed annually.

(g) Foreign currencies

Transactions in foreign currencies are translated into Malawi Kwacha at the rate of exchange ruling at the date of the transaction.

(h) Loans and other receivables

Loans and other receivables are stated at their fair values.

(i) Capital fund

Non current assets purchased using donated funds and donated non current assets are credited to this account and depreciation is transferred to the capital fund at year end.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Significant accounting policies

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in hand and investments in short term money market instruments.

(k) Trade and other payables

Trade and other payables are stated at cost. The trustees consider that the carrying amount of payables approximates to their fair values.

(l) Provisions

A provision is recognized in the statement of financial position when the organisation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of funds will be required to settle the obligation.

(m) Impairment

At each statement of financial position date, the foundation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Foundation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

Significant accounting policies

(n) Adoption of new and revised standards

In the current year the foundation adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

In the current year, the Fund has adopted IFRS & *Financial Instruments Disclosures* which are effective for periods beginning on or after 1 January 2008.

The impact of adoption of IFRS 7 has been to expand disclosures provided in these financial statements regarding the foundation's financial instruments.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

- IAS 1 Revised; IAS 23 Borrowing costs; and
- IFRIC 14; scope of IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.

(o) Offsetting

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

(p) Comparative information

Comparative information has been restated where necessary to facilitate comparison.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

	<u>2008</u> MWK'000	<u>2007</u> MWK'000
1. Loan Interest Income		
Gross advance made during the year	401,000	120,790
Principal advances made during the year	<u>(331,080)</u>	<u>(99,543)</u>
Interest Income on loans made	69,920	21,247
 Add: opening deferred loan interest	 4,155	 1,974
Less: Closing deferred interest	<u>(15,799)</u>	<u>(4,155)</u>
Interest Income recognised during the year	<u>58,276</u>	<u>19,066</u>
 The principal advances represent annual loans disbursed exclusive of interest income. Gross advances include interest income.		
2. Donations		
MLF UK Donations	114,862	74,171
3. Other Income		
Bank Interest Income	138	108
Miscellaneous Income	432	310
Bad debts Recovered	46	512
Microventures Income	<u>1,982</u>	<u>362</u>
	<u>2,598</u>	<u>1,292</u>
4. Staff Costs		
Salaries and wages	32,362	15,670
Pension	3,255	1,478
Lunch allowance	6,008	2,899
Staff benefits	173	329
Staff Welfare	451	240
Leave Pay	<u>102</u>	<u>123</u>
	<u>42,350</u>	<u>20,739</u>

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

	<u>2008</u> MWK'000	<u>2007</u> MWK'000
5. Administration Expenses		
Included in administration expenses are the following:		
Audit expenses	1,063	-
Legal fees	172	105
Rent	1,712	771
Training costs	1,172	1,184
Trustees expenses	729	178
 6. Bad debts Expenses		
Bad Debts Provision	2,973	723
Bad Debts Written Off	<u>700</u>	<u>911</u>
	<u>3,672</u>	<u>1,634</u>
 7. Income tax expenses		
Current tax at 25%	<u>-</u>	<u>-</u>
 <i>Reconciliation of effective tax charge: -</i>		
Surplus before tax	<u>51,515</u>	<u>30,249</u>
Income tax using the domestic corporation tax rate at 25%	12,878	7,562
Non-deductible expenses	7,610	4,103
Foreign donations and micro venture	(29,211)	(18,633)
Excess capital allowances	(3,176)	(1,988)
Taxable losses utilised	<u>11,899</u>	<u>8,956</u>
	<u>-</u>	<u>-</u>

Income tax has not been provided in view of tax losses of MWK106 million (2007: MWK58 million) which have been carried forward subject to assessment by Malawi Revenue Authority.

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

8. Property and Equipment

COST	Land MWK'000	Buildings MWK'000	Motor vehicles MWK'000	Motor cycles MWK'000	Office equipment MWK'000	Miscellaneous equipment MWK'000	Office furniture & fittings MWK'000	Total MWK'000
Balance at 1st January 2007	420	2,872	6,417	3,773	1,793	189	624	16,088
Additions	-	1,987	10,550	7,482	2,092	-	820	22,931
Balance at 31st December 2007	420	4,859	16,967	11,255	3,885	189	1,444	39,019
Balance at 1st January 2008	420	4,859	16,967	11,255	3,885	189	1,444	39,019
Additions	-	-	5,350	12,073	4,065	-	1,026	22,514
Balance at 31st December 2008	420	4,859	22,317	23,328	7,950	189	2,470	61,533
DEPRECIATION								
Balance at 1st January 2007	-	58	3,283	1,324	790	76	68	5,599
Charge for the year	-	96	3,394	2,251	972	38	144	6,895
Balance at 31st December 2007	-	154	6,677	3,575	1,762	114	212	12,494
Balance at 1st January 2008	-	154	6,677	3,575	1,762	114	212	12,494
Charge for the year	-	97	4,034	4,665	1,842	38	247	10,923
Balance at 31st December 2008	-	251	10,711	8,240	3,604	152	459	23,417
CARRYING AMOUNTS								
At 1st January 2007	420	2,814	3,134	2,449	1,003	113	556	10,489
At 31st December 2007	420	4,705	10,290	7,680	2,123	75	1,232	26,525
At 1st January 2008	420	4,705	10,290	7,680	2,123	75	1,232	26,525
At 31st December 2008	420	4,608	11,606	15,088	4,346	37	2,011	38,115

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

	<u>2008</u> MWK'000	<u>2007</u> MWK'000
9. Loans and other receivables		
Loans receivable	91,125	32,201
Less provision for bad debts	<u>(4,558)</u>	<u>(1,586)</u>
	86,566	30,615
Prepayments	2,993	1,764
Staff Advances	<u>1,745</u>	<u>633</u>
	<u>91,304</u>	<u>33,012</u>
10. Cash and Bank Balances		
Cash and bank balances	<u>20,638</u>	<u>14,423</u>
Cash and cash equivalents as shown in statement of cash flows	<u>20,638</u>	<u>14,423</u>
11. Trade and Other Payables		
Accruals	1,380	402
Payroll Liability	<u>4,791</u>	<u>1,186</u>
	<u>6,172</u>	<u>1,588</u>
12. Related party transactions		
Payables		
Micro Credit Foundation – Zambia	<u>(776)</u>	<u>273</u>
	<u>(776)</u>	<u>273</u>
<p>This represents the balance of funds that were received from MicroLoan Foundation (UK) for the purpose of the payment of expenditure relating to the start up costs of the Micro Credit Foundation (Zambia). The total amount of funds received for this purpose was MWK4,100,000 (2007: MWK1,693,322) of which MWK5,149,000 (2007: MWK1,418,001) has been expended on behalf of Microcredit Foundation (Zambia) in 2008.</p> <p>Two trustees of Microloan Foundation are also directors of Microcredit Foundation (Zambia).</p>		
Revenue		
<p>During the year, the trust received the sum of MWK114,862,000 (2007: MWK74,147,000) from MicroLoan Foundation (UK). Two trustees of MicroLoan Foundation are also Trustees of MicroLoan Foundation (UK).</p>		

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

13	Deferred donated income	<u>8,012</u>	-
		<u>8,012</u>	-
	Deferred donated income is in respect of funds received during the year 2008 from the Scottish Government meant for activities in the subsequent year.		

14	Deferred interest income	<u>15,799</u>	4,155
		<u>15,799</u>	4,155
	Deferred interest income is interest earned but not due in the current year.		

15. Financial instruments

Exposure to interest rate credit and currency risks arise in the normal course of the organisation's business.

Foreign currency risk

The organisation incurs foreign currency risk on transactions that are denominated in a currency other than Malawi Kwacha. The currency giving rise to this risk is primarily the Pound Sterling.

Interest rate risk

The organisation adopts a policy of ensuring that its exposure to changes in interest rates is on a fixed rate basis.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The organisation does not require collateral in respect of financial assets.

Exposure to Credit risk	<u>2008</u>	<u>2007</u>
Loans and other receivables		
Loans receivable	86,566	30,615
Prepayments	2,993	1,764
Staff advances	<u>1,745</u>	<u>633</u>
	<u>91,304</u>	<u>33,012</u>
The aging of trade receivables as at the reporting date was:-		
Trade receivables not due by reporting date and not impaired	-	-
Past due by reporting date but not impaired;		
1-30 days	40,299	10,831
31-60 days	21,306	9,756
61-90 days	18,067	6,721
90 days+	<u>6,894</u>	<u>3,307</u>
	<u>86,566</u>	<u>30,615</u>

**THE REGISTERED TRUSTEES OF
MICROLOAN FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008**

16. Loan repayment rate

During the financial year ended 31st December 2008, the average rate of loan repayments was 99%. This rate was arrived at by using the following formula: $1 - [(\text{bad debts expenses} - \text{bad debt recovered}) / \text{gross advances}] \times 100$.

A repayment rate of 95% has been estimated in the financial year ending 31st December 2009, hence the creation of a general bad debt provision of 5% of the loan balance as at year ended 31st December 2008.