



Shivia Microfinance

A company limited by guarantee

Annual Report

and

Financial Statements

for the period ended 31st August 2009

Company registration number : 6596925

Charity registration number : 1126444

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Registered office : c/o EFG Private Bank Limited, Leconfield House, Curzon Street, London W1J 5JB

Directors' report

Directors

Olivia May Donnelly	appointed 19th May 2008
Sheetal Mukund Mehta	appointed 19th May 2008, resigned 9th September 2009
Stuart Alan Tester	appointed 19th May 2008
Timothy Neslen	appointed 9th September 2009

The Directors present their annual report and the financial statements for the period ended 31st August 2009.

Structure, objectives and activities

The Company was incorporated on 19th May 2008 as a company limited by guarantee and registered by the Charity Commissioners of England and Wales on 27th October 2008. Membership, which is limited to the subscribers to the Memorandum of Association (Miss Donnelly and Miss Mehta) and to the directors, is not transferable. The liability of each member in the event of the dissolution of the Company is limited to £10.

The Company's objects are the relief of need in areas of social and economic deprivation, particularly in India and Nepal, by the provision of financial and technical assistance and the advancement of education and training.

The principal activity of the Company is the provision of loans and support to independent microfinance organisations in India and Nepal, including non-governmental organisations with microfinance programmes.

The business model

At present the Company raises funds principally in the UK and lends to local partners in West Bengal and Western Nepal, which are already active in those regions and have been known to Miss Donnelly for the past 12 years.

The Company's business model, based on work done in Bangladesh since the early 1970s by the Grameen Bank, is aimed at lifting populations out of poverty by providing small loans - seed micro-finance - and appropriate training. Through its partners it targets communities, mainly women (in rural and urban settings) regardless of caste or religion, by promoting a range of sustainable social enterprises. These are mainly at the household level, such as kitchen gardening, poultry rearing, shop keeping, basket weaving, tailoring and quilting. As these beneficiaries have very few assets, their collateral is their status and reputation within their community.

Loans are initially not consumption- or asset-based loans, although revenues from enterprises can bring further benefits to the communities such as education, health services and house building.

The emphasis has been on setting up the correct infrastructure so that operations on the ground may evolve in a structured and sustainable fashion.

Governance and management

The governance of the Company is the responsibility of the Directors, the number of whom may not be less than three, who may exercise all the powers of the Company, subject to the Memorandum and Articles of Association. The Company by ordinary resolution, and the Directors by Board resolution, may appoint directors.

The Board of Directors meets at least once a quarter and more frequently if required; it has not yet been felt necessary to delegate any of its powers to a committee. The appointment of Timothy Neslen, a former Goldman Sachs Investment Banker now working at Europa Capital, brings to the Board skills in fund-raising and presentations to donors. Miss Mehta resigned from the Board on 9th September 2009 in order to pursue other interests.

Miss Donnelly is responsible for operations and strategic direction; she visits the sub-continent at least 4 times a year to negotiate with local partners, both established and potential, meet the Company's Indian advisers and spend time in the villages with loan recipients, making assessments of needs and strategies; she is also responsible for fund-raising, in both of which roles she is helped by a team of volunteers. She inducts new directors and volunteers and is responsible for the day to day management of risk. She reports to each meeting of the Board of Directors on such risks as the Company may face and how it is proposed to deal with them.

Brooke Johns, a Chartered Accountant with many years of international experience in a wide variety of industries, is the Company Secretary and Chief Financial Officer, responsible for the accounting and secretarial functions.

Current operations

In May 2009, £25,000 was lent to a non-governmental organisation in Western Nepal, Backward Society Education ('BASE') which runs a microfinance programme providing small loans, basic business and skill training and on-going guidance to groups of women. This loan is repayable in May 2011 at the then current rate of exchange.

A similar organisation in West Bengal, South Asia Research Society ('SARS') has been known to Miss Donnelly for many years, but because it is difficult and expensive for foreign organisations to lend to Indian microfinance institutions and for those loans to be repatriated, it is necessary for the Company to set up its own entity in that country. Accordingly it is in the process of setting up a Limited Liability Partnership (LLP) in West Bengal which the Board has been advised should be operational by December 2009.

Financial review

In its first financial period of 15 months, the Company's income was £70,000 of which £23,000 was expended on set up and administration costs and £25,000 has been advanced to BASE in Nepal, which is repayable in May 2011. Assuming that those funds are repaid on time the Board expects to recycle them in Nepal, although it has no commitment to do so and the current political and economic situation in that country will be closely assessed before any such commitment is made.

In the current financial year, the APAX Foundation (London) has committed £50,000 to Shivia. The Board will disburse these funds to SARS when the LLP in West Bengal is operational. The aim is to deploy the first tranche in January 2011.

The Board's policy is to retain in the Company's bank account sufficient funds to meet the following 12 months' operating costs. As further funds are received it is the Board's intention to increase the number of local partners in both Western Nepal and West Bengal, to limit the damage which would occur if any lender defaulted.

The future

In the 15 months since incorporation the Board has put in place an effective infrastructure in the UK and is in the process of setting up an appropriate structure in India, which are appealing to all stakeholders - donors, local partners and volunteers. Despite the current global recession, there are encouraging signs that income in 2010 should show a useful growth so that operations may begin in India and be extended in Nepal

This statement was approved and authorised for issue by the Board on 20th October 2009 and signed by



Olivia Donnelly
Director

Timothy Neslen
Director

Shivia Microfinance

Statement of Directors' responsibilities and declaration on unaudited financial statements

General responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and generally accepted accounting practice in the UK including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in England & Wales.

UK Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the UK and with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration on unaudited financial statements

In relation to the financial statements as set out on pages 5 to 9 the directors :

1. approve these financial statements and confirm that they are responsible for them, including selecting the appropriate accounting policies, applying them consistently and making, on a reasonable and prudent basis, the judgements underlying them. They have been prepared on the going concern basis on the grounds that the Company will continue in business
2. confirm that to the best of their knowledge and belief, the accounting records reflect all the transactions of the Company for the period ended 31st August 2009.

This statement was approved and authorised for issue by the Board on 20th October 2009 and signed by



Olivia Donnelly
Director

Timothy Neslen
Director

Independent examiner's report to the trustees of Shivia

I report on the accounts of the company for the period ended 31 March 2009, which are set out on pages 5 to 9.

Respective responsibilities of trustees and examiner

The trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the accounts. The trustees consider that an audit is not required for this period under section 144(2) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed.

Having satisfied myself that the charity is not subject to audit under company law and is eligible for independent examination, it is my responsibility to:

- examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent examiner's statement

In connection with my examination, no matter has come to my attention:

(1) which gives me reasonable cause to believe that in any material respect the requirements:

- to keep accounting records in accordance with section 386 of the Companies Act 2006; and
- to prepare accounts which accord with the accounting records, comply with the accounting requirements of section 396 of the Companies Act 2006 and with the methods and principles of the Statement of Recommended Practice: Accounting and Reporting by Charities

have not been met; or

(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.


H W G Maxwell, FCA

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