
DB MICROCREDIT DEVELOPMENT FUND
(limited by guarantee)

Company Number 4358311

Charity Number 1091366

REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

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(limited by guarantee)

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DB Microcredit Development Fund
(limited by guarantee)

Legal and administrative information

Company No 4358311
Charity No 1091366

Council of Management

FJ Fitzherbert-Brockholes
GS Hattem
SA Mahmood
MT Tuffy
PG Twidale

Principal office and Registered Office

Winchester House
1 Great Winchester Street
London
EC2N 2DB

Auditors

KPMG LLP
One Canada Square
Canary Wharf
London
E14 5AG

Bankers

Deutsche Bank AG, London branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Solicitors

White & Case
5 Old Broad Street
London
EC2N 1DW

Report of the Council of Management

The Council of Management, whose members are also directors for the purposes of company law, presents its report together with the audited financial statements of the charity for the year ended 31 December 2007. The Council of Management has adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the annual report and financial statements of the charity.

The charity is a charitable company limited by guarantee and was incorporated on 22 January 2002. It is governed by a Memorandum and Articles of Association which were last amended on 6 June 2003. Its objects are to promote by all charitable means the relief of poverty and unemployment anywhere in the world by, among other things:

- the provision of financial and other support (by grant, loan or otherwise) to individuals, small businesses and organisations which may have difficulty in obtaining credit at a reasonable cost by reason of their poor financial position or by reason of their location, race, gender or any other non-financial criterion (these individuals, businesses and organisations being referred to as "Microcredit Borrowers") provided that any private benefit resulting from such support is purely incidental to the public benefit in the relief of poverty and /or relief of unemployment,

- the provision of financial and other support at below market rates to entities ("Eligible Intermediaries") which (by grant, loan or otherwise) provide financial and other support to Microcredit Borrowers at a reasonable cost or on a not-for-profit basis where the primary purpose of such support by the relevant Eligible Intermediary is determined by the Fund to be one of the Primary Objects and where the support by the Fund assists the relevant Eligible Intermediary in achieving that primary purpose, and

- the promotion, establishment and support of schemes, projects or arrangements of any kind which are conducive to the Primary Objects

It is the intention of the Council of Management to continue the current activities of the charity. The legal and administrative information set out on page 1 forms part of this report.

Principal activities and review of the year

The charity was set up in January 2002 and received an initial donation of £496,529 from Deutsche Bank AG London branch in April 2002 as well as some small donations from individuals. In August 2002 the charity extended its first loan in furtherance of the above stated objects.

The fund had net outgoing resources during the year of £25,611 (2006: £27,981) and this amount was transferred to the fund balance carried forward at 31 December 2007. There was no charitable expenditure in the year (2006: £nil) and all administrative expenditure is borne by Deutsche Bank AG London branch.

Reserves

The charity aims to hold £500,000 in reserves, being enough to cover defaults on all loans, currently £178,141 (2006: £331,096) in total, and future foreign exchange losses. At 31 December 2007 the free reserves amounted to £525,433 (2006: £551,044) which, while higher than the level aimed for, is considered by the Council of Management to be reasonable given the relatively short period of loan loss experience. The Council of Management will review this reserves policy annually.

Report of the Council of Management (continued)

Risk management

In 2002, the Council of Management commissioned White & Case to prepare a report reviewing the major risks to the charitable company. The Council of Management reviews this report annually and believes that the risks continue to be relevant and that adequate systems have been established to mitigate them.

Council of Management

The members of the Council of Management at the date of this report are listed on page 1.

Members of the Council are appointed by invitation and approval by the existing Council members. The members of the Council of Management seek professional advice as necessary in order to fulfil their responsibilities under companies and charities legislation, and to keep abreast of developments.

Statement of responsibilities of the Council of Management in respect of the Report of the Council of Management and financial statements

The Council of Management is responsible for preparing the Report of the Council of Management and the financial statements in accordance with applicable law and regulations.

Company law requires the Council of Management to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period.

In preparing these financial statements, the Council of Management is required to

- select suitable accounting policies and then apply them consistently,
- 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 the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The Council of Management is 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

Report of the Council of Management (continued)

Disclosure of information to auditors

The members of the Council of Management who held office at the date of approval of this Report of the Council of Management confirm that, so far as they are each aware, there is no relevant audit information of which the charitable company's auditors are unaware, and each member of the Council of Management has taken all the steps that they ought to have taken as a member of the Council of Management to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information

Auditors

A resolution proposing the reappointment of KPMG LLP as auditors of the charity will be put to the annual general meeting

Approved by the Council of Management and signed on its behalf by



Director *24 October* 2008

Independent auditors' report to the members of DB Microcredit Development Fund

We have audited the financial statements of DB Microcredit Development Fund for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council of Management and auditors

The responsibilities of the charitable company's Council of Management, who are also the directors of DB Microcredit Development Fund for the purposes of company law, for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Council of Management on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Council of Management is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Council of Management remuneration and other transactions is not disclosed.

We read the Report of the Council of Management and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and
the information given in the Report of the Council of Management is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

Dated 31 October 2008

DB Microcredit Development Fund
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Statement of Financial Activities (incorporating an Income and Expenditure Account)
for the period from 01 January to 31 December 2007

	Note	Unrestricted Funds 2007	Unrestricted Funds 2006
		£	£
Incoming resources			
Donations		7,870	12,850
Interest receivable		11,859	12,546
Total incoming resources		<u>19,729</u>	<u>25,396</u>
Resources expended			
Charitable expenditure		-	-
Total resources expended		<u>-</u>	<u>-</u>
Net incoming resources		<u>19,729</u>	<u>25,396</u>
Other recognised gains/(losses)			
Losses on investment assets		-39,673	
Unrealised profits/(losses) resulting from foreign exchange translations	1	-5,667	(53,377)
Total other recognised losses		<u>-45,340</u>	<u>(53,377)</u>
Net expenditure for the year	2	-25,611	-27,981
Fund balance brought forward at 1 January		551,044	579,025
Fund balance carried forward at 31 December		525,433	551,044

The results shown above relate to continuing activities

There are no recognised gains or losses other than those included above


The incoming resources and resources expended are measured under the historical cost convention

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Balance Sheet as at 31 December 2007

	Note	2007 £	2006 £
Current assets			
Investments	3	183,587	337,195
Cash at bank with Deutsche Bank AG London		181,611	167,572
Cash at bank with Deutsche Bank AG New York		<u>160,532</u>	<u>46,574</u>
		525,730	551,341
Creditors amounts falling due within one year		(297)	(297)
Net current assets		<u>525,433</u>	<u>551,044</u>
Total assets		<u>525,433</u>	<u>551,044</u>
Unrestricted fund		<u>525,433</u>	<u>551,044</u>

The financial statements set out on pages 7 to 10 were approved by the Council of Management on 24 October 2008 and signed on their behalf by



Director

Notes (forming part of the financial statements)

1 Accounting policies

Status of company

The charity is a company limited by guarantee, without share capital. The members of the company are the trustees named on page 1. In the event of the company being wound up, the liability of the guarantee is limited to £1 per member of the charity.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005 and applicable UK accounting standards.

The financial statements do not present a profit and loss account in one of the standard formats prescribed by the Companies Act 1985. In view of the charity's non-profit-making status, the members of the Council of Management are of the view that it would be more appropriate to present a statement of financial activities (SOFA) as permitted by paragraph 3(3) of Schedule 4 to the Companies Act 1985 instead of a profit and loss account.

The charity is exempt from the requirement to present a cash flow statement by virtue of its size.

Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Resources expended

All expenditure is accounted for on an accruals basis.

Funds

All funds are unrestricted and can be used at the discretion of the Council of Management.

Loans

Loans made in furtherance of the charity's objectives are stated at cost, less any amounts which are considered necessary by the Council of Management to reduce the loan to its net realisable amount.

Taxation

Provision is made for current and deferred tax to the extent that there is a liability to tax. However the charity is exempt from tax in respect of income applied to charitable purposes and hence there is no liability to tax.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date and the resulting exchange differences are taken to the SOFA.

Notes (forming part of the financial statements) (continued)

2 Net expenditure for the year

Auditors' remuneration was £Nil during the year (2006 £Nil) Other administrative expenditure has been borne by Deutsche Bank AG London branch

None of the members of the Council of Management received any remuneration or was reimbursed for any expenses incurred The charity has no employees

3 Investments

	2007 £	2006 £
Amounts falling due after more than one year		
Loans at cost	-	180,835
Interest receivable	-	2,897
Amounts falling due within one year		
Loans at cost	178,141	150,261
Interest receivable	5,446	3,202
	<u>183,587</u>	<u>337,195</u>

At 31 December 2007 there were no commitments for further advances held by the charity (2006 £ Nil)

4 Related Party Transactions

Deutsche Bank AG is a related party of the charity by virtue of being the party which established the charity and transactions between them during the year were

Bank balances with Deutsche Bank AG which at 31 December 2007 amounted to £342,143 (2006 £214,146) and on which interest was earned by the charity during the year of £6,499 (2006 £4,880) Administrative expenditure is borne by Deutsche Bank AG London branch as detailed in note 2 above