MICROLOAN FOUNDATION

England & Wales · Charity number 1104287

Details

Other names	MICRO LOAN FOUNDATION
Status	Registered
Legal form	Charitable company
Company number	04828558
Registered	2004-06-11
Register	View on the Charity Commission register

Contact

Address	1 -2 Paris Garden London SE1 8ND
Phone	02088271688
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Website	www.microloanfoundation.org.uk

Activities

Objects: THE RELIEF OF FINANCIAL HARDSHIPTHE ADVANCEMENT OF EDUCATIONTHE RELIEF OF SICKNESS BY THE PROVISION WORLDWIDE OF MICROFINANCE SERVICES

Activities: We are a not-for-profit microfinace institution focussing on sub-saharan africa. Our mission is to significantly reduce the depth and breadth of poverty in the communities within which we operate. We do this by lending money to groups of rural women to help them build sustainable businesses, and by providing meaningful training and ongoing mentoring support.

Classification

- **How:** Makes Grants To Individuals, Makes Grants To Organisations, Provides Other Finance
- **What:** The Prevention Or Relief Of Poverty
- **Who:** Children/young People, Elderly/old People, The General Public/mankind

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Geography

- **Area of benefit:** WORLDWIDE
- Australia
- Malawi
- South Africa
- United States
- Zambia
- Zimbabwe

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£5,609,337	£5,130,882	£2,206,568	327
2023-12-31	£6,140,987	£5,621,792	£1,793,791	268
2022-12-31	£5,327,658	£4,763,323	£2,148,040	255
2021-12-31	£3,787,887	£3,152,739	£1,651,712	232
2020-12-31	£3,045,207	£2,817,845	£915,424	216

Trustees

Name	Role	Appointed
Michael Anthony Jackson	Chair	2019-04-01
Bernice Dunsmuir		2019-04-01
Stephen Paul Stolliday		2022-10-03
Steven Marshall		2022-10-03

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MICROLOAN FOUNDATION

England & Wales - Charity number 1104287

Accounts



microloan foundation

Annual Report and Financial Statements 2024

Registered charity number: 1104287 (England and Wales); SC041941 (Scotland)
Company limited by guarantee registered company number: 04828558 (England and Wales)

MicroLoan Foundation's vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families.

Our mission is to provide the poorest women in sub-Saharan Africa with the tools and skills to enable them to work their own way out of poverty.

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Leadership introduction

2024 marked a year of resilience, innovation, and deepened impact for MicroLoan Foundation. As Chairman and Group CEO, we are proud to reflect on a year in which our organisation continued to bring financial services and business training to women living in poverty in southern Africa.

In the face of ongoing economic uncertainty and the ripple effects of climate shocks, our teams in Malawi, Zambia, and Zimbabwe remain committed to making a positive difference in rural communities.

Over 158,000 women accessed loans, savings facilities, training and mentoring to start and grow sustainable businesses, feed their families, and send their children to school.

The entrepreneurial women we serve are transforming their lives and communities. Their strength, entrepreneurial spirit, and determination remain our inspiration and the driving force behind our work. This year, 99% of our clients repaid their loans in full, demonstrating the power of trust and the importance of our relationship-based approach.

In 2024, we invested in digital tools to extend our reach, improve efficiency and enhance client and staff safety in remote communities. We also deepened our commitment to environmental sustainability, integrating climate resilience into our training and product offerings to help women adapt and thrive in an increasingly unpredictable world.

As we look ahead, we are entering a pivotal phase in our journey. In 2025, we will launch operations in South Africa, scale our programmes in existing countries, and develop new, client-centred solutions to meet the evolving needs of women entrepreneurs.

This marks the beginning of an ambitious new chapter.

Our vision is bold: to 10x our impact over the next decade. This means dramatically increasing the number of women we reach, while continuously improving the quality and depth of our services to drive lasting change.

This ambition cannot be achieved alone. We are immensely grateful to our staff, partners, donors, and volunteers whose support has made our progress possible. And as we embark on this next phase, we invite our existing and future partners to join us—bringing your passion, expertise, and resources to this shared mission.

Together, we can build a future where every woman, no matter her circumstances, has the opportunity to thrive.

With gratitude and determination,

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer

Model and methodology

MicroLoan is an impact first microfinance organisation. We provide financial services including loans, savings, training and ongoing business support to women in Malawi, Zambia and Zimbabwe to start small businesses.

Over two decades, our model and methodology have been developed to serve women living in rural communities where poverty is often more prevalent and severe. We listen to our clients and our model is constantly evolving to address their changing needs. This includes incorporating digital solutions and designing new products, services and systems.

Loan & Training Officers travel into rural villages to meet with traditional leaders to introduce our work. At community meetings, women interested in starting or growing a business are encouraged to form groups of five members. The women will take out individual loans but the group has a collective responsibility for loan repayments and will support each other both socially and financially. The group will also join a centre consisting of up to 50 women. The centre has three elected centre leaders who support the women in their community.

Before accessing their loans, the group completes seven training modules to develop financial literacy skills, learn about their rights and responsibilities and develop business plans. The training incorporates visual aids, song, dance and role play, to make it accessible and engaging.

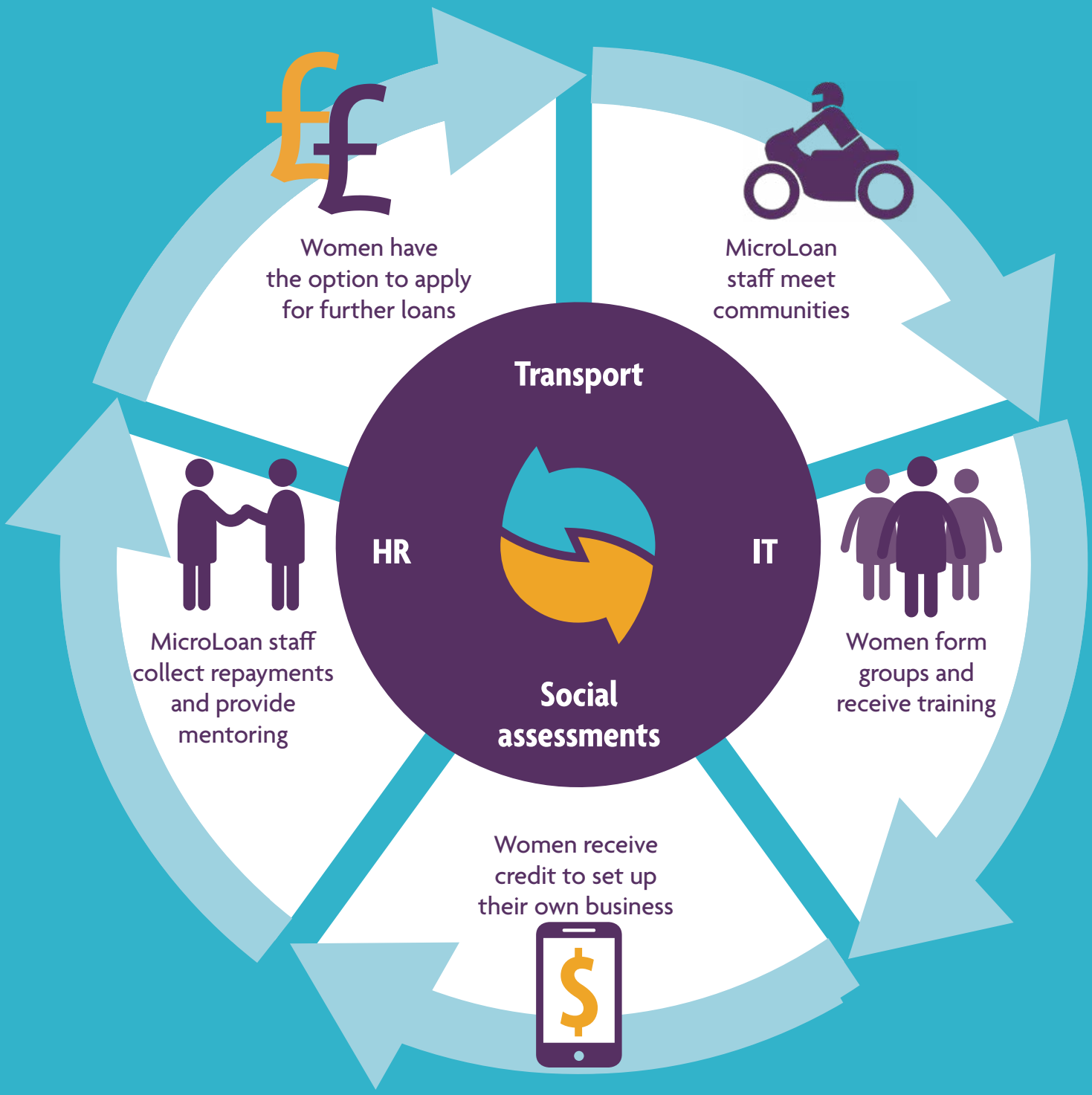
The loans are disbursed via mobile money or cash. The women will then invest in their small businesses such as farms, market stalls or hairdressing salons.

MicroLoan's centre model facilitates learning, support and risk management. Guided by their elected leaders and MicroLoan staff, monthly centre meetings are held, providing a platform to exchange experiences and participate in advanced business training.

In addition to our group lending approach, MicroLoan has introduced a graduation loan product to serve growth-oriented clients with an individual loan. This has been warmly received and we are seeing these clients create ripple effects in their communities as their businesses grow.

MicroLoan aims to achieve Operational Self Sufficiency, where interest income from the loan book covers operational costs. The loan repayment rate is consistently over 97%, and in 2024 it was 99%. By combining the revolving loan book with operational interest income and social impact investments, the charitable donations can be utilised to grow our outreach and impact.

Our funding model maximises impact and every donation creates ripples of possibility.



In 2024, 99% of loans were repaid in full.

Expanding horizons

Since MicroLoan's inception, we have disbursed £132 million to 512,000 female entrepreneurs, transforming over 2.6 million lives. In a sector where financial returns often overshadow impact, MicroLoan Foundation puts clients first, reaching deep into rural communities where commercial institutions do not go. Our model has proven to reduce poverty, increase food security and improve well-being of our client and their families.

In sub-Saharan Africa, mission-driven microfinance institutions like ours are constrained by a challenging macroeconomic environment combined with an unsuitable funding model. There is limited philanthropic capital invested in the sector and we are reliant on high-cost commercial debt which hampers our capacity to scale with purpose and urgency.

Philanthropic capital has been the foundation of microfinance institutions (MFIs) in Asia and Latin America, fostering the microfinance ecosystem and institutions to prioritise impact with the security and flexibility of unrestricted funding. The same level of support has not been extended to develop the foundations for African MFIs. Despite operating in some of the most challenging markets in the world with limited access to philanthropic capital, MicroLoan has risen to become the fourth most impactful financial service provider globally. Imagine the scale of impact if we had access to the same funding model.

It's time for a radical shift.

Our ambition is to serve

1 million women

every year and dramatically change the financial landscape for rural women from the lowest socio-economic demographic over the coming decade.

To do this we will conduct a feasibility study in 2025, to explore the establishment of a philanthropic fund focussed on scale, inclusion, and innovation. It will fuel growth in our existing countries of operations and our geographic expansion to South Africa, extending our reach into one of the region's most unequal economies.

With the right partners, we can reshape the future of microfinance in Africa, unlocking not just funding, but freedom, resilience, and opportunity for one million women every year.

Our vision for 2035

Scale | Expanding Reach and Impact

We will increase the number of women we serve to 1 million annually, impacting 5.2 million people every year.

Inclusion | Making Financial Services Affordable

We will reduce the cost of financial services by making loans more affordable and unlocking access for the most marginalised households.

Innovation | Driving Resilience and Adaptability

With over 90% of our clients engaged in smallholder farming, we will invest in rigorous research and development to design new products that bolster resilience to climate change and economic volatility.



Social impact

In 2024, 158,480 women in Malawi, Zambia, and Zimbabwe accessed financial literacy, business training and small affordable loans. Through the hard work and determination of these women, over 659,000 children and vulnerable adults in their care have increased access to nutritious food, healthcare and education.

At MicroLoan we measure and monitor our impact carefully. Social Performance Management is a range of processes and activities we use to ensure we are achieving our aim of helping the poorest women transform their lives. This includes defining and monitoring social goals, developing appropriate products and services, treating clients and employees responsibly, and balancing social and financial performance. Our client centric approach is often cited as an example of best practice and MicroLoan has been globally celebrated by the 60 Decibels Microfinance Index, European Microfinance Award and, in 2024, MicroLoan Foundation USA was recognised for its contributions to fighting poverty and hunger by the .ORG Impact Award.

EUROPEAN MICROFINANCE AWARD

60 dB
MFI Index: Africa
TOP IMPACT
2023

.org IMPACT AWARDS
CHAMPIONS FOR CHANGE

Poverty alleviation

The Poverty Probability Index® is a globally recognised poverty measurement tool which determines the likelihood of a household living below the poverty line. It helps us assess if we are reaching the poorest segment of the population, and if their poverty status is improving over time. Poverty reduction needs to be measured from a long-term perspective and MicroLoan has been collecting this data since 2012.

Over 17% of clients who have been with MicroLoan for more than one year are moving out of extreme poverty. Even before a change in poverty status, women report a range of positive changes in their lives as their household income increases, including better food security, improved access to healthcare and their children are less likely to miss school.



In 2024, 75% of all new clients were living below the global $2.50 per day poverty line and 47% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.

100%

of all MicroLoan clients were saving in 2024

92%

of families have food security compared to **87%** before joining MicroLoan

8%

of women have one or more paid employees

49%

of clients have increased access to healthcare after joining MicroLoan

Women report a

382%

average increase in business profits after joining MicroLoan

77%

of clients in Malawi are able to send all of their female children to school compared to **61%** before



Over 17% of our clients who have been with MicroLoan for more than one year are moving out of extreme poverty.

This is a significant achievement considering many of these families have been living in extreme poverty for generations.

Food security and the intersection with climate change

The southern African region was impacted by a protracted drought in 2024, causing crop failure and economic instability which in turn created food insecurity. The women we serve play a vital role in the food system, as market vendors, restaurateurs, bakers, traders, consumers and 90% of our clients are engaged in smallholder farming for food or income. These women are central to ensuring food security at national, local, and household levels.

Smallholder farmers are vulnerable to shifting weather patterns and extreme weather events. MicroLoan addresses this vulnerability by helping clients adapt to climate change and build resilience. This includes having diversified income beyond farming, access to capital, support from loan groups during crises, and, importantly, the ability to save. In 2024, 100% of MicroLoan's clients were able to make savings which will help them through both domestic and external crises. Clients also have increased household income and better harvests through access to quality seed, fertiliser, and conservation farming practices. Over 84% report improved food security after joining MicroLoan, and many clients increase their spending on structural improvements of their homes to withstand natural disasters and adverse weather conditions.



of clients report increased spending on housing and household assets



of clients in Zambia have improved resilience to face emergencies



of clients have improved food security



of clients were able to save



Gender equity

Financial independence and asset ownership contribute to a greater acceptance of women's rights to legal and economic freedoms. By focusing exclusively on women in rural areas we address systemic barriers to financial inclusion for women. 89% of our clients access formal financial services for the first time thanks to MicroLoan, demonstrating our expertise and commitment to serving the last mile.

Access to finance and the opportunity to generating an independent income promotes gender equality and changes women's attitudes towards taking risks, learning new skills and financial decision making. 98% of MicroLoan clients report an increase in confidence after joining MicroLoan. The same percentage point reported an improvement in their quality of life after joining MicroLoan. The main reason was ability to provide for their children.

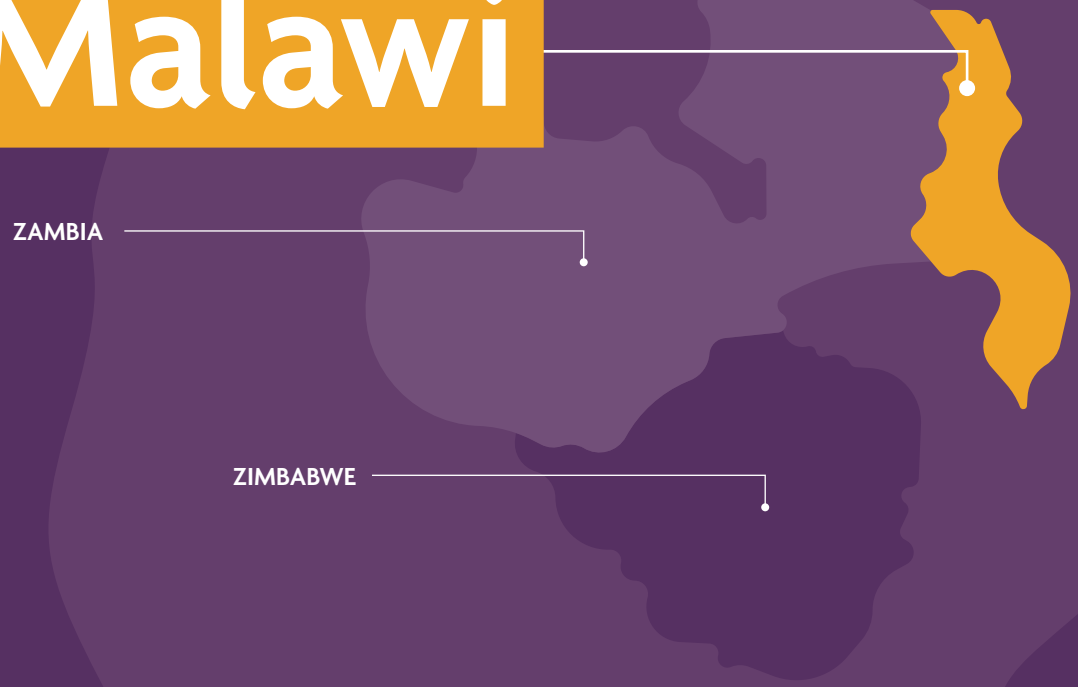
The United Nations Sustainable Development Goals provide a global framework for building a better and more sustainable future for all. Our work directly supports the goals of No Poverty, Zero Hunger, and Gender Equality. In addition, the wider impact of our programmes contributes to Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land, and Partnerships for the Goals.



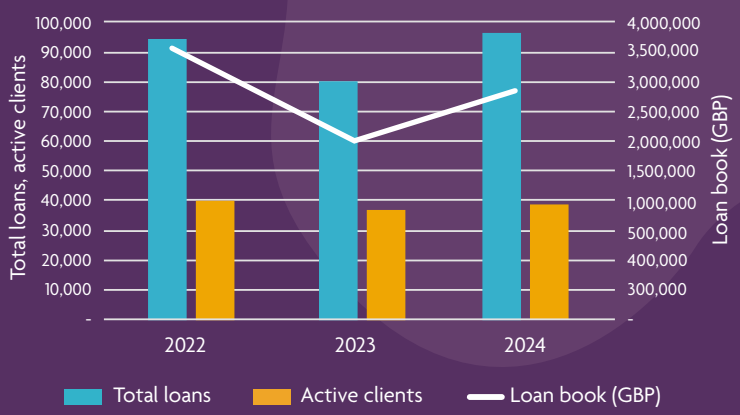


98% of clients report an improvement in their quality of life.

Operations in Malawi



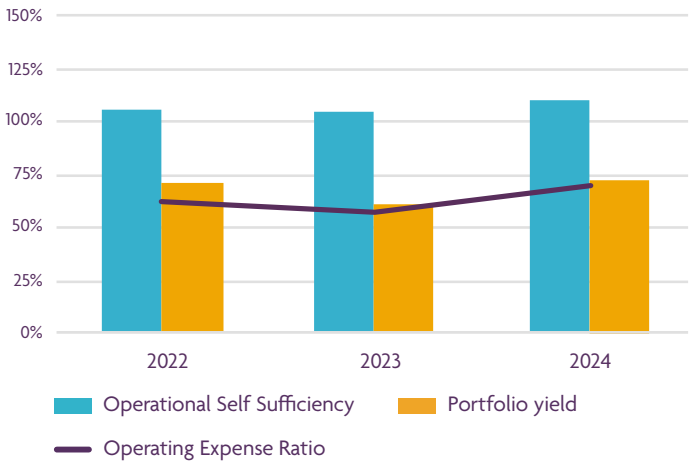
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2022	2023	2024
Total loans made	95,078	80,861	97,094
Active clients	40,813	37,177	39,820
Loan book (GBP)	3,740,293	2,051,243	2,768,258
Average loan size (GBP)	102	85	77
PAR30	3.2%	8.8%	1.2%
Repayment rate	99%	96%	98%
Operational Self Sufficiency	104%	103%	108%
Portfolio yield	71%	66%	73%

MicroLoan is the leading social microfinance institution in Malawi focussed solely on women. In 2024, the institution successfully grew its outreach, portfolio and operational sustainability whilst incorporating new innovations and solutions to improve its services.

The country faced significant economic challenges that hindered growth and stability and recorded a Gross Domestic Product (GDP) growth of only 1.8% in 2024. The year began with an El Niño-induced drought, and a State of Disaster was declared in March 2024. The drought severely impacted agricultural output, a critical sector for the country's economy. This led to below-average harvests and heightened dependency on food imports, further exacerbating food inflation, which averaged 40.2%. Rising utility prices and the continued depreciation of the Malawian Kwacha added to inflationary pressures, pushing the overall inflation rate to 32.2%, up from 28.7% in 2023.

Foreign currency shortages persisted throughout the year, stemming from weak export proceeds and reduced foreign direct investment inflows. These shortages created a challenging business environment and contributed to the Malawi Kwacha's depreciation against major trading currencies. Meanwhile, Malawi's public debt continued to escalate. Price distortions caused by an overvalued official exchange rate led to widespread resource misallocation, complicating macroeconomic stabilisation efforts.

Despite the macroeconomic challenges impacting its operations and clients, MicroLoan Malawi delivered a strong performance in 2024. The loan portfolio increased by 38% in local currency to MWK6.0 billion, up from MWK4.4 billion in 2023, driven by productivity improvements and heightened demand, particularly in the latter part of the year.

The volume of disbursements rose by 39%, from MWK11.6 billion in 2023 to MWK16.1 billion in 2024, while total income grew by 20% due to higher portfolio yields.

Portfolio at Risk over 30 days (PAR30)—a key measure of loan portfolio quality—improved significantly, closing the year at 1.2% compared to 8.8% in 2023. This improvement reflects strengthened portfolio management and recovery efforts throughout the year.

Following a deliberate slowdown in 2023, MicroLoan resumed modest growth in 2024—expanding its outreach by 7% as active client numbers increased from 37,177 to 39,820. This cautious rebound came amid ongoing challenges from the region-wide drought, but also reflected signs of recovery from the impact of Cyclone Freddy. As business conditions gradually stabilised, more clients were able to access the tools they need to rebuild and grow their livelihoods.

Cost containment measures that continued to be implemented by management in 2024 from previous years, led to increased profitability, and MicroLoan Malawi recorded an Operational Self Sufficiency (OSS) ratio of 108%.

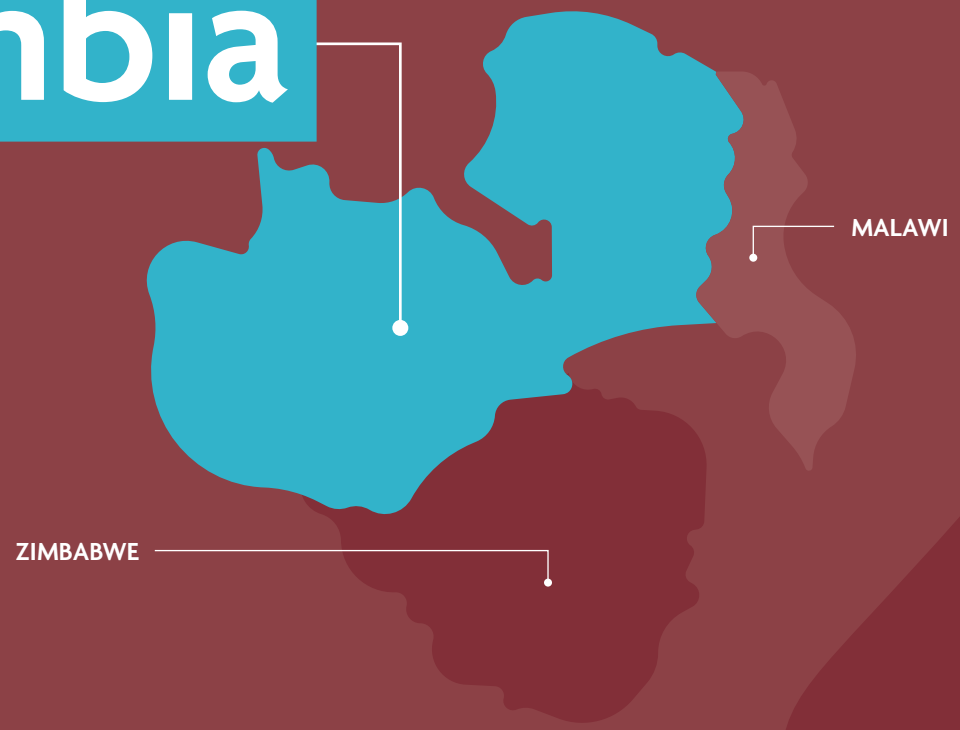
MicroLoan also developed and piloted an individual loan product with support from Deutsche Geschellenschaft fur Internationale Zusammenarbeit GmbH (GIZ). This product is designed to increase access to environmentally and socially compliant finance for smallholder farmers and MSMEs in rural and peri-urban communities. Three specific loan purposes were identified: accessing adapted seeds, solar pumps, and solar fridges. This pilot demonstrated MicroLoan's capacity to support vulnerable women transitioning from group lending to individual loans to grow financially and environmentally sustainable businesses.

In 2025, MicroLoan Malawi's key focus remains ensuring strong internal controls, portfolio quality and product diversification through the continued development of individual lending products and microinsurance. To this effect, our growth areas will continue to be within our existing branches, as they scale to achieve full capacity.

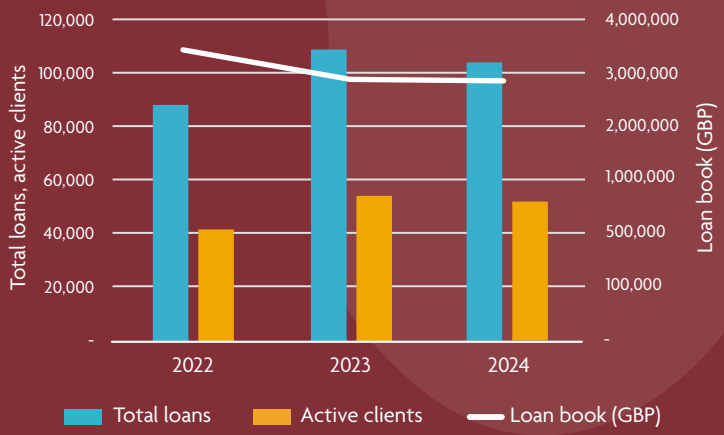
During the year, MicroLoan Malawi made significant progress in introducing our clients to digital financial services. This includes extensive client training to build trust in digital transactions and a marketing campaign to raise awareness of the MicroLoan USSD code for repayments. By the end of the year, mobile money services were available at all branches and 80% of repayment and 30% off disbursements were made via mobile money.



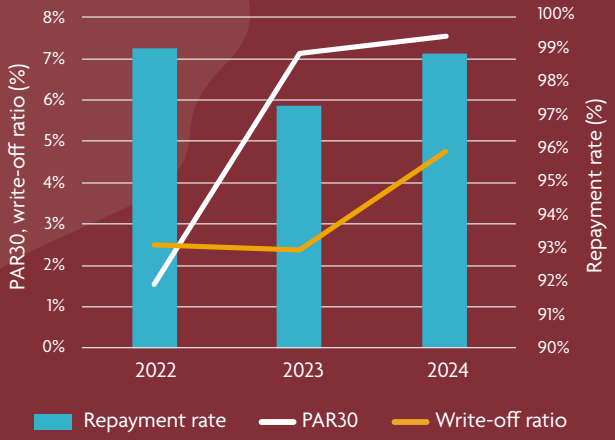
Operations in Zambia



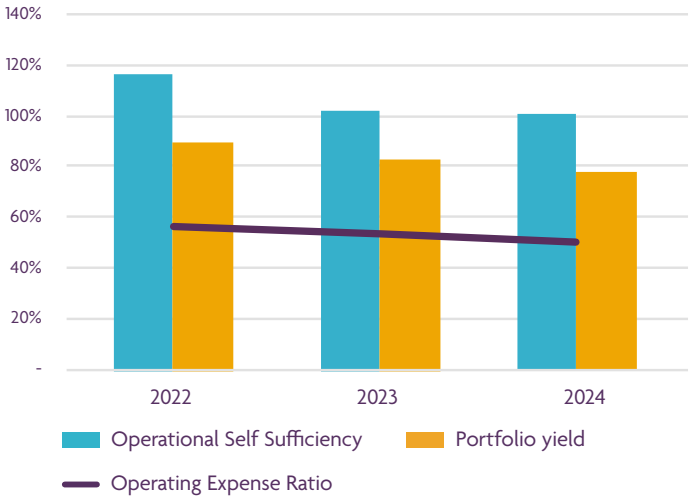
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2022	2023	2024
Total loans made	88,367	108,790	101,104
Active clients	42,063	54,526	50,280
Loan book (GBP)	3,481,547	2,956,743	2,847,911
Average loan size (GBP)	105	95	85
PAR30	1.5%	7.1%	7.5%
Repayment rate	99%	97%	99%
Operational Self Sufficiency	117%	103%	101%
Portfolio yield	90%	84%	77%

MicroLoan Zambia has been globally recognised as one of the most impactful financial service providers in the world by the 60 Decibels Microfinance Index, and the institution continues to lead the way in digital innovation and social impact.

The macroeconomic conditions affecting Zambia continued to remain challenging in 2024 and real GDP growth was 2.3%. The negative effects of the severe drought led to unpredictability, affecting food security and hydropower generation. Inflationary pressure continued to escalate in the year 2024; increasing from 13.1% recorded in December 2023 to 16.7% in December 2024 and the key drivers of inflation were attributed to low supply of maize, increased demand for fuel due to sustained electricity load management and persistent depreciation of the Zambian Kwacha against major currencies.

MicroLoan Zambia's clients are in rural parts of the country where business activities are largely driven by agriculture production. The drought had a significant impact on the lives and livelihoods of our clients and impacted the performance of the institution. The institution put measures in place to control portfolio quality affected by the drought and as a result, the active number of clients reduced by 8%, down from 54,526 in 2023 to 50,280.

The local currency portfolio value grew slightly by 2%, up from ZMW98.4 million in 2023 to ZMW100.9 million in 2024. The slight growth in the portfolio value is attributed to increase in average loan sizes for clients in response to inflationary pressure. MicroLoan Zambia saw a slight drop in the portfolio quality at the end of the year, with a PAR30 of 7.5% compared to 7.1% in 2023.

This was linked to a combination of factors including farmers being affected by erratic weather patterns, macroeconomic challenges, and high staff turnover. The agriculture loans have balloon payments and therefore has a material impact on the portfolio at risk.

Despite the difficult macroeconomic environment, MicroLoan Zambia ended the year with an Operational Self Sufficiency ratio of 101%.

MicroLoan Zambia broadened its impact by opening three new branches in Shesheke, Mpongwe, and Mumbwa. This expansion was made possible through grant funding from our dedicated supporters at Halcrow Foundation and The Headley Trust whose contributions have been crucial in extending our services to these communities.

In 2024, MicroLoan Zambia advanced its digital transformation with the establishment of a dedicated Innovation Department. The new team is spearheading the development of a digital ecosystem designed to enhance transaction security, improve operational efficiency, and reduce both administrative costs and environmental impact for our clients.

The digital developments include continued enhancements to our internal platform Oleyas, and the expansion of our innovative savings platform Kathumba. Kathumba, built on USSD and mobile money technology, offers clients greater security and transparency over their savings. At the same time, the enhancement of Oleyas is expected to streamline operations by automating and simplifying core processes, driving greater efficiency across the organisation.

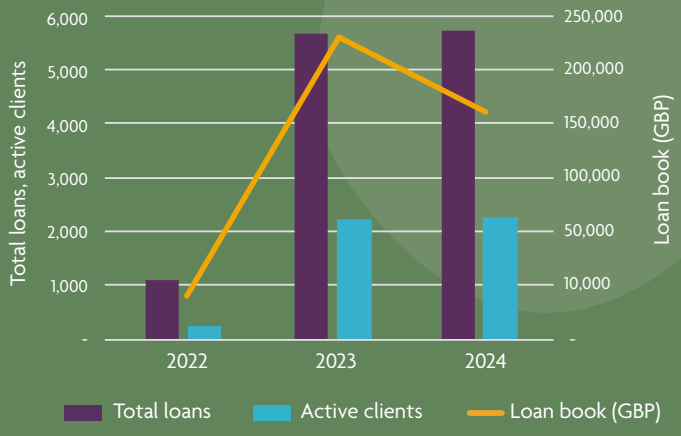
In 2025, the focus will remain on growth, innovation and maintaining a healthy portfolio quality. An individual loan product will be developed and tested to better serve growth-oriented clients. Client protection will be enhanced by integrating insurance into its financial services and hedging loan portfolios against adversities. This critical initiative will leverage mobile money technologies to deliver our new insurance products efficiently and securely, ensuring our clients are safeguarded from unforeseen financial challenges.



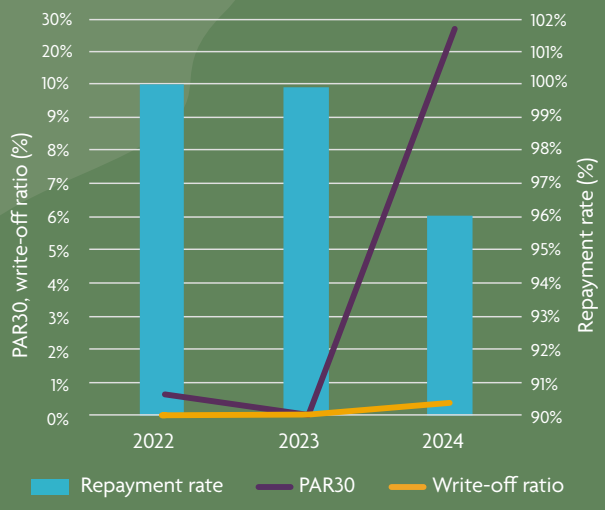
Operations in Zimbabwe



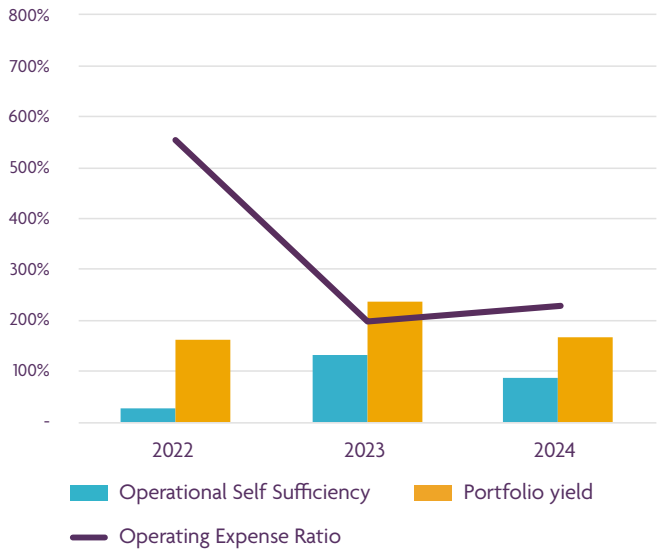
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2022	2023	2024
Total loans made	1,082	5,660	5,658
Active clients	234	2,205	2,350
Loan book (GBP)	8,715	233,891	151,733
Average loan size (GBP)	73	150	115
PAR30	0.6%	0%	27.7%
Repayment rate	100%	100%	96%
Operational Self Sufficiency	29%	133%	79%
Portfolio yield	162%	236%	170%

MicroLoan Zimbabwe remains one of the only social microfinance service providers in the country.

In 2024, Zimbabwe experiences one of the worst droughts in living memory and economic development continues to be challenging. Real GDP slowed to 2% in 2024, compared to 5.5% in the prior year. This was primarily due to the El Niño-induced drought, which led to steep decline in agricultural output and rising food prices, while hydroelectric power shortages constrained manufacturing.

In April 2024, the Reserve Bank of Zimbabwe (RBZ) introduced a new gold-backed currency, the ZiG, aimed at stabilising the economy. The currency initially succeeded in curbing inflation and stabilising the exchange rate between May and August. However, fiscal pressures later prompted government borrowing from the central bank, leading to a sharp depreciation of the ZiG on the parallel market. In response, RBZ adjusted the official exchange rate in late September to reduce the market premium. A subsequent tightening of monetary policy contributed to greater exchange rate stability across both formal and informal markets by the year-end.

Zimbabwe has a multicurrency system, set to continue until 2030. To mitigate against currency risks, MicroLoan Zimbabwe operates using US Dollar lending which means that our clients can borrow and trade in a stable currency, essential to create sustainable livelihoods. Moreover, the value of the loan book is preserved and can be recycled and reused.

Despite challenging operating conditions, the number of active clients at year-end grew by 6.6% to 2,350. However, widespread food insecurity, largely driven by crop failure, rising food prices, and reduced economic activity in rural areas, affected several of our key performance indicators. The loan portfolio declined from $297,042 to $191,184, reflecting the economic pressures faced by clients and MicroLoan's prudent approach to risk management during this period.

Amid increasing economic hardship, many clients faced challenges in meeting their repayment obligations, thereby impacting portfolio quality. Portfolio at Risk over 30 days (PAR 30) rose to 27.7% at year-end, compared to 0% in 2023. The elevated portfolio at risk was primarily concentrated in drought-affected regions, where clients, though committed were unable to repay due to crop and business failures. In response, MicroLoan implemented loan restructuring and selective write-offs to ease financial pressure on affected clients.

The limited growth in active clients and reduction in loan book was due to a focus on maintaining portfolio quality, recovering outstanding loans, and adjusting loan sizes in line with clients' reduced repayment capacity.

In response to the difficult operating environment, MicroLoan Zimbabwe reduced its monthly interest rate from 10% to 7% to ease the financial burden on clients.

While muted growth and reduced interest rates resulted in an Operational Self-Sufficiency (OSS) ratio of 79%, this reflects MicroLoan's continued commitment to its social mission and is seen as a strategic investment in the long-term resilience and recovery of both clients and the organisation.

During the year, MicroLoan Zimbabwe strengthened its leadership team with the recruitment of a new Chief Financial Officer and a new Finance Manager. Both individuals bring a wealth of operational experience and financial expertise, representing a step change in the organisation's capacity to drive growth. Their appointments mark a pivotal development in supporting MicroLoan Zimbabwe's long-term objectives, ensuring strong financial stewardship and positioning the organisation to deliver effectively on its strategic goals in the years ahead.



Fundraising overview

In the previous year we saw a 25% increase in fundraising income and the fundraising function has maintained a healthy level of voluntary income in 2024, raising £1,138,503 (2023: £1,178,454). Our donors include trusts, foundations, institutions and corporate partners, as well as generous individuals who support us through personal donations, fundraising events or campaigns.

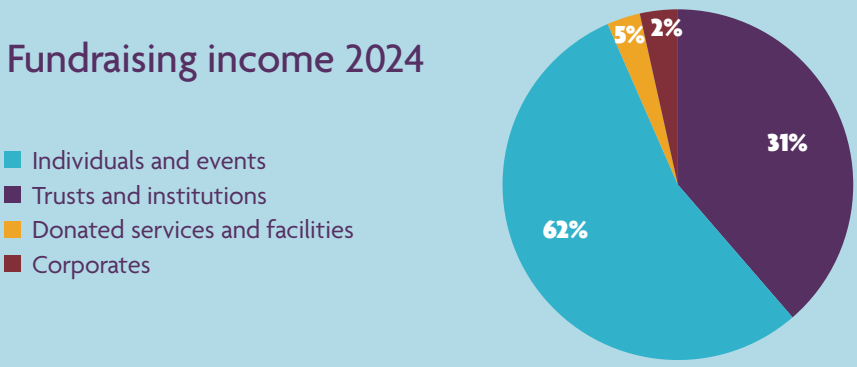
The top donors in 2024 include WildHearts Group and Foundation, Halcrow Foundation, The Headley Trust, The MacDaibhidh Charitable Trust, Grameen Crédit Agricole Foundation, Swiss Capacity Building Facility, and SIDI (International Solidarity for Development and Investment) through the Technical Assistance Facility FEFISOL II. We would also like to acknowledge our longstanding partner Whole Foods Market Foundation for their continued support. During the year, we were granted two significant legacy gifts of £150,000 and £76,469. In addition, we received generous donations from private individuals and organisations who wish to remain anonymous. The voluntary income includes donated resources and gifts in kind to a total value of £50,778 (2023: £55,643).

MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to develop innovative projects and ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

In 2024, MicroLoan Foundation received investments in the form of debt facilities from WildHearts Foundation, Grameen Crédit Agricole Foundation, FEFISOL II, Global Partnerships, LendwithCare, MAIIC, The Paul Foundation, Oikocredit, SIDI, Symbiotics, and The World Bank via the FInES (Financial Inclusion and Entrepreneurship Scaling) project.

In 2025, MicroLoan will conduct a fundraising feasibility study to support the organisation's ambitions to significantly grow philanthropic income to increase our outreach and impact over the coming decade.

Fundraising income 2024



Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2024 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 50 to 54. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia, Zimbabwe and South Africa.

Most of the income and expenditure of the group is generated or incurred in local currency, and the majority of assets and liabilities are similarly denominated. Accordingly, the consolidated result of the group, which is presented in Sterling, is significantly impacted by foreign exchange movements. Although in 2024 the Malawian and Zambian Kwachas declined by only 1.6% and 5.6% respectively, in 2023 the equivalent drops were 74.1% and 51.0%. Certain Sterling movements in income and expenditure compared to the prior year are therefore heavily distorted compared to the underlying local currency movements.

Results in overview

The Group's financial performance during 2024 was satisfactory and positive progress continued to be made against its strategic plan. £16.8 million of loans were disbursed during the year and the loan book at year end (net of provisions) was £5.8 million (2023: £5.3 million).

The Group reported an overall increase in funds of £412,777 (2023: £354,249 decrease). Net income fell 8% to £478,455 (2023: £519,195), however the reduced volatility in the Malawian and Zambian Kwacha exchange rates meant that losses arising on retranslation of brought forward reserves were significantly reduced. These were £65,678 in 2024 compared to £924,119 in the prior year. The principal liabilities of the group's subsidiaries continue to be denominated in local currency in order to mitigate the impact of asset devaluations caused by adverse exchange rate movements.

At the year end, total group funds amounted to £2,206,568 (2023: £1,793,791) of which £109,273 (2023: £41,804) were restricted and £2,097,295 (2023: £1,751,987) were unrestricted. Of these, £1,970,598 (2023: £1,558,090) related to MicroLoan Foundation as the charitable parent, with £109,273 (2023: £41,804) restricted and £1,861,325 (2023: £1,516,286) unrestricted.

Income and expenditure

Total Sterling income declined by 9% to £5,609,337 (2023: £6,140,987) with a corresponding decrease of 9% in total expenditure to £5,130,882 (2023: £5,621,792).

Most of the group's income derives from interest received on our microloan portfolio. In 2024, this income fell by 11% to £4,363,632 due to foreign exchange movements. In local currency terms, Malawi's core income grew 19%, Zambia's 3% and Zimbabwe's 17%. These underlying movements broadly reflect a combination of inflationary effects and movements in client numbers within each country.

The charity's fundraising function generated voluntary income of £1,138,503, down 3% on the prior year. This comprised a combination of technical assistance support (to enhance our operations in Malawi and Zambia) and direct financial contributions. The severe drought conditions meant that growth milestones in Zimbabwe were missed, resulting in delay of pledged grant funding. The impact of this was partially mitigated by receipt of significant legacy income.

Investment income, made up of interest earned and rental income from a property in Malawi, was £107,202 (2023: £66,774). During 2024 the UK parent was able to temporarily invest funds that have been ringfenced for future expansion and this helped boost this income stream.

Staff costs continue to be the single largest expense of the group, accounting for 40% of total resources expended (2023: 35%). Average employee numbers grew 22% compared to 2023, although part of this was the full year effect of recruitment that took place in the prior year – particularly in Zambia. Local currency movements in this expenditure category reflected the growing headcount, however the effect of exchange rate movements meant that staff costs in Sterling terms only increased modestly to £2,030,092 (2023: £1,962,286).

The interest paid on our borrowings in 2024 totalled £880,389, a reduction of £171,093 (16%). The volatility of the Malawian Kwacha and Zambian Kwacha has meant higher interest rates on new borrowings, however the decline in value of the currencies has meant that the Sterling cost has reduced. This mirrors the decline in the Sterling value of income earned from our loan book.

A significant improvement in PAR 30 in Malawi compared to the prior year-end contributed towards a 50% reduction in the cost of loan provisions and write-offs. These totalled £265,781 compared to £532,492 in 2023. Portfolio at Risk remains higher than target in both Zambia and Zimbabwe, resulting in additional provisions being incorporated at 31 December 2024. Efforts are ongoing post year-end to bring down loan arrears and it is hoped that part of this provisioning can be reversed in 2025.

Greater stability in local currencies across 2024 helped reduce operating exchange losses by 86% to £34,430 (2023: £247,070).

Movements in other overhead categories in local currency terms broadly reflect changes in headcount and inflationary pressures (particularly fuel costs). Nevertheless, as explained above, the Sterling-equivalent movements generally reflect a decrease due to the significant change in the average exchange rate applied year-on-year.

Use of funds

During 2024 the UK charity advanced total funding of £490,974 to the subsidiaries to support expansion of our mission and impact. This comprised £357,144 of loan funding (that the parent intends to convert to equity) and £133,830 in the form of revenue grants. Our UK fundraising team also helped secure a further £128,610 of support that was received directly into Africa through a combination of revenue grants and technical assistance support.

The subsidiaries used this funding to increase the Sterling value of the year end loan book by £542,681 (10%) to £5,809,822 (2023: £5,267,141). Although the total value of all loans disbursed decreased by 3% to £16,840,269 (2023: £17,329,189), the number of clients we supported during the year rose by 9% to 158,480 (2023: 144,943). The average loan size during 2024 was £83 (2023: £89).

In addition to investment advanced to the subsidiaries, the UK parent also ringfenced a further £280,000 towards startup capital for geographical expansion into South Africa that is planned for 2025.

Key Financial Performance Indicators

The key financial performance indicators that are monitored by management are principally as set out in the reviews of operations above. In addition, the efficiency of our fundraising function and the proportion of total income that the charity reinvests in fundraising activities are also closely monitored:

Fundraising efficiency ratio

	2022	2023	2024
Donations and legacies received	£946,085	£1,178,454	£1,138,503
Cost of fundraising function	£322,623	£344,318	£368,745
Ratio	2.9	3.4	3.1

Fundraising expenditure

	2022	2023	2024
Total expenditure	£4,763,323	£5,621,792	£5,130,882
Expenditure on fundraising	£322,623	£344,318	£368,745
Percentage	6.8%	6.1%	7.2%

Reserves policy and management

In the UK

Reserves are maintained at a level that enables the charity to manage financial risk and ensure the charity can sustain its activities over the long term. As a fundraising charity, we are subject to the effects of short-term volatility in income whereas our cost base is relatively fixed and the demand for funds to support our loan book growth is ongoing.

The heightened geo-political risks across the territories in which the Group operates also necessitate a cautious outlook in terms of the Group's operating environment and reserves policy. The high levels of inflation and significant currency depreciation experienced across Malawi, Zambia and Zimbabwe in recent years are examples of the difficulties faced. The Board anticipates ongoing upward pressure on core costs such as salaries and fuel in these countries, as well as challenges accessing affordable social investment to support and scale our activities there.

We use a single reserves measure in respect of our UK operations. This measure mandates that MicroLoan Foundation should hold a minimum level of free reserves to ensure that the charity is able to meet its financial commitments as they fall due, with any excess then available to grow loan book.

'Free reserves' is defined by the Board as unrestricted and undesignated net current assets. It excludes tangible fixed assets (which are not readily convertible to cash), long term borrowings and any funds that have already been committed or advanced to our projects in Africa through grants, investment or lending. Such advances do not represent an available source of funds to meet UK financial commitments.

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2024, the free reserves position was £456,263 equivalent to 7.3 months.

MicroLoan Foundation has made significant investment over the last few years to strengthen its management team across all countries and to continue to build its reputation within the sector as a responsible, well-managed and mission-focussed microfinance organisation. This has enabled it to forge very strong relationships with several specialist microfinance investors and develop a healthy pipeline of available loan capital that the charity can use to leverage donor-funded investment that continues to be made by the UK. Our operation in Malawi has also continued to benefit from a targeted debt facility from the World Bank originally secured in 2022.

Management nevertheless recognises the importance of ensuring a responsible approach to the amount of debt taken on relative to the level of reserves. Accordingly, it is vital that the charity continues to manage and grow other reserves as part of ensuring there are sufficient funds available to support and scale our activities in line with the Group's five-year strategic plan.

In Africa

As regulated microfinance institutions, our subsidiaries in Malawi, Zambia and Zimbabwe must meet stringent capital adequacy rules mandated by the local Reserve Banks. In addition, the environments that they operate in make these entities more susceptible to macroeconomic shocks caused by natural disasters such as floods, famine or changes in government policy. Accordingly, reserves policy is delegated to local Boards which each include Senior Management representation from MicroLoan Foundation in the UK. Generally, a prudent approach is taken to reserves management and gearing within our microfinance subsidiaries, with all of them operating well within the mandated capital requirements set out by local statute.

Investment policy and objectives

The charity's investment policy is to seek to maximise the number of lives positively impacted whilst managing risk. The Board is very conscious of its responsibility to utilise charitable funds in a highly effective and efficient way and the need to ensure that this same ethos cascades across the wider group and local Boards. All investment decisions are therefore made with these considerations in mind.

Each subsidiary is expected to work towards a position of Operational Self Sufficiency where it can independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.

As the parent charitable organisation, MicroLoan Foundation makes targeted cash advances to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served. From 2025, it will also advance significant funding to support the Group's expansion into South Africa. This forms part of the Board's strategy to manage investment risk over the long term through geographical expansion.

Funds held pending deployment are invested in the COIF Charities Deposit Fund. This fund is categorised as a short-term, Low Volatility Net Asset Value Money Market Fund and is designed to provide a high level of capital security whilst providing a competitive yield.

Going concern

The Group continues to make steady progress against its strategic plan, building resilience within its microfinance subsidiaries through sustained, responsible growth and ensuring liquidity by developing a strong network of engaged and mission-aligned investors that supplement fundraising activities undertaken by the UK.

Our subsidiaries in Malawi, Zambia and Zimbabwe are projected to be operationally self sufficient in the coming year despite the ongoing challenges of high inflation and currency volatility. Budgets for our new institution in South Africa anticipate operational self-sufficiency by 2028, and funding has been ringfenced to ensure it will have sufficient capital to work towards this position.

In the UK, the parent charity has no external debt commitments to service and continues to rigorously manage its cost base to ensure it is operating as leanly as possible. The Board also continues to adopt a prudent approach to reserves cover to ensure that short-term fluctuations in income levels can be adequately managed. The donor pipeline remains stable and management anticipates generating sufficient income to be able to fund further investment into the subsidiaries.

After having reviewed forward projections and making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Risk management

The trustees have assessed the principal risks across the group as being:

- Fundraising risk
- Sustainability risk
- Liquidity and funding risk
- Credit risk
- Foreign exchange risk
- Operational risk (including fraud)
- Safeguarding risk
- Reputational risk

The measures taken by the charity to mitigate these risks are as follows:

Fundraising risk

This is the risk that the level or mix of unrestricted and restricted income and social investment is insufficient to maintain or expand our social mission.

Donor funding presently remains a key part of MicroLoan Foundation's income stream, however the Board is very conscious of the shifting fundraising landscape and the changing needs of the microfinance operations as they mature and seek to scale. In 2025, the company is undertaking a strategic review of its fundraising function. This includes a feasibility study that will explore potential alternative approaches to fundraising and new sources of income generation.

The charity aims to significantly scale the level of voluntary income that it generates over the next three years to ensure the Group's strategic objectives can be achieved.

Sustainability risk

This is the risk that the expenses from our charitable activities in respect of microfinance exceed the associated income and therefore reduces our ability to provide services and maintain or grow our impact.

Our objective remains that all our operations in Africa are operationally self-sufficient, which the Group achieved for the first time in 2023. During 2024, the financial performance of our institutions in Malawi, Zambia and Zimbabwe were all significantly impacted by drought conditions. Our smallest operation – Zimbabwe – suffered most from these external factors whereas our operations in in Malawi and Zambia were better able to manage the challenges due to their larger size. This illustrates the importance of continuing to grow the institutions to make them more resilient to the effects of short-term volatility and macro-economic shocks.

Our strategy will continue to be one of responsible investment into each country through a combination of donations and social investment. Alongside this, we see increased use of technology as crucial to implementing

more efficient ways to operate and improving working practices. We have made good progress across all our countries of operation in this regard - particularly in Zambia where technical assistance funding has helped upskill personnel and accelerate implementation of system enhancements. We aspire to be a high-tech organisation whilst maintaining the core principals of our high-touch service model for clients.

Liquidity and funding risk

Gross income streams can be volatile whereas the underlying UK cost base, which is principally staff and associated costs, is relatively stable and recurring.

The Board seeks to maintain a prudent level of free reserve cover to cope with fluctuations in income and thereby ensure running costs can be met and that charitable activities can continue to be delivered without disruption. The partnership between MicroLoan Foundation and WildHearts Foundation is also a key part of the strategy to manage volatility in income streams since it provides cost synergies as well as complimentary income streams within the wider group.

Credit risk

This is the risk of significant levels of default across our microfinance portfolio.

Although we operate in some of the poorest areas of sub-Saharan Africa, our credit risk history shows that our methodology works. Loan repayment rates typically average over 97% and our sector-leading Management Information System allows us to identify problems early and work with clients to resolve them.

Foreign exchange risk

This risk arises on conversion of receipts or payments from one currency to another or revaluation and translation of local currency loans, borrowings or investments into Sterling. We operate where currency rates are volatile and can fluctuate significantly, as demonstrated by the significant devaluations of both the Malawian Kwacha and Zambian Kwacha over the last couple of years.

To mitigate currency risks, we match our assets and liabilities by currency whenever possible and use foreign currency hedging where it is cost effective and feasible to do so. We also encourage social investors to lend to us in local currencies.

Operational risk

The charitable group has more than 300 staff working across four countries and therefore we have the logistical risks associated with operating over large distances, in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

To manage this risk, operational performance is monitored closely on an ongoing basis at both local and group levels. There are well established daily, weekly and monthly reporting routines that include variance analysis against budgets and Key Performance Indicators.

We continually seek ways to improve our operational framework, including upskilling our people and local Boards and investing in strengthening our internal audit function. We also regularly review and upgrade our IT infrastructure and computer equipment to ensure it remains fit for purpose.

There are mechanisms in place that allow knowledge sharing and collaboration across

our different countries of operation, helping management identify examples of best practice and also areas of risk.

Safeguarding risk

MicroLoan works with communities and individuals who are vulnerable. We have a responsibility to ensure that our employees, volunteers, partners and programmes do no harm to children and vulnerable adults. Any concerns the organisation has about the safety of children and vulnerable adults within the communities in which we work, are dealt with and reported to the appropriate authorities. It is also the responsibility of the organisation to protect its employees and volunteers when they are vulnerable, for example, when ill or at risk of harm.

Our microfinance operations have strong client protection and safeguarding policies in place. All staff undergo a rigorous interview and assessment process prior to appointment and receive comprehensive training on client protection and ethical conduct. We maintain a whistleblowing hotline in Africa and provide multiple feedback mechanisms for both clients and staff. Our Social Performance Management department regularly conducts client interviews, serving as a direct link to local head offices.

Reputational risk

This is the risk of an event or allegation adversely impacting the reputation of the charity and, consequently, jeopardising its ability to fulfil its charitable objectives.

MicroLoan Foundation mitigates reputational risk by maintaining transparency, ethical lending practices, careful social impact monitoring and a robust governance framework. We conduct thorough due diligence on borrowers, ensure clear communication, and foster strong community relationships. There are a variety of measures embedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. Our effective Social Performance Management system ensures that we are achieving our social mission and balancing social and financial performance.



Governance

Nature of governing document

The charity is governed by its Memorandum and Articles of Association (last amended 10 December 2018).

Organisation structure

The directors of the UK charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The appointment, removal, power and duties of the trustees are set out in the charity's Memorandum and Articles of Association.

The Board of Trustees meets at least quarterly and presently consists of four individuals, all of whom act in a Non-Executive capacity. The trustees that served during the year and since the year end were as follows:

- Bernice Dunsmuir
- Michael Jackson
- Steven Marshall
- Steve Stolliday

Day to day running of the Foundation in the UK is delegated to a Senior Management Team, which comprises the Group Chief Executive Officer, the Chief Financial Officer and the Director of Fundraising.

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country.



These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries. Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

Each local Board has directors with a variety of local and international experience and include both executive and non-executive members.

The organisational structure and Board composition is reviewed on an on-going basis as part of normal risk management processes.

Recruitment and appointment of trustees

MicroLoan Foundation's Memorandum and Articles of Association permit any person who is willing to act to be appointed as a trustee by an ordinary resolution. There are no provisions that require or permit any external body to appoint a member to the Board. In practice, trustees are appointed based on their backgrounds, professional networks and passion for the group's vision.

Board members are provided with a detailed induction on appointment and in advance of each scheduled meeting to ensure that their knowledge of the charity's activities and regulatory environment remains current.

Induction and training of trustees

It is expected that all trustees and other senior personnel, both in the UK and in Africa, undertake appropriate personal and professional development activities relevant to their position. Opportunities for formal training, including seminars and conferences, are offered periodically.

In 2025, the full UK Board travelled to Malawi and Zambia to enhance their knowledge and understanding of the charity's operations. This trip encompassed a mixture of head office, branch and field-based activities as well as meetings with local Board members, employees and clients.

Alongside structured learning and development activities, the charity is also fortunate to have attracted several experienced professionals from a variety of backgrounds who provide ongoing informal support, advice and mentoring. This network enables the charity and the trustees to harness the best and most creative minds in their respective disciplines to support our social mission.

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract and retain senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible. Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). KPIs are closely monitored to assess value-added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2024.

Statement of Trustees' responsibilities

Public benefit

The trustees are responsible for confirming that the activities of the UK charity are consistent with its charitable objectives as set out in this annual report and financial statement.

Financial statements

The trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report 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 group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or 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 (FRS 102).
- 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 and the group will continue in operation.

The trustees are responsible for keeping adequate 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 group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they 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.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. 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.

Signed on behalf of the Board

Dr Mick Jackson
Chairman
29 July 2025





Independent auditor's report

Opinion

We have audited the financial statements of MicroLoan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2024 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.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on MicroLoan Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report:

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:



- We enquired of management and the Board of trustees, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We inspected the minutes of meetings of those charged with governance.

- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.

- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.

- We reviewed any reports made to regulators.

- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.

- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.



We want to create a sustainable institution that is not reliant on charitable donations for its day to day running costs.

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor
5 September 2025

For and on behalf of:
Sayer Vincent LLP, Statutory Auditor

110 Golden Lane,
London, EC1Y 0TG

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

Financial statements



MicroLoan Foundation

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2024

	Note	Unrestricted funds 2024 £	Restricted funds 2024 £	Total 2024 £	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £
Income from:							
Charitable activities							
• Malawi		**1,766,699**	**-**	**1,766,699**	1,900,138	-	1,900,138
• Zambia		**2,253,050**	**-**	**2,253,050**	2,709,044	-	2,709,044
• Zimbabwe		**343,883**	**-**	**343,883**	286,577	-	286,577
		4,363,632	**-**	**4,363,632**	4,895,759	-	4,895,759
Donations and legacies	2	**798,831**	**339,672**	**1,138,503**	641,069	537,385	1,178,454
Investment income	3	**107,202**	**-**	**107,202**	66,774	-	66,774
Total income		**5,269,665**	**339,672**	**5,609,337**	5,603,602	537,385	6,140,987
Expenditure on:							
Charitable activities							
• Malawi	5	**(1,789,063)**	**(105,670)**	**(1,894,733)**	(1,947,224)	(201,429)	(2,148,653)
• Zambia	5	**(2,302,211)**	**(116,618)**	**(2,418,829)**	(2,697,869)	(124,188)	(2,822,057)
• Zimbabwe	5	**(408,111)**	**(40,151)**	**(448,262)**	(101,907)	(204,857)	(306,764)
• South Africa	5	**(313)**	**-**	**(313)**	-	-	-
		(4,499,698)	**(262,439)**	**(4,762,137)**	(4,747,000)	(530,474)	(5,277,474)
Raising funds	5	**(358,981)**	**(9,764)**	**(368,745)**	(343,298)	(1,020)	(344,318)
Total expenditure		**(4,858,679)**	**(272,203)**	**(5,130,882)**	(5,090,298)	(531,494)	(5,621,792)
Net income		**410,986**	**67,469**	**478,455**	513,304	5,891	519,195
Other recognised gains / (losses):							
Gain on revalued fixed assets	8	**-**	**-**	**-**	50,675	-	50,675
Exchange losses	18	**(65,678)**	**-**	**(65,678)**	(924,119)	-	(924,119)
Net movement in funds		**345,308**	**67,469**	**412,777**	(360,140)	5,891	(354,249)
Reconciliation of funds:							
Total funds brought forward	18	**1,751,987**	**41,804**	**1,793,791**	2,112,127	35,913	2,148,040
Total funds carried forward		**2,097,295**	**109,273**	**2,206,568**	1,751,987	41,804	1,793,791

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 55 to 81 form part of these financial statements.

Charity Statement of Financial Activities (including Income and Expenditure Account)
for the year ended 31 December 2024

	Note	Unrestricted funds 2024 £	Restricted funds 2024 £	Total 2024 £	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £
Income from:							
Charitable activities		**118,043**	**-**	**118,043**	128,745	-	128,745
Donations and legacies		**798,831**	**211,063**	**1,009,894**	641,069	319,708	960,777
Investment income		**19,572**	**-**	**19,572**	-	-	-
Total income		**936,446**	**211,063**	**1,147,509**	769,814	319,708	1,089,522
Expenditure on:							
Charitable activities		**(232,426)**	**(133,830)**	**(366,256)**	(555,636)	(20,286)	(575,922)
Raising funds		**(358,981)**	**(9,764)**	**(368,745)**	(343,298)	(1,020)	(344,318)
Total expenditure		**(591,407)**	**(143,594)**	**(735,001)**	(898,934)	(21,306)	(920,240)
Net income		**345,039**	**67,469**	**412,508**	(129,120)	298,402	169,282
Transfers between funds		**-**	**-**	**-**	292,511	(292,511)	-
Net movement in funds		**345,039**	**67,469**	**412,508**	163,391	5,891	169,282
Reconciliation of funds:							
Total funds brought forward		**1,516,286**	**41,804**	**1,558,090**	1,352,895	35,913	1,388,808
Total funds carried forward		**1,861,325**	**109,273**	**1,970,598**	1,516,286	41,804	1,558,090

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 55 to 81 form part of these financial statements.


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Balance sheets as at 31 December 2024 *Company registration number: 04828558*

	Note	The group		The charity	
		2024 **£**	2023 £	**2024** **£**	2023 £
Fixed assets					
Tangible assets	8	**830,313**	587,677	**-**	-
Investments	9	**-**	-	**1,825,060**	1,825,060
		830,313	587,677	**1,825,060**	1,825,060
Current assets					
Stock	10	**6,698**	6,309	**-**	-
Debtors	11	**6,226,579**	5,608,645	**680,393**	354,481
Investments	12	**468,404**	250,000	**468,404**	250,000
Cash at bank and in hand		**399,240**	1,391,187	**169,531**	277,413
		7,100,921	7,256,141	**1,318,328**	881,894
Creditors: Amounts falling due within one year	13	**(2,066,311)**	(2,047,932)	**(72,790)**	(48,864)
Net current assets / (liabilities)		**5,034,610**	5,208,209	**1,245,538**	833,030
Total assets less current liabilities		**5,864,923**	5,795,886	**3,070,598**	2,658,090
Creditors: Amounts falling due after one year	14	**(3,636,313)**	(4,001,536)	**(1,100,000)**	(1,100,000)
Provisions for liabilities	15	**(22,042)**	(559)	**-**	-
Total net assets		**2,206,568**	1,793,791	**1,970,598**	1,558,090
Funds of the charity:					
Unrestricted funds	18	**456,265**	407,349	**456,265**	391,227
Designated funds	18	**1,641,030**	1,344,638	**1,405,060**	1,125,059
Restricted funds	18	**109,273**	41,804	**109,273**	41,804
Total funds		**2,206,568**	1,793,791	**1,970,598**	1,558,090

The financial statements were approved by the Board and authorised for issue on 29th July 2025 and signed on their behalf by:

Dr Mick Jackson
Trustee

The notes on pages 55 to 81 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2024

	2024 £	2024 £	2023 £	2023 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**478,455**		519,195	
Depreciation charges	**196,323**		145,466	
Investment income receivable	**(107,202)**		(66,774)	
Interest on borrowings	**880,278**		1,051,482	
Loss / (gain) on disposal of tangible fixed assets	**6,312**		(98)	
Increase in stock	**(495)**		(2,632)	
Increase in debtors	**(814,843)**		(1,169,839)	
Decrease in creditors	**(55,449)**		(121,530)	
Increase / (decrease) in deferred tax provision	**21,483**		(35,452)	
Net cash flows from operating activities		**604,862**		319,818
Cash flows from investing activities				
Interest receivable and similar income	**27,038**		3,410	
Other investment income	**80,164**		63,364	
Purchase of tangible fixed assets	**(466,317)**		(249,288)	
Proceeds from sale of tangible fixed assets	**3,386**		3,465	
Net cash flows from investing activities		**(355,729)**		(179,049)
Cash flows from financing activities				
New loans obtained during the period	**1,692,724**		3,519,411	
Loans repaid during the period	**(1,822,378)**		(1,633,918)	
Interest paid on borrowings	**(879,293)**		(1,051,482)	
Net cash flows from financing activities		**(1,008,947)**		834,011
Net (decrease) / increase in cash and cash equivalents		**(759,814)**		974,780
Cash and cash equivalents at 1 January 2024		**1,641,187**		768,214
Exchange loss on cash and cash equivalents		**(13,729)**		(101,807)
Cash and cash equivalents at 31 December 2024		**867,644**		1,641,187

All of the cash flows are derived from continuing operations during the current and prior year.

The notes on pages 55 to 81 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation and statement of compliance

MicroLoan Foundation is a private company limited by guarantee (incorporated in England under the Companies Act) and a charity registered with the Charity Commission for England & Wales and the Office of the Scottish Charity Regulator. The charitable company's registered office address is 1-2 Paris Garden, London, SE1 8ND.

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

MicroLoan Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries on a line by line basis. The subsidiaries are MicroLoan Foundation Malawi (Registration Number 12509), MicroLoan Foundation Zambia (Registration Number 70587), and, in Zimbabwe, MicroLoan Trust Zimbabwe (Registration Number MA0000738/2016), Microloan Foundation South Africa (Pty) Limited (Registration Number 2024/544071/07) and MicroLoan Foundation (Private) Limited (Registration Number 851/2016). All are incorporated locally in their respective country of operation.

Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes to the charitable company's balance sheet.

The presentational currency used in these financial statements is Pound Sterling. Amounts have been rounded to the nearest Pound.

Going concern

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of the financial statements.

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £5,809,822 (2023: £5,267,141).

Summary of disclosure exemptions

The charity has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to separately disclose transactions between members of the charitable group headed by WildHearts Foundation.

Income

Income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Income from donations and legacies is recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the donor specifies that the donation must be used in future accounting periods or imposes other conditions which must be fulfilled before the charity becomes entitled to use such income, the income is deferred and not recognised until the pre-conditions have been met.

Grants receivable

Grant income is also recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the grant agreement contains performance or other pre-conditions which must be met before the charity becomes entitled to the funding, the grant income is deferred and released to income in the reporting period in which the conditions limiting recognition are met.

Donated resources and services

The activities of MicroLoan Foundation are supported by resources and services provided on a pro bono or discounted basis. In accordance with the Charities SORP (FRS 102), an amount is recognised within the Statement of Financial Activities as income when received, with a corresponding expense, where the benefit of these services is reasonably quantifiable and measurable.

Each year, the trustees undertake a comprehensive exercise in order to calculate on a consistent and systematic basis the value of in kind support received in the form of donated services and facilities. This value is determined by calculating the gross open market cost of undertaking each activity and then deducting amounts directly incurred by the charity. For the purposes of this calculation, no allowance has been made for irrecoverable VAT that could potentially have been incurred in respect of donated amounts in the open market. The trustees do not consider it practical to accurately determine the latter figure due to uncertainty over when VAT would or would not be applied.

Income from charitable activities

Income from charitable activities comprises of interest charged in respect of the microloans that we provide to our beneficiaries in order to make our lending activities sustainable. It is recognised on an accruals basis net of provision for bad debt.

Other trading activities

Income generated from fundraising events is recognised at the point of receipt.

Investment income

Investment income is included on an accruals basis and is stated gross of any taxation recoverable.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable that settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the use of the resources.

Raising funds

Costs of raising funds represent amounts incurred in undertaking fundraising events and in attracting other voluntary income.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature that are necessary to support them.

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient.

In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as shown in Note 5.

Governance costs

Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Trading subsidiaries are subject to corporation tax in the countries that they operate in. Tax is recognised in the Statement of Financial Activities.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits of a trading subsidiary; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible fixed assets

Tangible fixed assets are initially capitalised at cost and depreciated from the point at which they come into use. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be included as a revaluation reserve within charitable funds.

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Work in progress	nil

Investments

Programme related investments, which includes investments in the Charity's subsidiaries, are made in furtherance of the Charity's objectives and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost less provision for impairment except for listed investments which are included at fair value (bid price). Any loss or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Investments made by the charity which represent concessionary loans are measured at cost less provision for impairment.

Other investments are measured at fair value through income and expenditure unless fair value cannot be measured reliably. In such circumstances, investments are measured at cost less impairment.

Stocks

Stock is held at fair value. In respect of donated items held for distribution or resale, this is the amount the charity would have been willing to pay for the items on the open market.

Microcredit loans

Microcredit loans that we advance to our beneficiaries are typically short term and carry a fixed, market rate of interest. They are therefore treated as basic financial instruments and initially measured at transaction cost then subsequently assessed for potential impairment. The balance is reported net of impairment provisions made.

Trade and other debtors

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings that are interest free or at a rate below prevailing market rates are treated as concessionary loans. Such loans are initially recorded at the amount received, with the carrying value subsequently adjusted to reflect repayments and any accrued interest.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method.

Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension and other post retirement obligations

Contributions to defined contribution pension schemes are charged to the Statement of Financial Activities in the period in which they become payable.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date unless there is a matching forward currency contract in place. In such circumstances, the contracted rate of exchange is used.



Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

The Charity's overseas subsidiaries have different functional currencies from that of their parent. On consolidation, assets and liabilities of these subsidiaries are translated using the applicable exchange rate as at the balance sheet date. Transactions included within the Statement of Financial Activities are translated using the average exchange rate across the period. Foreign currency gains or losses arising in respect of the translation of overseas subsidiaries are reflected in the Statement of Financial Activities as other operating gains or losses.

Fund accounting

Reserves which can be used at the discretion of the trustees are classified as unrestricted funds.

Designated funds, which are also unrestricted, represent amounts ringfenced or committed by the charity for specific charitable activities.

Restricted funds are to be used for specific purposes as laid down, either implicitly or explicitly, by the donor. Expenditure which meets the criteria is allocated to the appropriate fund, together with a fair allocation of overhead support cost.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through the Statement of Financial Activities. These are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire or are settled

(b) the Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or

(c) the Charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligation is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of concessionary loans and some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Statement of Financial Activities.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Derivative financial instruments

From time to time, the charity uses derivative financial instruments to reduce exposure to foreign exchange risk. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Financial Activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Charity designates certain derivatives as hedging instruments in fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the charity determines and documents causes for hedge ineffectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Financial Activities immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item.

Hedge accounting is discontinued when the charity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Financial activities from that date.



2 Income from donations and legacies

	Unrestricted funds 2024 £	Restricted funds 2024 £	Total 2024 £	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £
Individuals and events	**678,402**	**29,696**	**708,098**	458,295	31,860	490,155
Trusts and institutions	**46,128**	**309,976**	**356,104**	118,120	505,525	623,645
Corporates	**23,523**	**-**	**23,523**	9,011	-	9,011
Donated services and facilities	**50,778**	**-**	**50,778**	55,643	-	55,643
	798,831	**339,672**	**1,138,503**	641,069	537,385	1,178,454

3 Investment income

	Unrestricted funds 2024 £	Restricted funds 2024 £	Total 2024 £	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £
Interest receivable	**27,038**	**-**	**27,038**	3,410	-	3,410
Other investment income	**80,164**	**-**	**80,164**	63,364	-	63,364
	107,202	**-**	**107,202**	66,774	-	66,774

4 Net income / (expenditure) for the year

	2024 £	2023 £
This is stated after charging:		
Depreciation	**196,323**	145,466
Auditor's remuneration - audit	**15,500**	13,375
Operating lease expenses - property	**119,240**	114,906

5 Expenditure analysis

	Charitable activities									
	Malawi 2024 £	Zambia 2024 £	Zimbabwe 2024 £	South Africa 2024 £	Subtotal 2024 £	Cost of raising funds 2024 £	Governance costs 2024 £	Support costs 2024 £	**Total 2024 £**	Total 2023 £
Staff costs	762,032	840,932	194,835	-	1,797,799	232,221	-	72	**2,030,092**	1,962,286
Travel and subsistence	159,610	170,275	86,707	-	416,592	2,824	1,478	301	**421,195**	327,167
Premises costs	95,815	48,494	5,671	-	149,980	27,583	-	-	**177,563**	179,630
Legal and professional fees	21,259	23,649	32,665	-	77,573	-	18,600	8,670	**104,843**	161,972
Interest costs	172,725	705,688	1,976	-	880,389	-	-	-	**880,389**	1,051,482
Bank charges	124,623	98,760	19,469	-	242,852	3,104	-	579	**246,535**	208,606
Depreciation	91,515	95,714	9,094	-	196,323	-	-	-	**196,323**	145,466
Exchange (gains) / losses	7,913	25,990	1,156	-	35,059	-	-	(629)	**34,430**	247,070
Loan provisions and write-off	45,590	161,776	58,415	-	265,781	-	-	-	**265,781**	532,492
IT and telecommunications	21,999	33,196	4,935	-	60,130	12,765	-	566	**73,461**	71,386
Other costs	380,215	199,914	32,664	313	613,106	36,238	144	4	**649,492**	678,592
	1,883,296	2,404,388	447,587	313	4,735,584	314,735	20,222	9,563	**5,080,104**	5,566,149
In kind support	393	496	23	-	912	16,051	8,268	25,547	**50,778**	55,643
Support costs	-	-	-	-	-	35,110	-	(35,110)	**-**	-
Governance costs	11,044	13,945	652	-	25,641	2,849	(28,490)	-	**-**	-
Total expenditure	**1,894,733**	**2,418,829**	**448,262**	**313**	**4,762,137**	**368,745**	-	-	**5,130,882**	5,621,792
2023 expenditure analysis	2,148,653	2,822,057	306,764	-	5,277,474	344,318	-	-	-	5,621,792



5 Expenditure analysis (continued)

	Charitable activities								
	Malawi 2023 £	Zambia 2023 £	Zimbabwe 2023 £	South Africa 2023 £	Subtotal 2023 £	Cost of raising funds 2023 £	Governance costs 2023 £	Support costs 2023 £	Total 2023 £
Staff costs	733,597	892,121	116,262	-	1,741,980	216,638	239	3,429	**1,962,286**
Travel and subsistence	128,751	162,755	31,766	-	323,272	3,148	735	12	**327,167**
Premises costs	98,935	48,812	5,273	-	153,020	26,610	-	-	**179,630**
Legal and professional fees	72,111	33,739	29,783	-	135,633	-	20,004	6,335	**161,972**
Interest costs	232,329	819,125	28	-	1,051,482	-	-	-	**1,051,482**
Bank charges	80,090	98,750	26,439	-	205,279	2,621	-	706	**208,606**
Depreciation	54,836	87,637	2,993	-	145,466	-	-	-	**145,466**
Exchange (gains) / losses	83,490	97,057	60,576	-	241,123	-	-	5,947	**247,070**
Loan provisions and write-off	259,587	272,408	497	-	532,492	-	-	-	**532,492**
IT and telecommunications	32,671	27,189	1,023	-	60,883	9,617	-	886	**71,386**
Other costs	361,342	266,549	31,483	-	659,374	16,341	-	2,877	**678,592**
	2,137,739	2,806,142	306,123	-	5,250,004	274,975	20,978	20,192	**5,566,149**
In kind support	400	495	17	-	912	19,863	8,531	26,337	**55,643**
Support costs	-	-	-	-	-	46,529	-	(46,529)	**-**
Governance costs	10,514	15,420	624	-	26,558	2,951	(29,509)	-	**-**
Total expenditure	**2,148,653**	**2,822,057**	**306,764**	**-**	**5,277,474**	**344,318**	**-**	**-**	**5,621,792**



6 Staff costs

	2024 £	2023 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,724,478**	1,752,737
Social security costs	**41,881**	36,761
Pension costs	**100,394**	98,666
	1,866,753	1,888,164

The number of employees receiving emoluments of more than £60,000 was as follows:

	2024 £	2023 £
£150,000 - £159,999	1	1
£90,000 - £99,999	1	1
£60,000 - £69,999	1	1
	3	3

Pension contributions made on behalf of these employees totalled £15,100 (2023: £15,100).

The trustees consider key management personnel during 2024 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £480,110 (2023: £482,134) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

The average number of persons employed by the charity during the year was as follows:

	2024 No.	2023 No.
Malawi	**145**	120
Zambia	**152**	128
Zimbabwe	**23**	13
Raising funds	**6**	6
Governance and administration	**1**	1
	327	268

7 Trustee remuneration and expenses

Trustees' emoluments

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. Expenses totalling £1,327 (2023: £376) were reimbursed to two (2023: two) trustees during the year.



8 Tangible Fixed Assets

	The group					
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Work in progress £	Total £
Cost or valuation						
At 1 January 2024	126,638	196,172	104,280	681,037	7,131	**1,115,258**
Forex adjustment	(2,041)	(36,338)	(32,102)	(97,466)	(381)	**(168,328)**
Additions	-	50,140	32,721	314,939	68,517	**466,317**
Disposals	-	(11,243)	(39,605)	(12,485)	-	**(63,333)**
At 31 December 2024	124,597	198,731	65,294	886,025	75,267	**1,349,914**
Depreciation						
At 1 January 2024	-	(106,096)	(70,629)	(350,856)	-	**(527,581)**
Forex adjustment	-	23,358	28,469	98,841	-	**150,668**
Charge for the year	(1,958)	(32,337)	(18,300)	(143,728)	-	**(196,323)**
On disposals	-	8,287	35,068	10,280	-	**53,635**
At 31 December 2024	(1,958)	(106,788)	(25,392)	(385,463)	-	**(519,601)**
Net book value						
At 31 December 2024	122,639	91,943	39,902	500,562	75,267	**830,313**
At 31 December 2023	126,638	90,076	33,651	330,181	7,131	**587,677**

The revaluation of buildings is reflected in the Statement of Financial Activities as an other recognised gain. Realisation of the gain would result in local taxation being payable and, accordingly, the gain is reported in the Statement of Financial Activities net of associated deferred tax of £21,368.

9 Investments

	The charity Investments in subsidiaries £
Cost	
At 1 January 2024	2,197,420
At 31 December 2024	2,197,420
Provision	
At 1 January 2024	(372,360)
At 31 December 2024	(372,360)
Net book value	
At 31 December 2024	1,825,060
At 31 December 2023	1,825,060

A summary of the results and the aggregate of share capital and reserves of the subsidiaries, converted into Pound Sterling, is shown below.

	Income £	Expenditure £	Result for the year £	Aggregate of share capital and reserves £
Malawi	1,873,404	(1,767,355)	106,049	965,969
Zambia	2,257,564	(2,251,040)	6,524	911,341
Zimbabwe	343,883	(444,163)	(100,280)	36,111
South Africa	-	-	-	-
	4,474,851	(4,462,558)	12,293	1,913,421

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

10 Stock

	The group		The charity	
	2024 £	2023 £	2024 £	2023 £
Consumables held	**6,698**	6,309	**-**	-

11 Debtors

	The group		The charity	
	2024 £	2023 £	2024 £	2023 £
Amounts due from group undertakings	**-**	-	**524,994**	198,303
Microcredit loans	**5,809,822**	5,267,141	**-**	-
Other debtors and prepayments	**416,757**	341,504	**155,399**	156,178
	6,226,579	5,608,645	**680,393**	354,481

12 Current asset investments

	The group		The charity	
	2024 £	2023 £	2024 £	2023 £
Short term deposits	**468,404**	250,000	**468,404**	250,000

Investments in short term deposits represent amounts held in the COIF Charities Deposit Fund which comprises a diversified portfolio of sterling denominated money market deposits and other instruments. The fund is instant access. The annualised yield on the fund in 2024 was 4.60% (2023: 5.27%).

13 Creditors: amounts falling due within one year

	The group		The charity	
	2024 £	**2023** £	**2024** £	**2023** £
Trade creditors	**44,329**	8,257	**1,269**	4,146
Taxation and social security	**37,974**	136,193	**27,471**	9,856
Other creditors and accruals	**150,291**	134,373	**44,050**	34,862
Loans	**1,833,717**	1,769,109	**-**	-
	2,066,311	2,047,932	**72,790**	48,864

Further information in respect of loans outstanding is provided at note 14.

14 Creditors: amounts falling due after one year

	The group		The charity	
	2024 £	**2023** £	**2024** £	**2023** £
Loan repayments due:				
In 1 - 2 years	**1,782,377**	2,784,375	**-**	-
In 2 - 5 years	**1,462,411**	1,217,161	**1,100,000**	1,100,000
In 2 - 5 years	**391,525**	-	**-**	-
	3,636,313	4,001,536	**1,100,000**	1,100,000

Loans represent amounts borrowed by various MicroLoan entities to fund activities. Details of the loan providers, the entity the loan is with, the currency in which the loan is denominated and the applicable interest rate are set out below:

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,100,000	UK	GBP	Nil
Grameen Credit Agricole Microfinance Foundation	221,635	Malawi	MWK	31.53%
Grameen Credit Agricole Microfinance Foundation	247,794	Zambia	ZMW	26.00%
Lend with Care	62,056	Malawi	MWK	Nil
Lend with Care	157,336	Zambia	ZMW	Nil
Paul Foundation	40,702	Zimbabwe	USD	2.00%
Global Partnerships	59,245	Zambia	ZMW	24.69%
Global Partnerships	55,324	Zambia	ZMW	28.35%
Global Partnerships	278,123	Zambia	ZMW	23.89%
Global Partnerships	335,036	Zambia	ZMW	22.93%
Global Partnerships	378,600	Zambia	ZMW	22.39%
Symbiotics	181,095	Zambia	ZMW	26.50%
Symbiotics	174,615	Zambia	ZMW	25.00%
Oikocredit	64,033	Zambia	ZMW	26.00%
FEFISOL II	64,616	Zambia	ZMW	28.63%
MAIIC	185,314	Malawi	MWK	29.80%
SIDI	335,570	Malawi	MWK	27.77%
ECLT Project	3,130	Malawi	MWK	Nil
Reserve Bank of Malawi FinES	1,525,806	Malawi	MWK	3.00%
	5,470,030			

15 Provisions for liabilities

	The group		The charity	
	2024 £	2023 £	2024 £	2023 £
Deferred Tax				
Amounts payable to the Malawi Revenue Authorities	**15,983**	-	-	-
Amounts payable to the Zimbabwean Revenue Authorities	**6,059**	559	-	-
	22,042	559	-	-

At 31 December 2024, the group also had unrecognised deferred tax assets of £nil (2023: £6,579) in respect of Malawi, £44,034 (2023: £44,542) in respect of Zambia, and £nil (2023: £nil) in respect of Zimbabwe.

16 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £100,394 (2023: £98,666).

17 Analysis of group net assets between funds

	Unrestricted	Restricted		Unrestricted	Restricted	
	2024 £	2024 £	Total 2024 £	2023 £	2023 £	Total 2023 £
Tangible fixed assets	**830,313**	**-**	**830,313**	587,677	-	**587,677**
Net current assets	**4,925,337**	**109,273**	**5,034,610**	5,166,405	41,804	**5,208,209**
Long term liabilities	**(3,636,313)**	**-**	**(3,636,313)**	(4,001,536)	-	**(4,001,536)**
Deferred tax liability	**(22,042)**	**-**	**(22,042)**	(559)	-	**(559)**
	2,097,295	**109,273**	**2,206,568**	1,751,987	41,804	**1,793,791**

18 Funds

2024 movements

	Balance at 1 January 2024	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2024
	£	£	£	£	£	£
Unrestricted funds						
General fund	407,349	5,269,665	(4,858,679)	(65,678)	(296,392)	**456,265**
Designated funds:						
- Africa Investment	944,638	-	-	-	16,392	**961,030**
- Africa Expansion	400,000	-	-	-	280,000	**680,000**
	1,751,987	**5,269,665**	**(4,858,679)**	**(65,678)**	**-**	**2,097,295**
Restricted funds						
Malawi	600	125,130	(105,670)	-	-	**20,060**
Zambia	-	174,455	(116,990)	-	-	**57,465**
Zimbabwe	41,204	11,000	(40,151)	-	-	**12,053**
Africa general	-	19,695	-	-	-	**19,695**
UK infrastructure	-	9,392	(9,392)	-	-	**-**
	41,804	**339,672**	**(272,203)**	**-**	**-**	**109,273**
Total funds	**1,793,791**	**5,609,337**	**(5,130,882)**	**(65,678)**	**-**	**2,206,568**

2023 movements

	Balance at 1 January 2023	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2023
	£	£	£	£	£	£
Unrestricted funds						
General fund	369,519	5,603,602	(5,090,298)	(873,444)	397,970	**407,349**
Designated funds - Africa Investment	1,492,608	-	-	-	(547,970)	**944,638**
- Africa Expansion	100,000	-	-	-	300,000	**400,000**
-Zimbabwe Growth	150,000	-	-	-	(150,000)	**-**
	2,112,127	**5,603,602**	**(5,090,298)**	**(873,444)**	**-**	**1,751,987**
Restricted funds						
Malawi	-	202,029	(201,429)	-	-	**600**
Zambia	23,400	100,788	(124,188)	-	-	**-**
Zimbabwe	12,513	208,124	(179,433)	-	-	**41,204**
Africa general	-	25,424	(25,424)	-	-	**-**
UK infrastructure	-	1,020	(1,020)	-	-	**-**
	35,913	**537,385**	**(531,494)**	**-**	**-**	**41,804**
Total funds	**2,148,040**	**6,140,987**	**(5,621,792)**	**(873,444)**	**-**	**1,793,791**

The designated 'Africa investment' fund reflects the book value of UK assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans, It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £101,181 (2023: £102,840) relating to a revaluation reserve created in respect of land and buildings owned in Malawi.

A key part of the charity's medium term strategy is to seek to expand its operations into a new African country by 2025. A significant amount of research and planning has been undertaken in respect of this project and a new subsidiary has been incorporated in South Africa that will commence operations during 2025. The designated 'Africa expansion' fund represents unrestricted funds that have been ringfenced to provide part of the initial start up capital required to fund this expansion as well as unrestricted funding pledged to support growth of the existing subsidiaries.

The designated 'Zimbabwe growth' fund represented unrestricted funds that had been ringfenced to faciltate the ongoing recapitalistion of Zimbabwe in 2023. This was achieved during the prior year through a combination of the brought forward designated funds and new restricted income received.

Restricted funds represent the total of individual fund balances received for activities within the charity's countries of operation, as indicated by the fund name. The 'Africa general' fund comprises of amounts where the donors have stipulated that the funds should be applied directly to our projects within Africa but have not specified a particular country. The trustees do not consider there to be any individually material amounts within each aggregated fund balance that would require separate disclosure.

19 Financial Instruments

	2024 £	2023 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	**7,094,223**	7,249,832
	7,094,223	7,249,832
Financial liabilities measured at amortised cost	**194,620**	142,630
Loan commitments measured at cost less impairment	**5,470,030**	5,770,645
	5,664,650	5,913,275

Financial assets measured at fair value
There are no financial assets measured at fair value.

Financial assets that are debt instruments measured at amortised cost
This comprises of microcredit loans, trade debtors, other debtors, cash and cash equivalents (as applicable).

Financial liabilities measured at historic cost
This comprises of trade creditors, other creditors and accruals.

Loan commitments measured at cost less impairment
This comprises of loans.

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2024				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,470,834	(265,781)	-	(34,430)
Financial liabilities measured at fair value through income and expenditure	-	-	-	-
Financial liabilities that are debt instruments measured at amortised cost	-	(880,389)	-	-
	4,470,834	**(1,146,170)**	**-**	**(34,430)**
2023				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,962,533	(532,492)	-	(247,070)
Financial liabilities measured at fair value through income and expenditure	-	-	-	-
Financial liabilities that are debt instruments measured at amortised cost	-	(1,051,482)	-	-
	4,962,533	**(1,583,974)**	**-**	**(247,070)**

The total interest income for financial assets not measured at fair value through income and expenditure is £4,470,834 (2023: £4,962,533)

Impairment

Microcredit loans

The amount of the impairment loss during the year is £265,781 (2023: £532,492). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £265,781 (2023: £532,492).

Fair Value Hedges

Currency forwards - contracts to buy

The group is exposed to foreign currency risk when it borrows in currencies other than the functional currency. The Charity's policy is to seek to hedge this risk wherever it is practical and affordable using forward foreign currency contracts.

Interest rate swaps
From time to time, the group may also enter into interest rate swaps in respect of foreign currency borrowings in order to reduce exposure to foreign currency risk in respect of scheduled interest payments.

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2023: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2024 £	Cash flows £	Other non-cash changes £	At 31 December 2024 £
Cash at bank and in hand	1,391,187	(978,218)	(13,729)	**399,240**
Short term investments	250,000	218,404	-	**468,404**
Total cash and cash equivalents	**1,641,187**	**(759,814)**	**(13,729)**	**867,644**
Loans falling due within one year	(1,769,109)	(1,822,378)	1,757,770	**(1,833,717)**
Loans falling due after more than one year	(4,001,536)	2,122,993	(1,757,770)	**(3,636,313)**
Total	**(4,129,458)**	**(459,199)**	**(13,729)**	**(4,602,386)**

21 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. The member is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

22 Ultimate controlling party

The company's ultimate parent undertaking and controlling party is WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665). Copies of its consolidated financial statements are available from Companies House.

MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

MicroLoan Foundation UK
Registered Office
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SE1 8ND

MicroLoan Foundation Malawi
Registered Office
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MicroLoan Foundation Zambia
Registered Office
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Plot 346, 4th Street Chelstone Green
Salama Park
Lusaka

MicroLoan Foundation Zimbabwe
Registered Office
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UK Bankers

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MICROLOAN FOUNDATION

England & Wales - Charity number 1104287

Accounts



microloan foundation

Annual Report and Financial Statements 2023

Registered charity number: 1104287 (England and Wales); SC041941 (Scotland)
Company limited by guarantee registered company number: 04828558 (England and Wales)

MicroLoan Foundation's vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families.



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Leadership introduction

Welcome to MicroLoan Foundation's Annual Report 2023, which will delve into a year of innovation, impact and growth. MicroLoan Foundation remains steadfast in its mission to provide the poorest women in sub-Saharan Africa with the tools and skills to enable them to work their own way out of poverty.

We saw significant growth in our financial performance, with total portfolio increasing by 11% compared to the previous year. It is heartening to see, that despite the challenging local and global context, all three subsidiaries recorded full operational sustainability in the year. Prudent financial management and swift operational interventions at times of crises, ensured resources were carefully managed, maximising progress towards our core mission.

MicroLoan Foundation supported 144,943 women entrepreneurs in 2023. These entrepreneurs are the driving force behind local economic development, agricultural production and poverty alleviation.

Our model and impact were celebrated internationally. MicroLoan Zambia was ranked the most impactful financial service provider in the country. It was also ranked fourth most impactful worldwide in the 60 Decibels Microfinance Index. MicroLoan Malawi was recognised for its contribution to food security for rural communities by the European Microfinance Award.

Adapting to the evolving needs of our clients and the volatile external environment is central to our approach. Through mobile banking and digital solutions, we enhanced efficiency and increased our service offer to remote communities untouched by traditional financial institutions.

While we celebrate our achievements, we acknowledge the challenges that lie ahead. Economic uncertainty, political instability, and climate change pose obstacles to our mission. However, we view these challenges as opportunities for innovation and collaboration. As we forge partnerships, leverage technology and continuously listen to our clients, we are better equipped to navigate the challenges ahead.

We are excited to announce the upcoming launch of a new operation in South Africa in 2024, subject to the attainment of an operating license. This initiative will further our mission and extend our impact on even more lives, thereby solidifying our position as a leading social microfinance provider in Southern Africa.

We are grateful to our partners, donors, investors, staff, volunteers and Board members who have joined us on our journey to bring opportunities to women in sub-Saharan Africa.

Last but not least, we want to thank the ambitious, hard-working and entrepreneurial women who we serve. The impact of our work is down to their drive to build better lives for their children and families.

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer

How we work

MicroLoan operates a social microfinance model. We provide loans, savings facilities, training and ongoing business support to women in Malawi, Zambia and Zimbabwe, giving them the opportunity to kickstart their own income generating activities.

The model and methodology have been developed specifically for women living in rural communities where poverty is often more prevalent and severe. We continuously refine the approach by listening to our clients and addressing their changing needs.

Loan & Training Officers travel into rural villages to meet with the traditional authorities to introduce our work. At community meetings, women interested in starting or growing an income generating activity are encouraged to come together and form groups of five. The group has a collective responsibility for loan repayments and will support each other both socially and financially. The group will also join a centre. A typical centre has three elected centre leaders who assist between 25 to 50 women divided into groups of five.

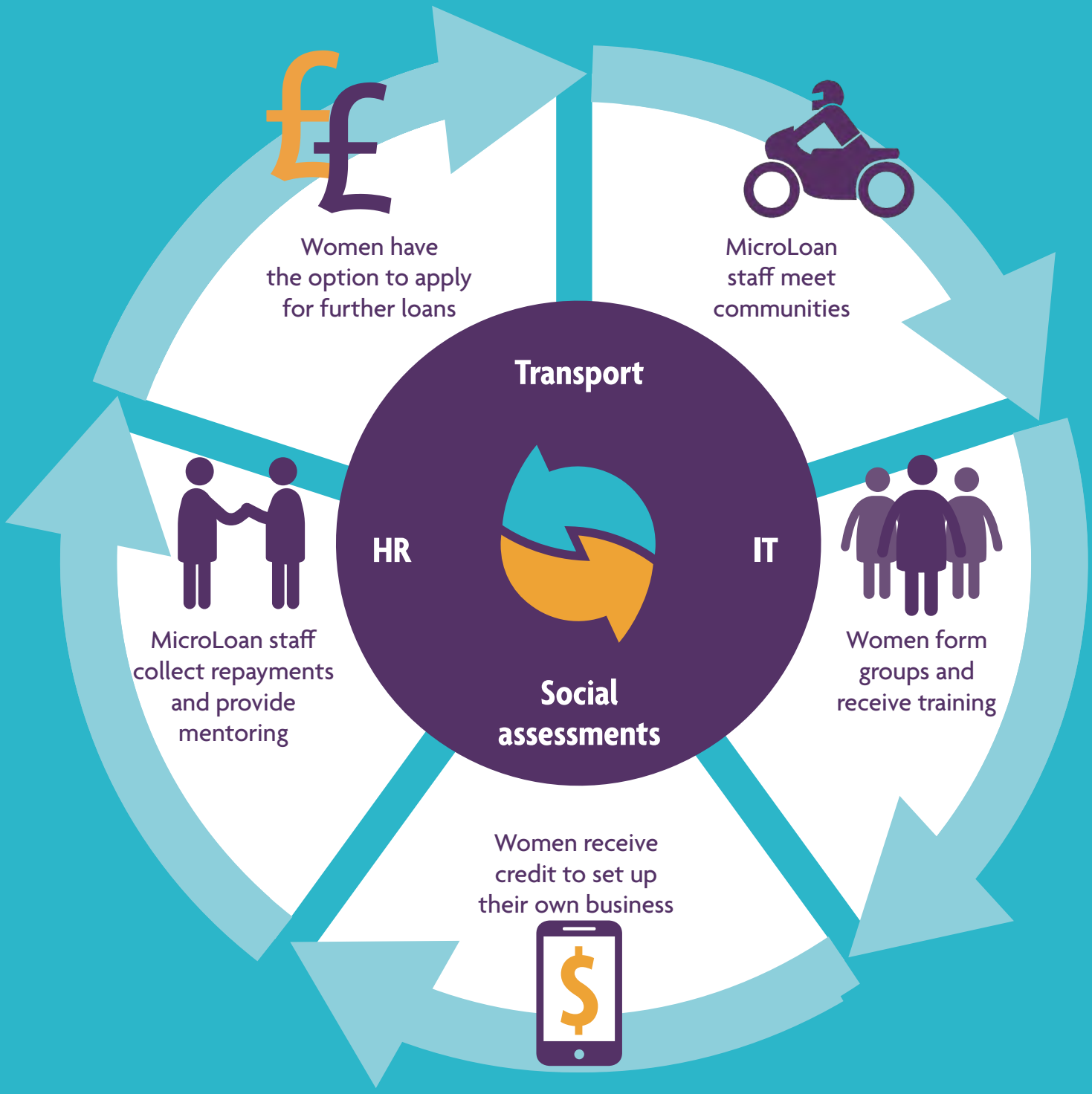
Before accessing their loans, the group completes seven training modules to develop financial literacy skills and learn about their rights and responsibilities.

Women receive their loans via mobile money or cash. Once they have received their loans, they invest in their own small businesses such as farms, grocery stores or hairdressing salons.

MicroLoan's centre model is based on community group engagement for learning, support and risk management. Guided by their elected leaders and facilitated by MicroLoan staff, monthly centre meetings are held, providing a platform for women to exchange experiences and participate in advanced business training.

MicroLoan is different to traditional charities as our model aims to achieve Operational Self Sufficiency, where interest income from the loan book covers direct operational costs (excluding loan book growth and capital expenditure). We want to create a sustainable institution that is not reliant on charitable donations for its day to day running costs. The loan repayment rate is consistently above 97%. When this revolving loan book is combined with operational interest income and social impact investments, charitable donations can be focussed on improving our services and growing our outreach to support more women year on year.

Our model maximises the social impact of every donation.



The training incorporates visual aids, song, dance and role play, to make it accessible for women with limited literacy.

Expanding horizons

In 2023, MicroLoan achieved a remarkable 12% growth in its active client base and broadened its geographical reach across all three operational countries. Building on this momentum, MicroLoan plans to expand into South Africa in the coming year. This strategic move aims to maximise our impact on women in the region, diversify risks, and capitalise on economies of scale.



South Africa presents a significant opportunity for MicroLoan to make a meaningful difference.

Despite being one of the more advanced economies in sub-Saharan Africa, South Africa is also one of the most unequal, with

18.2 million people

living in extreme poverty, predominantly in rural areas.

The need for financial services among the rural poor, particularly women, is extensive.

MicroLoan's mission is to bridge this gap, and we are well positioned to do so. Our team has extensive experience and knowledge of the South African microfinance market. The geographical proximity to our existing operations allows for smoother logistics and integration. Additionally, the relative macroeconomic stability will diversify risk and support sustainable growth.

By expanding into South Africa, MicroLoan will solidify its position as the leading financial service provider for rural women living in poverty in the Southern African region. This expansion will enhance our ability to deliver impactful, sustainable change for some of the world's most disadvantaged communities.

MicroLoan is in the process of securing an operating license. The first branch will be established in the western part of KwaZulu Natal in 2024. Building on our proven model from Malawi, Zambia and Zimbabwe, we will tailor our approach to fit South Africa's unique needs. With a careful and responsible growth plan we envision reaching Operational Self Sufficiency with 7,800 active clients spread across three branches, by the end of 2028.



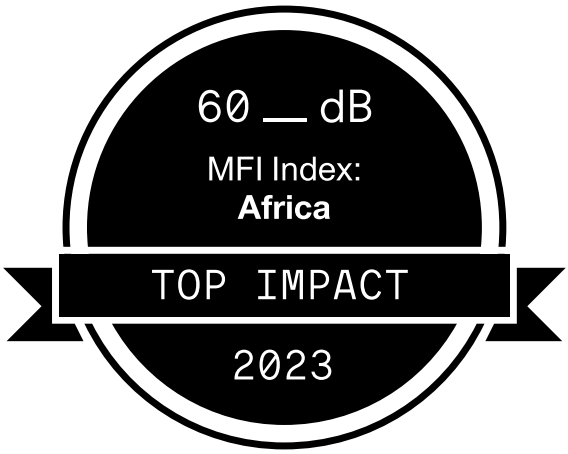
Social impact 2023

A total of 144,943 women in Malawi, Zambia, and Zimbabwe accessed financial literacy, business training and small affordable loans in 2023. Over 600,000 children and vulnerable adults in their care have improved food security, access to healthcare, better housing and are more likely to go to school. At the end of the year 93,908 female entrepreneurs were actively running a business with MicroLoan.

MicroLoan measures its impact carefully. Social Performance Management is a range of processes and activities we use to ensure we are achieving our aim of helping the poorest women transform their lives. This includes defining and monitoring social goals, developing client centric, products and services, treating clients and employees responsibly, and balancing social and financial performance. Our Social Performance Management model is often cited as an example of best practice and MicroLoan Zambia was ranked the fourth most impactful financial service provider in the world in the 2023 Microfinance Index.

Poverty alleviation

Poverty is complex and needs to be measured through a multidimensional and long-term perspective. Data is collected using the Poverty Probability Index®. This innovative measurement tool determines the likelihood of a household living below the poverty line. MicroLoan has been utilising this tool since 2012 to assess if we are reaching the poorest segment of the population, and if their poverty status is improving over time.



Over 17% of client who have been with MicroLoan for more than one year are moving out of extreme poverty. In addition to poverty reduction, the women report a range of positive changes in their lives. As they invest in income generating activities, their household income increases and their whole family benefits. Our data shows the impact on the women and their families after joining MicroLoan.



In 2023, 79% of all new clients were living below the global $2.50 per day poverty line and 50% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.

20%

of women have increased asset ownership (such as livestock, a bicycle or land)

96%

of families have food security compared to **87%** before joining MicroLoan

9%

of women have one or more paid employees

96%

of clients and their families can seek medical treatment when required, compared to the **91%** baseline

Women report a

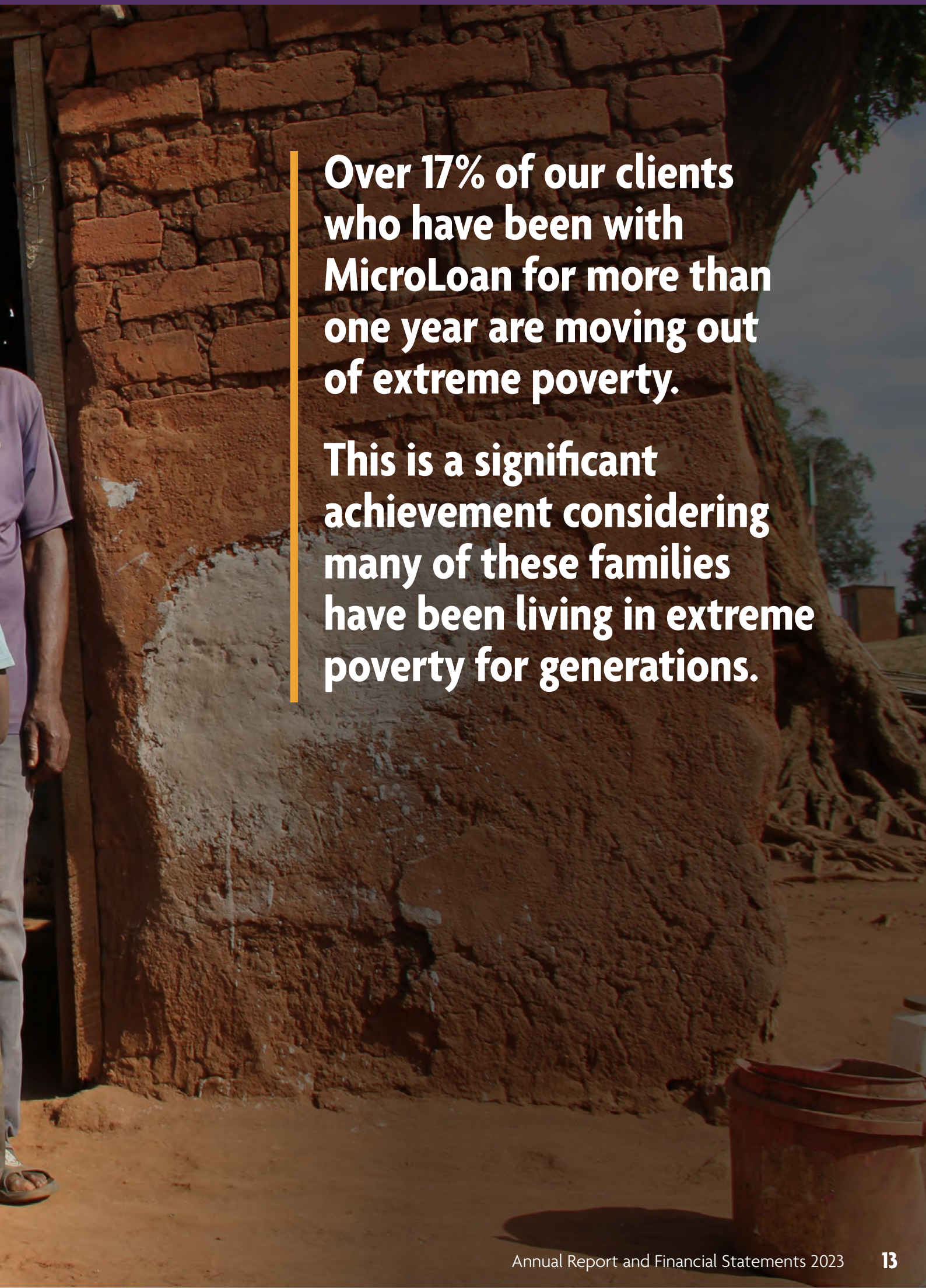
377%

average increase in business profits after joining MicroLoan

77%

of clients in Malawi are able to send all their female children to school compared to **58%** before





Over 17% of our clients who have been with MicroLoan for more than one year are moving out of extreme poverty.

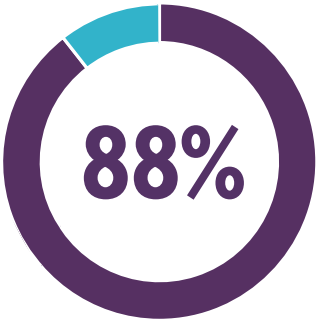
This is a significant achievement considering many of these families have been living in extreme poverty for generations.

Food security and the intersection with climate change

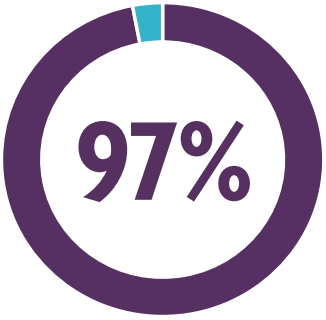
Women play a vital role in the food system on a national, local and household level. Our clients are market vendors, restaurateurs, bakers, traders, farmers and consumers.

Over 84% of clients report that they are more food secure after joining MicroLoan. This is a result of increased household income from their small businesses and greater harvests as they can access quality seed, fertiliser and conservation farming techniques. In 2023, MicroLoan Malawi was recognised by the European Microfinance Award for its contribution to inclusive finance for food security and nutrition. With 90% of MicroLoan clients engaging in smallholder farming for consumption or income generation, they are vulnerable to the impact of changing weather patterns and natural disasters. Our data shows how MicroLoan's model is effective in helping clients adapt to climate change and create a safety net. This comes in the form of having a diversified source of income beyond farming, access to savings, access to additional capital, and support from a loan group and who will step up when crises hit.

As clients grow their income, they prioritise nutritious food for their family first, followed by education for their children. They also prioritise making structural improvements to their homes to withstand natural disasters and adverse weather conditions.



of clients were able to make savings in 2023



of clients in Zambia have improved resilience to face emergencies



of clients report increased spending on housing and household assets


Hakainde
Hichilema

Gender equity

MicroLoan works with women to create a more equitable society and maximise social impact. Generating an independent income promotes gender equality and changes women's attitudes towards taking risks and learning new skills. Financial independence and asset ownership contribute to a greater acceptance of women's rights to legal and economic freedoms.

98% of MicroLoan clients report an increase in confidence after joining MicroLoan. The same percentage point reported an improvement in their quality of life after joining MicroLoan. The main reason was ability to provide for their children.

By investing in women, we are creating impact that will echo for generations.

The United Nations Sustainable Development Goals are the blueprint for achieving a better and more sustainable future for all. Our work contributes directly to the goals No Poverty, Zero Hunger and Gender Equality.

The impact of our work also addresses the goals on Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land and Partnerships for the Goals.

SUSTAINABLE DEVELOPMENT GOALS

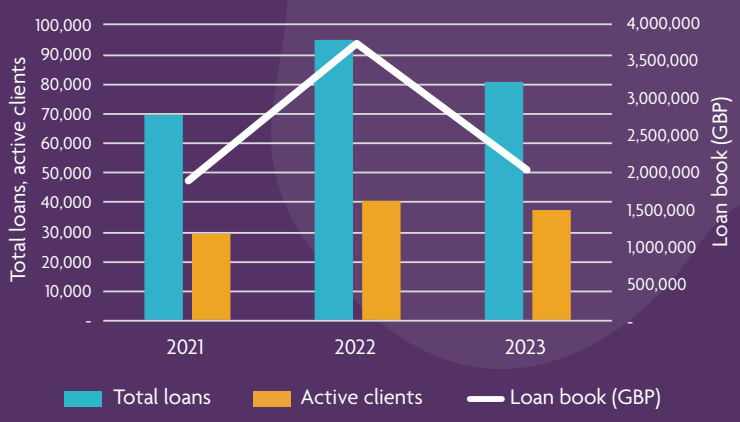



98% of clients report
an improvement in
their quality of life.

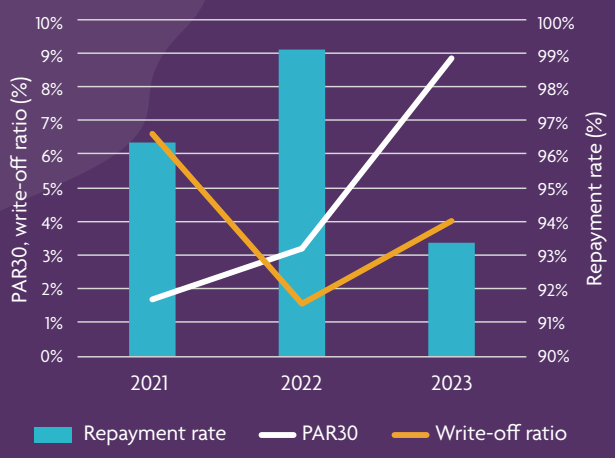
Operations in Malawi



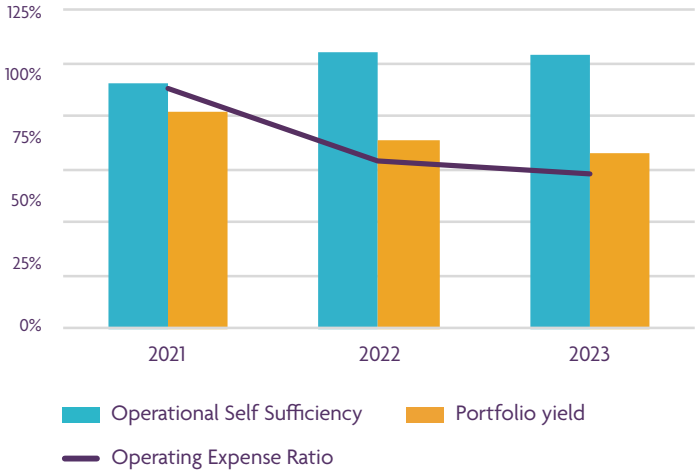
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2021	2022	2023
Total loans made	69,768	95,078	80,861
Active clients	29,276	40,813	37,177
Loan book (GBP)	1,886,753	3,740,293	2,051,243
Average loan size (GBP)	80	102	85
PAR30	1.7%	3.2%	8.8%
Repayment rate	97%	99%	96%
Operational Self Sufficiency	92%	104%	103%
Portfolio yield	81%	70%	67%

MicroLoan remains the leading social microfinance institutions in Malawi focussed solely on women. The success comes from our high touch model and extensive experience of developing services and products specifically tailored for rural women living below the poverty line.

Malawi's macroeconomic environment remains challenging, with a Gross Domestic Product (GDP) growth of only 1.6% in 2023. The country was impacted by a number of weather related events including Cyclone Freddy, the most deadly tropical cycle in the country for decades. It devastated homes and ruined livelihoods and crops. The Malawian Kwacha depreciated against most of its major trading currencies, mainly due to a shortage of foreign exchange emanating from weak export proceeds and reduced foreign direct investment inflows. The annual inflation rate increased to 28.7% for 2023, compared to 21% in the previous year, largely attributed to the high food inflation rate. A number of stabilisation measures were introduced during the year, and in November 2023 the Reserve Bank of Malawi devalued the Malawian Kwacha by 44%.

In local currency the loan portfolio reduced by 4.5% and closed the year at MWK4.4 billion as compared to the MWK4.6 billion registered at the end of 2022. This was attributable to macroeconomic challenges and write-offs related to customers whose businesses were severely impacted by the natural disaster. To refocus efforts on improving the portfolio quality, there was a deliberate slowdown of disbursements and number of active clients at year end reduced by 8.9% from 40,813 in 2022 to 37,177 in 2023. Portfolio at Risk (PAR) is an indicator of loan portfolio quality and PAR30 indicates the ratio of loan book overdue by more than 30 days. PAR30 closed the year at 8.8%.

Despite significant challenges that impacted our operations and the livelihoods of our clients, we were able to record favourable outcomes in many of our key performance indicators.

Considerable productivity improvements and increased demand, particularly in the latter quarter of the year, meant that we were able to expand the volume of disbursements by 2.8%, whilst simultaneously improving on our loan collections by 32%.

The institution achieved operational sustainability for the second year in a row, with an Operational Self Suffiiency ratio of 103%.

In 2023, MicroLoan Malawi earned a prestigious recognition by the European Microfinance Award.

MicroLoan Malawi was commended for its innovative approaches in addressing the challenges faced by small scale farmers.

By equipping farmers with the necessary knowledge and skills, we help them build resilience to overcome obstacles such as climate change and market fluctuations. Our efforts have resulted in significant improvements in food security and nutrition in Malawi. Being recognised by the European Microfinance Award 2023 inspires us to continue our mission and encourages others in the microfinance sector to adopt inclusive approaches to address global challenges.

In 2024, MicroLoan Malawi's key focus will be on portfolio quality and fine-tuning the centre model methodology, which is already in operation across its branches.

We are mindful of the need to evolve our product suite to ensure that we are able to both attract and retain clients with products and services that are relevant to their life cycle needs. We will be piloting a new Environmental, Social and Governance compliant loan product for our agricultural clients. This includes upscaling of climate friendly, energy and water efficient innovations for our clients for a more productive and ecological food production. MicroLoan Malawi has also embarked on a project under the Smallholder Safety Net Upscaling Programme, which it will continue to implement in 2024. The project will develop crop specific agricultural loans for its farming clients, develop an agriculture credit scoring system and increase digitisation across the loan processes.

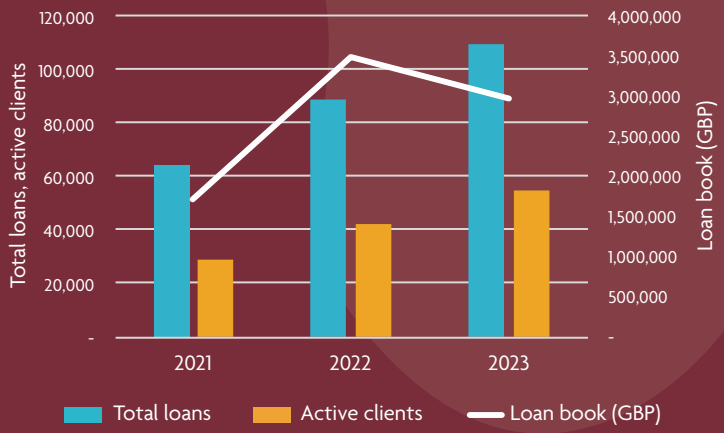
During the year, we welcomed a new Chief Financial Officer and appointed a new Chief Operations Officer. They bring extensive operational experience and skills, and this enhancement to the leadership team will enable the organisation to successfully deliver on its strategic goals in the years to come.



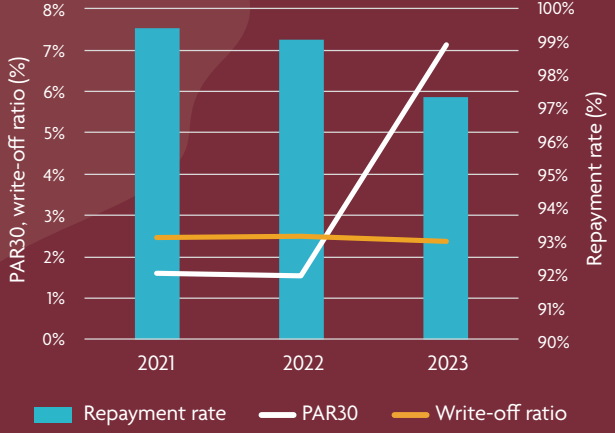
Operations in Zambia



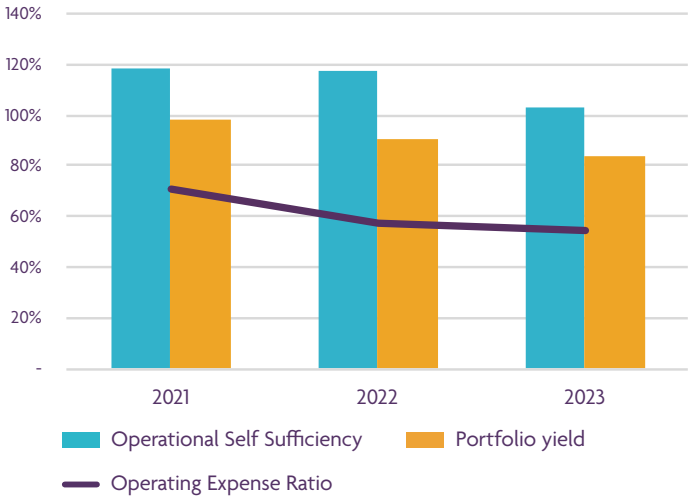
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2021	2022	2023
Total loans made	64,221	88,367	108,790
Active clients	28,877	42,063	54,526
Loan book (GBP)	1,713,968	3,401,247	2,956,743
Average loan size (GBP)	68	105	95
PAR30	1.6%	1.5%	7.1%
Repayment rate	99%	99%	97%
Operational Self Sufficiency	118%	117%	103%
Portfolio yield	109%	92%	84%

In 2023, MicroLoan Zambia was globally recognised as one of the most impactful financial service providers in the world. The institution continues to lead the way in digital solutions to address financial exclusion in Zambia.

The Zambian economy is volatile but it is slowly recovering from multiple crises. With protracted debt restructuring and low mining productivity, real GDP grew by 4.7% in 2023. The annual inflation increased to 13.1% at the end of the year compared to 9.9% in December 2022. The underlying factors include prevailing high maize grain and fuel prices and persistent depreciation of the local currency. The Zambian Kwacha depreciated by 41.8% against the US Dollar during the year.

MicroLoan Zambia recorded outstanding performance across key performance and financial indicators in 2023. Active number of clients increased by 30%, from 42,063 to 54,526. The portfolio value grew in local currency terms by 33% from ZMW73.9 million in 2022 to ZMW98.4 million in 2023. The growth is attributed to continued efficiency improvements on the centre model, digital solutions, increased caseloads for Loan & Training Officers, and increased average loan sizes for clients.

MicroLoan Zambia saw a drop in the portfolio quality at the end of the year, with a PAR30 of 7.1%. This was linked to a combination of factors including farmers being affected by erratic weather patterns, macroeconomic challenges, and high staff turnover due to mass government recruitment. The agriculture loans have balloon payments and therefore has a material impact on the portfolio at risk.

MicroLoan Zambia ended the year with a healthy operational surplus and an Operational Self Sufficiency ratio of 103%.

MicroLoan Zambia continues to be at the forefront of digital innovation with 100% of disbursements made via mobile money. The institution launched a digital savings project to develop the technology to allow financially excluded communities to create a digital financial footprint. By using our free savings platform, women will build a savings behaviour history. This will open up the opportunity to access formal financial services in remote rural areas.

In the 60 Decibels Microfinance Index Report 2023, MicroLoan was Zambia ranked the second most impactful financial service provider in Africa and the fourth most impactful provider in the world. MicroLoan Zambia also won the 60 Decibels Top Impact Award. The ranking is based on interviews with clients from 115 institutions.

MicroLoan Zambia was a top performer in a wide range of indicators in the Microfinance Index Report relating to clients' well-being including:

Quality and Quantity of Meals
Repayment Burden
Households' Food Consumption
Unexpected Fee
Financial Stress
Financial Management

During the year we saw strong performance by the leadership team and Board of Directors. It is with great sadness we report on the passing of MicroLoan Zambia's Board member Mr Kennedy Kanenga. Kennedy joined MicroLoan Zambia in 2009 as one of the founding members of the Board and served previously as the Chair of the Audit and Finance committee and was an active member of the Credit and Risk committee.

The operational and financial plans for the coming year are taking anticipated headwinds into account, in particular, expected effects of climate related weather events, continued inflationary pressure, depreciation of the local currency against hard currencies, and high fuel and food prices.

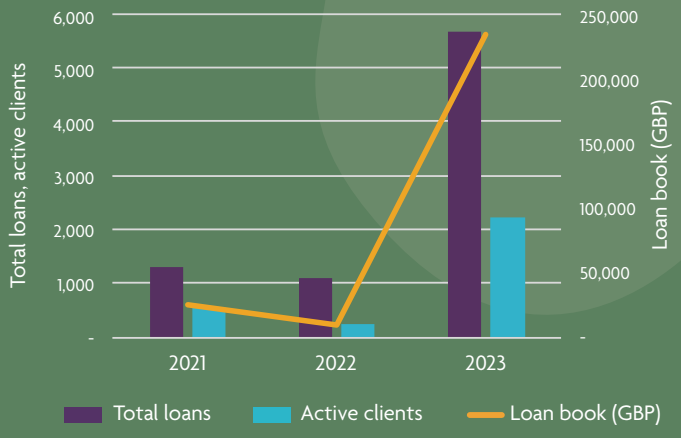
In 2024, MicroLoan Zambia will open two new branches to continue its expansion, continue its digital innovation and product development, and focus on maintaining a strong portfolio quality. MicroLoan Zambia is looking to build on existing partnerships and forge new ones to continue delivering its social mission.



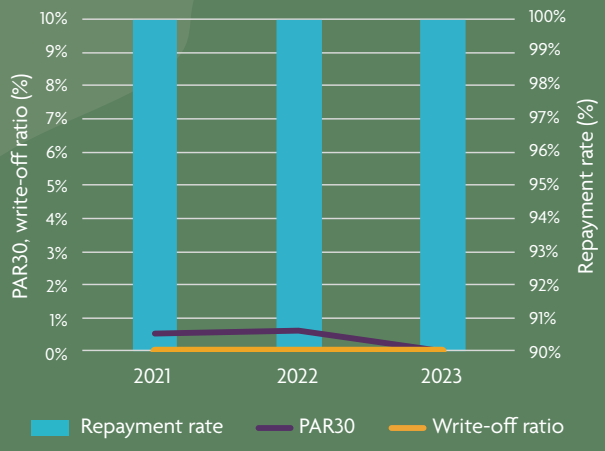
Operations in Zimbabwe



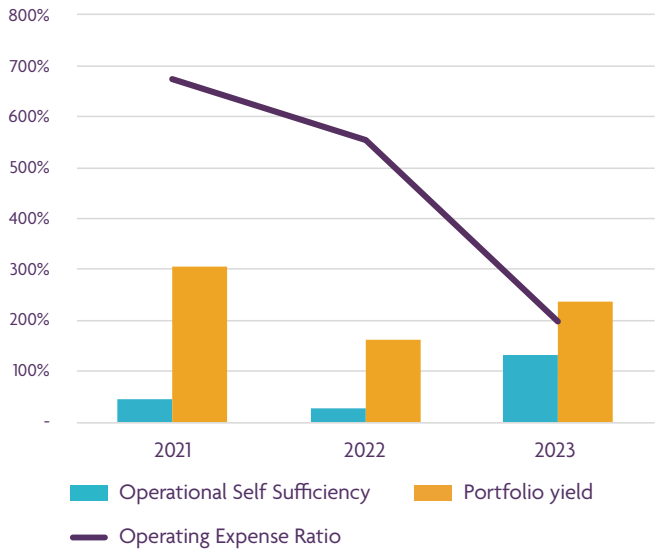
Total loans, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2021	2022	2023
Total loans made	1,303	1,082	5,660
Active clients	562	234	2,205
Loan book (GBP)	24,979	8,715	233,891
Average loan size (GBP)	84	73	150
PAR30	0.55%	0.60%	0%
Repayment rate	100%	100%	100%
Operational Self Sufficiency	45%	29%	133%
Portfolio yield	307%	162%	236%

After many years of an extremely difficult economic climate, MicroLoan Zimbabwe has seen a year of great success. For the first time in its history, the institution recorded full Operational Self Sufficiency.

Economic development continues to be challenging in Zimbabwe. The real GDP grew by an estimated 5.5% in 2023, following a 6.5% growth in 2022. Expansion in agriculture, mining and remittances-induced services growth have aided the growth in real GDP, however, macroeconomic instability and exchange rate distortions, continued to hamper the economy's ability to realise its full potential.

Fiscal pressures mounted in 2023 ahead of national elections and the transfer of the Reserve Bank of Zimbabwe's (RBZ) external liabilities to the treasury. The government raised civil servants' salaries in both foreign and local currencies. The Treasury assumed responsibility for servicing $1.8 billion in external liabilities previously held by the RBZ. The current account surplus narrowed in 2023 due to a decline in remittances from non-governmental organisations. Following, the national elections, Zimbabwean President Emmerson Mnangagwa announced a decision to extend the use of foreign currencies until 2030 for domestic transactions. This declaration was made through a Statutory Instrument gazetted in October 2023 which superseded an earlier regulation that had set the end of the multi-currency system for 2025.





Multiple devaluations of the local currency Zimbabwean Dollar, led to surging prices, with inflation being recorded at 172%, the highest inflation in Africa as of 2023.

MicroLoan Zimbabwe recorded strong performance in all key performance indicators. The number of active entrepreneurs served increased tenfold, from 234 at the end of 2022 to 2,205 at the end of 2023. The loan book grew by 2262% from $10,545 to $291,216. This success is, to a large extent, based on being granted permission by the RBZ to provide loans in US Dollars rather than the rapidly depreciating local currency. The impact of being able to lend in US Dollars has meant that our clients can borrow and trade in a stable currency, essential to create sustainable livelihoods. Moreover, the value of the loan book is preserved and can be recycled and reused.

The adoption of US Dollar lending in Zimbabwe has brought great benefits, but it also presents some challenges. Currently, we are unable to utilize mobile money, which impacts efficiency for both our field and head office teams. As a result, disbursements are conducted in cash, causing delays during centre meetings with clients. Additionally, group leaders must deposit repayments into bank accounts, leading to increased reconciliation work compared to the streamlined process of mobile money. However, we are excited to announce a collaborative project with our Zambian IT team aimed at enhancing efficiency, especially in the areas of repayments and reconciliations. This initiative is progressing smoothly, and we anticipate entering the testing phase in the first quarter of 2024.

As clients were impacted by the surge in the cost of living, the average loan size was increased to match their needs. This was made possible by the generous support of donors providing grant funding to feed into the loan book. The quality of the loan book remained impeccable with a PAR30 at 0%.

MicroLoan Zimbabwe achieved a healthy Operational Self Sufficiency ratio of 133%. This is a significant milestone and sets the institution up for continued growth. We will see the expansion into new areas from both existing and new branches in 2024.

Fundraising overview

In 2023 MicroLoan Foundation grew its voluntary income by 25% and raised £1,178,454 (2022: £946,085). This includes donated resources and gifts in kind to a total value of £55,643 (2022: £50,722). Our donors include trusts, foundations and corporate partners, as well as individuals who support us through personal donations or through fundraising events, challenges and community engagements.

Our top donors in 2023 include WildHearts Group and Foundation, Whole Planet Foundation, The Paul Foundation, The Allan & Nesta Ferguson Charitable Settlement, Rita and David Slowe Charitable Trust, The MacDaibhidh Charitable Trust. We were also granted a significant legacy gift of £151,060 during the year.

The organisation received Technical Assistance grants from Swiss Capacity Building Fund, GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), Grameen Credit Agricole, and Social Performance Task Force.

In addition, we received generous donations from a number of private individuals and organisations who wish to remain anonymous.

MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to develop innovative projects and ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

MicroLoan has an increased focus on strategic funding partnerships from institutions providing Technical Assistance grants paired with social impact investment. In 2023 MicroLoan Foundation received investments in the form of debt facilities from ADA Microfinance, FDH Bank, FEFISOL (Fonds Européen de Financement Solidaire pour l'Afrique), Global Partnerships, Grameen Credit Agricole, KIVA, LendwithCare, Oikocredit, SIDI (International Solidarity for Development and Investment), Symbiotics, and The World Bank via the FInES (Financial Inclusion and Entrepreneurship Scaling) project.

It is thanks to our generous supporters and partners that we are able to serve the very poorest women and their families. With your help we are able to continue expand our work to give more families the opportunity to find a way out of poverty.

Fundraising income 2023



Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2023 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 52 to 57. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia and Zimbabwe.

Results in overview

Despite the substantial macroeconomic challenges in Malawi and Zambia, MicroLoan Foundation continued to make positive progress against its strategic plan during 2023 and achieved simultaneous Operational Self Sufficiency across all three subsidiaries for the first time in its history. £17.3m of loans were disbursed during the year and the loan book at year end (net of provisions) was £5.3m (2022: £7.2m).

The Group reported an overall reduction in funds of £354,249 (2022: £496,328 increase). This result was significantly impacted by the adverse foreign currency movements in Malawi and Zambia. These contributed to total exchange losses on retranslation of brought forward reserves of £924,119 (2022: £68,007). In line with the charity's risk management strategy, the principal liabilities of the group's subsidiaries in these countries were denominated in local currency. This mitigated the effect of the devaluation of assets and the resulting impact on operations.

At the year end, total group funds amounted to £1,793,791 (2022: £2,148,040) of which £41,804 (2022: £35,913) were restricted and £1,751,987 (2022: £2,112,127) were unrestricted. Of these, £1,558,090 (2022: £1,388,808) related to MicroLoan Foundation as the charitable parent, with £41,804 (2022: £35,912) restricted and £1,516,286 (2022: £1,352,896) unrestricted.

Income and expenditure

Total income grew by 15% to £6,140,987 (2022: £5,327,658) with a corresponding increase of 18% in total expenditure to £5,621,792 (2022: £4,763,323). This resulted in net income generated in the year of £519,195 (2022: £564,335) before a gain on revaluation of fixed assets of £50,675 (2022: £nil) and the exchange losses explained above.

Most of the Group's income comes from interest received on our microloan portfolio. In 2023, this income increased by 12% to £4,895,759 (compared to £4,371,653 in 2022). Although there was a reduction in loans disbursed in Malawi, growth in both Zambia and Zimbabwe, along with the full-year impact of 2022 loan book movements, contributed to this positive trend.

Voluntary income generated during the year totalled £1,178,454 (2022: £946,085) which represented a rise of 25% compared to 2022. The key drivers of this variance were a large legacy receipt and technical assistance grants secured for key projects in Malawi and Zambia.

Investment income, comprising bank interest received and rental income from a property in Malawi, was £66,774 (2022: £9,920).

Staff costs continue to be the single largest expense of the Group. Employee numbers grew 5% compared to 2022, with Zambia's rising by almost 30% due to the growth in active clients in the country. This was somewhat offset by a reduction in Malawi's headcount, achieved through operational efficiencies. Despite the growth in overall numbers, changes in the staff mix meant total staff costs remained relatively static at £1,962,286 (2022: £1,986,382).

The interest paid on our borrowings in 2023 totalled £1,051,482, an increase of £399,333 (61%). This was mainly due to additional debt the Group took on in 2022 to boost our loan book growth. The volatility of the Malawian Kwacha and Zambian Kwacha also meant higher interest rates on new borrowings, and this further contributed to the increase in cost. Nevertheless, these rises are matched by an equivalent increase in income from our loan book.

The deteriorations in PAR 30 experienced in Malawi and Zambia required an increased level of provisioning at year-end. As a result, the loan provisions and write-offs expense rose by £347,931 (189%) to £532,492. Most of this amount relates to provisions rather than write-offs and efforts are ongoing post year-end to bring down loan arrears.

The Group also incurred significant operating exchange losses of £247,070 due to the currency devaluations in Malawi and Zambia.

Cost containment measures across other overhead categories helped to partly offset the large increases experienced in relation to the above.

Use of funds

In total, the UK charity injected £314,820 of funding into its subsidiaries during 2023 to support expansion of our mission and impact. This comprised £294,534 of equity investment and £20,286 in the form of further revenue grants. Our UK fundraising team also helped secure a further £217,677 of support that was received directly into Africa through a combination of revenue grants and technical assistance support.

Despite these injections and the Operational Self Sufficiency of the subsidiaries in 2023, there were reductions in our key lending metrics. This was due to the collapse in value of the Malawian

Kwacha and Zambian Kwacha and a deliberate slowdown in our lending activity in the second half of the year to address portfolio quality issues.

The British Pound value of the year end loan book decreased by £1,963,672 (27%) to £5,267,141 (2022: £7,230,813). The total value of all loans disbursed decreased by 7% to £17,329,189 (2022: £18,626,172). The number of clients we supported during the year fell by 11% to 144,943 (2022: 162,812), with an average loan size of £89 (2022: £101).

In addition to investment advanced to the subsidiaries, the UK parent also ringfenced a further £300,000 towards startup capital for geographical expansion into South Africa that is planned for 2024.

Key Financial Performance Indicators

The key financial performance indicators that are monitored by management are principally as set out in the reviews of operations above. In addition, the efficiency of our fundraising function and the proportion of total income that the charity reinvests in fundraising activities are also closely monitored:

Fundraising efficiency ratio

	2021	2022	2023
Donations and legacies received	£1,100,124	£946,085	£1,178,454
Cost of fundraising function	£277,259	£322,623	£344,318
Ratio	4.0	2.9	3.4

Fundraising expenditure

	2021	2022	2023
Total expenditure	£3,152,739	£4,763,323	£5,621,792
Expenditure on fundraising	£277,259	£322,623	£344,318
Percentage	8.8%	6.8%	6.1%

Reserves policy and management

In the UK

Reserves are maintained at a level that enables the charity to manage financial risk and ensure the charity can sustain its activities over the long term. As a fundraising charity, we are subject to the effects of short-term volatility in income whereas our cost base is relatively fixed and the demand for funds to support our loan book growth is ongoing.

We use a single reserves measure in respect of our UK operations. This measure mandates that MicroLoan Foundation should hold a minimum level of free reserves to ensure that the charity is able to meet its financial commitments as they fall due, with any excess then available to grow loan book.

'Free reserves' is defined by the Board as unrestricted and undesignated net current assets. It excludes tangible fixed assets (which are not readily convertible to cash), long term borrowings and any funds that have already been committed or advanced to our projects in Africa through grants, investment or lending. Such advances do not represent an available source of funds to meet UK financial commitments.

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2023, the free reserves position was £391,227, equivalent to 8.0 months.

MicroLoan Foundation has made significant investment over the last few years to strengthen its management team across all countries and to continue to build its reputation within the sector as a responsible, well-managed and mission-focussed microfinance organisation. This has enabled it to forge very strong relationships with several specialist microfinance investors and develop a healthy pipeline of available loan capital that the charity can use to leverage donor-funded investment that continues to be made by the UK. Our operation in Malawi has also continued to benefit from a targeted debt facility from the World Bank originally secured in 2022.

Management nevertheless recognises the importance of ensuring a responsible approach to the amount of debt taken on relative to the level of reserves. Accordingly, it is vital that the charity continues to manage and grow other reserves as part of ensuring there are sufficient funds available to support and scale our activities in line with the Group's five-year strategic plan.

In Africa

As regulated microfinance institutions, our subsidiaries in Malawi, Zambia and Zimbabwe must meet stringent capital adequacy rules mandated by the local Reserve Banks. In addition, the environments that they operate in make these entities more susceptible to macroeconomic shocks caused by natural disasters such as floods, famine or changes in government policy. Accordingly, reserves policy is delegated to local Boards which each include Senior Management representation from MicroLoan Foundation in the UK. Generally, a prudent approach is taken to reserves management and gearing within our microfinance subsidiaries, with all of them operating well within the mandated capital requirements set out by local statute.

Investment policy and objectives

The charity's investment policy is to seek to maximise the number of lives positively impacted whilst managing risk. The Board is very conscious of its responsibility to utilise charitable funds in a highly effective and efficient way and the need to ensure that this same ethos cascades across the wider group and local Boards. All investment decisions are therefore made with these considerations in mind.

Each subsidiary is expected to work towards a position of Operational Self Sufficiency where it is able to independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.

As the parent charitable organisation, MicroLoan Foundation makes targeted cash advances to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served.

An important part of the Board's strategy to manage investment risk over the long term is to seek to diversify operations through geographical expansion. As part of this strategy, an unusually large cash balance is currently being

held in the UK within a designated reserve. This cash is intended to finance the initial capital requirements for a greenfield launch in South Africa during the second half of 2024. It is anticipated that the majority of the ringfenced cash will be required in 2025. Accordingly, the Board approved a revision to investment policy that permits investment into the COIF Charities Deposit Fund. This fund is categorised as a short-term, Low Volatility Net Asset Value Money Market Fund and is designed to provide a high level of capital security whilst providing a competitive yield.

Going concern

The Group continues to make steady progress against its strategic plan, building resilience within its microfinance subsidiaries through sustained, responsible growth and ensuring liquidity by developing a strong network of engaged and mission-aligned investors that supplement fundraising activities undertaken by the UK.

Despite significant currency challenges, our operations in Malawi, Zambia and Zimbabwe were all operationally self-sufficient in 2023 and are expected to remain so in 2024 and beyond.

In the UK, our donor pipeline remains healthy and the charity anticipates additional cash inflows in 2024 from two significant legacies, one of which is included in accrued income at year-end. These will supplement cash generated from normal fundraising activities. The parent charity has no external debt commitments to service and continues to rigorously manage its cost base to ensure it is operating as leanly as possible. The Board also continues to adopt a prudent approach to reserves cover to ensure that short-term fluctuations in income levels can be adequately managed.

After having reviewed forward projections and making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.



Risk management

The trustees have assessed the principal risks across the group as being:

- Fundraising risk
- Sustainability risk
- Liquidity and funding risk
- Credit risk
- Foreign exchange risk
- Operational risk (including fraud)
- Safeguarding risk
- Reputational risk

The measures taken by the charity to mitigate these risks are as follows:

Fundraising risk

This is the risk that the level or mix of unrestricted and restricted income and social investment is insufficient to maintain or expand our social mission.

Donor funding presently remains a key part of MicroLoan Foundation's income stream, however the Board is very conscious of the shifting fundraising landscape and the changing needs of the microfinance operations as they mature and seek to scale.

Sustainability risk

This is the risk that the expenses from our charitable activities in respect of microfinance exceed the associated income and therefore reduces our ability to provide services and maintain or grow our impact.

Our objective remains that all our operations in Africa are operationally self-sufficient. Achieving this simultaneously across our subsidiaries in Malawi, Zambia and Zimbabwe for the first time in 2023 is vindication of a long-term strategy of targeted investment to build mission-focussed institutions that can be resilient to the effects of short-term volatility and macro-economic shocks.

Our strategy will continue to be one of responsible investment into each country through a combination of donations and social investment to reach more beneficiaries, whilst at the same time benefiting from the economies of scale associated with growth. The Group also continues to critically evaluate the cost base and working practices to identify more efficient ways to operate. Digitisation is key to this and our operations in Malawi and Zambia have both benefited from technical assistance in recent years to upskill personnel and accelerate implementation of system enhancements. We aspire to be a high-tech organisation whilst maintaining the core principals of our high-touch service model for clients.

Liquidity and funding risk

Gross income streams can be volatile whereas

the underlying UK cost base, which is principally staff and associated costs, is relatively stable and recurring.

The Board seeks to maintain a prudent level of free reserve cover to cope with fluctuations in income and thereby ensure running costs can be met and that charitable activities can continue to be delivered without disruption. The partnership between MicroLoan Foundation and WildHearts Foundation is also a key part of the strategy to manage volatility in income streams since it provides cost synergies as well as complimentary income streams within the wider group.

Credit risk

This is the risk of significant levels of default across our microfinance portfolio.

Although we operate in some of the poorest areas of sub-Saharan Africa, our credit risk history shows that our methodology works. Loan repayment rates typically average over 97% and our sector-leading Management Information System allows us to identify problems early and work with clients to resolve them.

Foreign exchange risk

This risk arises on conversion of receipts or payments from one currency to another or revaluation and translation of local currency loans, borrowings or investments into Sterling. We operate where currency rates are volatile and can fluctuate significantly, as demonstrated by the significant devaluations of both the Malawian Kwacha and Zambian Kwacha during 2023.

To mitigate currency risks, we match our assets and liabilities by currency whenever possible and use foreign currency hedging where it is cost effective and feasible to do so. We also encourage social investors to lend to us in local currencies.

Operational risk

The charitable group has more than 250 staff working across four countries and therefore we have the logistical risks associated with operating over large distances, in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

To manage this risk, operational performance is monitored closely on an ongoing basis at both local and group levels. There are well established daily, weekly and monthly reporting routines that include variance analysis against budgets and Key Performance Indicators.

We continually seek ways to improve our operational framework, including upskilling our people and local Boards and investing in strengthening our internal audit function. We also regularly review and upgrade our IT infrastructure and computer equipment to ensure it remains fit for purpose.

There are mechanisms in place that allow knowledge sharing and collaboration across our different countries of operation, helping management identify examples of best practice and also areas of risk.

Safeguarding risk

MicroLoan works with communities and individuals who are vulnerable. We have a responsibility to ensure that our employees, volunteers, partners and programmes do no harm to children and vulnerable adults. Any concerns the organisation has about the safety of children and vulnerable adults within the communities in which we work, are dealt with and reported to the appropriate authorities. It is also the responsibility of the organisation to protect its employees and volunteers when they are vulnerable, for example, when ill or at risk of harm.

Our microfinance operations have strong client protection and safeguarding policies in place. All staff undergo a rigorous interview and assessment process prior to appointment and receive comprehensive training on client protection and ethical conduct. We maintain a whistleblowing hotline in Africa and provide multiple feedback mechanisms for both clients and staff. Our Social Performance Management department regularly conducts client interviews, serving as a direct link to local head offices.

Reputational risk

This is the risk of an event or allegation adversely impacting the reputation of the charity and, consequently, jeopardising its ability to fulfil its charitable objectives.

MicroLoan Foundation mitigates reputational risk by maintaining transparency, ethical lending practices, careful social impact monitoring and a robust governance framework. We conduct thorough due diligence on borrowers, ensure clear communication, and foster strong community relationships. There are a variety of measures embedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. Our effective Social Performance Management system ensures that we are achieving our social mission and balancing social and financial performance.







Governance

Nature of governing document

The charity is governed by its Memorandum and Articles of Association (last amended 10 December 2018).

Organisation structure

The directors of the UK charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The appointment, removal, power and duties of the trustees are set out in the charity's Memorandum and Articles of Association.

The Board of Trustees meets at least quarterly and presently consists of four individuals, all of whom act in a Non-Executive capacity. The trustees that served during the year and since the year end were as follows:

- Bernice Dunsmuir
- Michael Jackson
- Steven Marshall
- Steve Stolliday

Day to day running of the Foundation in the UK is delegated to a Senior Management Team, which comprises the Group Chief Executive Officer, the Chief Financial Officer and the Director of Fundraising.

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country.

These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries. Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

Each local Board has directors with a variety of local and international experience and include both executive and non-executive members.

The organisational structure and Board composition is reviewed on an on-going basis as part of normal risk management processes.

Recruitment and appointment of trustees

MicroLoan Foundation's Memorandum and Articles of Association permit any person who is willing to act to be appointed as a trustee by an ordinary resolution. There are no provisions that require or permit any external body to appoint a member to the Board. In practice, trustees are appointed based on their backgrounds, professional networks and passion for the group's vision.

Board members are provided with a detailed induction on appointment and in advance of each scheduled meeting to ensure that their knowledge of the charity's activities and regulatory environment remains current.

Induction and training of trustees

It is expected that all trustees and other senior personnel, both in the UK and in Africa, undertake appropriate personal and professional development activities relevant to their position. Opportunities for formal training, including seminars and conferences, are offered periodically. The charity is also fortunate to have attracted several experienced professionals from a variety of backgrounds who provide ongoing support, advice and mentoring. This network enables the charity and the trustees to harness the best and most creative minds in their respective disciplines to support our social mission.

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract and retain senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible. Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). KPIs are closely monitored to assess value-added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2023.

Statement of Trustees' responsibilities

Public benefit

The trustees are responsible for confirming that the activities of the UK charity are consistent with its charitable objectives as set out in this annual report and financial statement.

Financial statements

The trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report 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 group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or 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 (FRS 102).
- 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 and the group will continue in operation.

The trustees are responsible for keeping adequate 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 group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they 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.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. 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.

Signed on behalf of the Board on 22 July 2024

Dr Mick Jackson
Chairman





Independent auditor's report

Opinion

We have audited the financial statements of MicroLoan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2023 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.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on MicroLoan Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report:

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:



- We enquired of management and the Board of trustees, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

We want to create a sustainable institution that is not reliant on charitable donations for its day to day running costs.





Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor
17 August 2024

For and on behalf of:
Sayer Vincent LLP, Statutory Auditor

110 Golden Lane,
London, EC1Y 0TL

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

Financial statements

MicroLoan Foundation

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2023



	Note	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Income from:							
Charitable activities							
• Malawi		**1,900,138**	-	**1,900,138**	1,998,072	-	1,998,072
• Zambia		**2,709,044**	-	**2,709,044**	2,346,229	-	2,346,229
• Zimbabwe		**286,577**	-	**286,577**	27,352	-	27,352
		4,895,759	**-**	**4,895,759**	4,371,653	-	4,371,653
Donations and legacies	2	**641,069**	**537,385**	**1,178,454**	597,845	348,240	946,085
Investment income	3	**66,774**	-	**66,774**	9,920	-	9,920
Total income		**5,603,602**	**537,385**	**6,140,987**	4,979,418	348,240	5,327,658
Expenditure on:							
Charitable activities							
• Malawi	5	**(1,947,224)**	**(201,429)**	**(2,148,653)**	(1,860,055)	(194,176)	(2,054,231)
• Zambia	5	**(2,697,869)**	**(124,188)**	**(2,822,057)**	(2,154,732)	(4,567)	(2,159,299)
• Zimbabwe	5	**(101,907)**	**(204,857)**	**(306,764)**	(84,976)	(142,194)	(227,170)
		(4,747,000)	**(530,474)**	**(5,277,474)**	(4,099,763)	(340,937)	(4,440,700)
Raising funds	5	**(343,298)**	**(1,020)**	**(344,318)**	(319,053)	(3,570)	(322,623)
Total expenditure		**(5,090,298)**	**(531,494)**	**(5,621,792)**	(4,418,816)	(344,507)	(4,763,323)
Net income		**513,304**	**5,891**	**519,195**	560,602	3,733	564,335
Other recognised gains / (losses):							
Gain on revalued fixed assets	8	**50,675**	-	**50,675**	-	-	-
Exchange losses	18	**(924,119)**	-	**(924,119)**	(68,007)	-	(68,007)
Net movement in funds		**(360,140)**	**5,891**	**(354,249)**	492,595	3,733	496,328
Reconciliation of funds:							
Total funds brought forward	18	**2,112,127**	**35,913**	**2,148,040**	1,619,532	32,180	1,651,712
Total funds carried forward		**1,751,987**	**41,804**	**1,793,791**	2,112,127	35,913	2,148,040

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year. All amounts related to continuing operations.

The notes on pages 58 to 84 form part of these financial statements.

Charity Statement of Financial Activities (including Income and Expenditure Account)
for the year ended 31 December 2023

	Note	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Income from:							
Charitable activities		**128,745**	-	**128,745**	93,531	-	93,531
Donations and legacies		**641,069**	**319,708**	**960,777**	597,845	274,908	872,753
Total income		**769,814**	**319,708**	**1,089,522**	691,376	274,908	966,284
Expenditure on:							
Charitable activities		**(555,636)**	**(20,286)**	**(575,922)**	(180,018)	(142,195)	(322,213)
Raising funds		**(343,298)**	**(1,020)**	**(344,318)**	(319,053)	(3,570)	(322,623)
Total expenditure		**(898,934)**	**(21,306)**	**(920,240)**	(499,071)	(145,765)	(644,836)
Net income		**(129,120)**	**298,402**	**169,282**	192,305	129,143	321,448
Transfers between funds		**292,511**	**(292,511)**	**-**	112,722	(112,722)	-
Net movement in funds		**163,391**	**5,891**	**169,282**	305,027	16,421	321,448
Reconciliation of funds:							
Total funds brought forward		**1,352,895**	**35,913**	**1,388,808**	1,047,869	19,491	1,067,360
Total funds carried forward		**1,516,286**	**41,804**	**1,558,090**	1,352,896	35,912	1,388,808

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 58 to 84 form part of these financial statements.



Balance sheets as at 31 December 2023 *Company registration number: 04828558*

	Note	The group		The charity	
		2023 £	2022 £	**2023 £**	2022 £
Fixed assets					
Tangible assets	8	**587,677**	738,649	**-**	-
Investments	9	**-**	-	**1,825,060**	1,845,527
		587,677	738,649	**1,825,060**	1,845,527
Current assets					
Stock	10	**6,309**	7,379	**-**	-
Debtors	11	**5,608,645**	7,382,467	**354,481**	217,465
Investments	12	**250,000**	**-**	**250,000**	-
Cash at bank and in hand		**1,391,187**	768,214	**277,413**	482,930
		7,256,141	8,158,060	**881,894**	700,395
Creditors: Amounts falling due within one year	13	**(2,047,932)**	(2,999,146)	**(48,864)**	(57,114)
Net current assets / (liabilities)		**5,208,209**	5,158,914	**833,030**	643,281
Total assets less current liabilities		**5,795,886**	5,897,563	**2,658,090**	2,488,808
Creditors: Amounts falling due after one year	143	**(4,001,536)**	(3,713,512)	**(1,100,000)**	(1,100,000)
Provisions for liabilities	15	**(559)**	(36,011)	**-**	-
Total net assets		**1,793,791**	2,148,040	**1,558,090**	1,388,808
Funds of the charity:					
Unrestricted funds	18	**407,349**	369,519	**391,227**	620,886
Designated funds	18	**1,344,638**	1,742,608	**1,125,059**	732,010
Restricted funds	18	**41,804**	35,913	**41,804**	35,912
Total funds		**1,793,791**	2,148,040	**1,558,090**	1,388,808

The financial statements were approved by the Board and authorised for issue on 22nd July 2024 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 58 to 84 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2023

			The group	
	2023	**2023**	2022	2022
	£	**£**	£	£
Cash flows from operating activities				
Net income per Statement of Financial Activities	**519,195**		564,335	
Depreciation charges	**145,466**		160,167	
Investment income receivable	**(66,774)**		(9,920)	
Interest on borrowings	**1,051,482**		652,149	
Gain / (loss) on disposal of tangible fixed assets	**(98)**		649	
Increase in stock	**(2,632)**		(1,874)	
Increase in debtors	**(1,169,839)**		(3,839,324)	
(Decrease) / increase in creditors	**(121,530)**		293,606	
Decrease in deferred tax provision	**(35,452)**		(8,845)	
Net cash flows from operating activities		**319,818**		(2,189,057)
Cash flows from investing activities				
Interest receivable and similar income	**3,410**		9,920	
Other investment income	**63,364**		-	
Purchase of tangible fixed assets	**(249,288)**		(435,439)	
Proceeds from sale of tangible fixed assets	**3,465**		16,992	
Net cash flows from investing activities		**(179,049)**		(408,527)
Cash flows from financing activities				
New loans obtained during the period	**3,519,411**		4,566,048	
Loans repaid during the period	**(1,633,918)**		(1,205,402)	
Interest paid on borrowings	**(1,051,482)**		(652,149)	
Net cash flows from financing activities		**834,011**		2,708,497
Net increase in cash and cash equivalents		**974,780**		110,913
Cash and cash equivalents at 1 January 2023		**768,214**		674,005
Exchange loss on cash and cash equivalents		**(101,807)**		(16,704)
Cash and cash equivalents at 31 December 2023		**1,641,187**		768,214

All of the cash flows are derived from continuing operations during the current and prior year.

The notes on pages 58 to 84 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation and statement of compliance

MicroLoan Foundation is a private company limited by guarantee (incorporated in England under the Companies Act) and a charity registered with the Charity Commission for England & Wales and the Office of the Scottish Charity Regulator. The charitable company's registered office address is 1-2 Paris Garden, London, SE1 8ND.

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

MicroLoan Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries on a line by line basis. The subsidiaries are MicroLoan Foundation Malawi (Registration Number 12509), MicroLoan Foundation Zambia (Registration Number 70587), and, in Zimbabwe, MicroLoan Trust Zimbabwe (Registration Number MA0000738/2016) and MicroLoan Foundation (Private) Limited (Registration Number 851/2016). All are incorporated locally in their respective country of operation.

Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes to the charitable company's balance sheet.

The presentational currency used in these financial statements is Pound Sterling. Amounts have been rounded to the nearest Pound.

Going concern

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of the financial statements.

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £5,267,141 (2022: £7,230,813).

Summary of disclosure exemptions

The charity has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to separately disclose transactions between members of the charitable group headed by WildHearts Foundation.

Income

Income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Income from donations and legacies is recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the donor specifies that the donation must be used in future accounting periods or imposes other conditions which must be fulfilled before the charity becomes entitled to use such income, the income is deferred and not recognised until the pre-conditions have been met.

Grants receivable

Grant income is also recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the grant agreement contains performance or other pre-conditions which must be met before the charity becomes entitled to the funding, the grant income is deferred and released to income in the reporting period in which the conditions limiting recognition are met.

Donated resources and services

The activities of MicroLoan Foundation are supported by resources and services provided on a pro bono or discounted basis. In accordance with the Charities SORP (FRS 102), an amount is recognised within the Statement of Financial Activities as income when received, with a corresponding expense, where the benefit of these services is reasonably quantifiable and measurable.

Each year, the trustees undertake a comprehensive exercise in order to calculate on a consistent and systematic basis the value of in kind support received in the form of donated services and facilities. This value is determined by calculating the gross open market cost of undertaking each activity and then deducting amounts directly incurred by the charity. For the purposes of this calculation, no allowance has been made for irrecoverable VAT that could potentially have been incurred in respect of donated amounts in the open market. The trustees do not consider it practical to accurately determine the latter figure due to uncertainty over when VAT would or would not be applied.

Income from charitable activities

Income from charitable activities comprises of interest charged in respect of the microloans that we provide to our beneficiaries in order to make our lending activities sustainable. It is recognised on an accruals basis net of provision for bad debt.

Other trading activities

Income generated from fundraising events is recognised at the point of receipt.

Investment income

Investment income is included on an accruals basis and is stated gross of any taxation recoverable.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable that settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the use of the resources.

Raising funds

Costs of raising funds represent amounts incurred in undertaking fundraising events and in attracting other voluntary income.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature that are necessary to support them.

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient.

In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as shown in Note 5.

Governance costs

Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Trading subsidiaries are subject to corporation tax in the countries that they operate in. Tax is recognised in the Statement of Financial Activities.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits of a trading subsidiary; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible fixed assets

Tangible fixed assets are initially capitalised at cost and depreciated from the point at which they come into use. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be included as a revaluation reserve within charitable funds.

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Work in progress	nil

Investments

Programme related investments, which includes investments in the Charity's subsidiaries, are made in furtherance of the Charity's objectives and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost less provision for impairment except for listed investments which are included at fair value (bid price). Any loss or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Investments made by the charity which represent concessionary loans are measured at cost less provision for impairment.

Other investments are measured at fair value through income and expenditure unless fair value cannot be measured reliably. In such circumstances, investments are measured at cost less impairment.

Stocks

Stock is held at fair value. In respect of donated items held for distribution or resale, this is the amount the charity would have been willing to pay for the items on the open market.

Microcredit loans

Microcredit loans that we advance to our beneficiaries are typically short term and carry a fixed, market rate of interest. They are therefore treated as basic financial instruments and initially measured at transaction cost then subsequently assessed potential impairment. The balance is reported net of impairment provisions made.

Trade and other debtors

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings that are interest free or at a rate below prevailing market rates are treated as concessionary loans. Such loans are initially recorded at the amount received, with the carrying value subsequently adjusted to reflect repayments and any accrued interest.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method.

Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension and other post retirement obligations

Contributions to defined contribution pension schemes are charged to the Statement of Financial Activities in the period in which they become payable.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date unless there is a matching forward currency contract in place. In such circumstances, the contracted rate of exchange is used.



Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

The Charity's overseas subsidiaries have different functional currencies from that of their parent. On consolidation, assets and liabilities of these subsidiaries are translated using the applicable exchange rate as at the balance sheet date. Transactions included within the Statement of Financial Activities are translated using the average exchange rate across the period. Foreign currency gains or losses arising in respect of the translation of overseas subsidiaries are reflected in the Statement of Financial Activities as other operating gains or losses.

Fund accounting

Reserves which can be used at the discretion of the trustees are classified as unrestricted funds.

Designated funds, which are also unrestricted, represent amounts ringfenced or committed by the charity for specific charitable activities.

Restricted funds are to be used for specific purposes as laid down, either implicitly or explicitly, by the donor. Expenditure which meets the criteria is allocated to the appropriate fund, together with a fair allocation of overhead support cost.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities. These are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire or are settled

(b) the Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or

(c) the Charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligation is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of concessionary loans and some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Statement of Financial Activities.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Derivative financial instruments

From time to time, the charity uses derivative financial instruments to reduce exposure to foreign exchange risk. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Financial Activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Charity designates certain derivatives as hedging instruments in fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the charity determines and documents causes for hedge ineffectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Financial Activities immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item.

Hedge accounting is discontinued when the charity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Financial activities from that date.

2 Income from donations and legacies

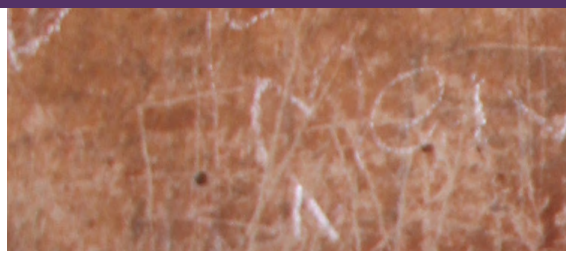
	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Individuals and events	**458,295**	**31,860**	**490,155**	403,072	105,647	508,719
Trusts and institutions	**118,120**	**505,525**	**623,645**	111,709	242,593	354,302
Corporates	**9,011**	**-**	**9,011**	32,342	-	32,342
Donated services and facilities	**55,643**	-	**55,643**	50,722	-	50,722
	641,069	**537,385**	**1,178,454**	597,845	348,240	946,085

3 Investment income

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Interest receivable	**3,410**	**-**	**3,410**	3,487	-	3,487
Other investment income	**63,364**	**-**	**63,364**	6,433	-	6,433
	66,774	-	**66,774**	9,920	-	9,920

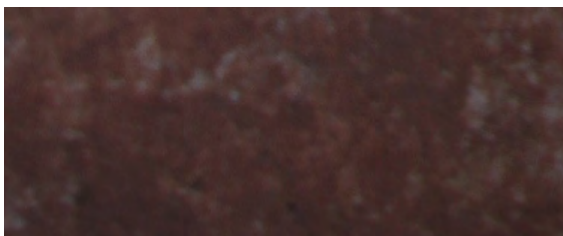
4 Net income / (expenditure) for the year

	2023 £	2022 £
This is stated after charging:		
Depreciation	**145,466**	160,167
Auditor's remuneration - audit	**13,375**	12,500
Operating lease expenses - property	**114,906**	121,518



5 Expenditure analysis

	Charitable activities								
	Malawi 2023 £	Zambia 2023 £	Zimbabwe 2023 £	Subtotal 2023 £	Cost of raising funds 2023 £	Governance costs 2023 £	Support costs 2023 £	Total 2023 £	Total 2022 £
Staff costs	733,597	892,121	116,262	1,741,980	216,638	239	3,429	**1,962,286**	1,986,382
Travel and subsistence	128,751	162,755	31,766	323,272	3,148	735	12	**327,167**	322,251
Premises costs	98,935	48,812	5,273	153,020	26,610	-	-	**179,630**	184,740
Legal and professional fees	72,111	33,739	29,783	135,633	-	20,004	6,335	**161,972**	180,309
Interest costs	232,329	819,125	28	1,051,482	-	-	-	**1,051, 482**	652,149
Bank charges	80,090	98,750	26,439	205,279	2,621	-	706	**208,606**	154,438
Depreciation	54,836	87,637	2,993	145,466	-	-	-	**145,466**	160,167
Exchange (gains) / losses	83,490	97,057	60,576	241,123	-	-	5,947	**247,070**	192,697
Loan provisions and write-off	259,587	272,408	497	532,492	-	-	-	**532,492**	184,561
IT and telecommunications	32,671	27,189	1,023	60,883	9,617	-	886	**71,386**	88,115
Other costs	361,342	266,549	31,483	659,374	16,341	-	2,877	**678,592**	606,792
	2,137,739	2,806,142	306,123	5,250,004	274,975	20,978	20,192	**5,566,149**	4,712,601
In kind support	400	495	17	912	19,863	8,531	26,337	**55,643**	50,722
Support costs	-	-	-	-	46,529	-	(46,529)	**-**	-
Governance costs	10,514	15,420	624	26,558	2,951	(29,509)	-	**-**	-
Total expenditure	**2,148,653**	**2,822,057**	**306,764**	**5,277,474**	**344,318**	**-**	**-**	**5,621,792**	4,763,323
2022 expenditure analysis	2,054,231	2,159,299	227,170	4,440,700	322,623	-	-	-	4,763,323






Group loans and savings

5 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2022 £	MLF Zambia 2022 £	MLF Zimbabwe 2022 £	Subtotal 2022 £	Cost of raising funds 2022 £	Governance costs 2022 £	Support costs 2022 £	Total 2022 £
Staff costs	863,337	858,822	52,517	1,774,676	203,410	474	7,822	**1,986,382**
Travel and subsistence	161,829	138,564	14,026	314,419	5.052	1,395	1,395	**322,251**
Premises costs	107,297	46,225	5,894	159,416	25,324	-	-	**184,740**
Legal and professional fees	112,718	38,917	12,026	163,661	-	16,613	35	**180,309**
Interest costs	162,882	489,267	-	652,149	-	-	-	**652,149**
Bank charges	64,549	78,920	5,494	148,963	4,870	-	605	**154,438**
Depreciation	74,882	84,833	452	160,167	-	-	-	**160,167**
Exchange (gains) / losses	44,423	23,810	124,968	193,201	-	-	(504)	**192,697**
Loan provisions and write-off	83,867	100,434	260	184,561	-	-	-	**184,561**
IT and telecommunications	43,697	31,860	2,073	77,630	9,946	-	539	**88,115**
Other costs	322,936	255,470	9,392	587,798	17,972	-	1,022	**606,792**
	2,042,417	2,147,122	227,102	4,416,641	266,574	18,472	10,914	**4,712,601**
In kind support	448	462	3	913	20,080	7,246	22,483	**50,722**
Support costs	-	-	-	-	33,397	-	(33,397)	**-**
Governance costs	11,366	11,715	65	23,146	2,572	(25,718)	-	**-**
Total expenditure	**2,054,231**	**2,159,299**	**227,170**	**4,440,700**	**322,623**	**-**	**-**	**4,763,323**

6 Staff costs

	2023 £	2022 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,752,737**	1,777,108
Social security costs	**36,761**	28,936
Pension costs	**98,666**	102,442
	1,888,164	1,908,486

The number of employees receiving emoluments of more than £60,000 was as follows:

	2023 £	2022 £
£150,000 - £159,999	1	-
£90,000 - £99,999	1	2
£60,000 - £69,999	1	1
	3	3

Pension contributions made on behalf of these employees totalled £15,100 (2022: £7,400).

The trustees consider key management personnel during 2023 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £482,134 (2022: £423,827) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

The average number of persons employed by the charity during the year was as follows:

	2023 No.	2022 No.
Malawi	**120**	134
Zambia	**128**	99
Zimbabwe	**13**	14
Raising funds	**6**	6
Governance and administration	**1**	2
	268	255

7 Trustee remuneration and expenses

Trustees' emoluments

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. Expenses totalling £376 (2022: £18) were reimbursed to two (2022: one) trustees during the year.



8 Tangible Fixed Assets

	The group					
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Work in progress £	Total £
Cost or valuation						
At 1 January 2023	110,060	260,711	166,615	845,924	-	**1,383,310**
Forex adjustment	(46,858)	(91,844)	(70,935)	(314,747)	-	**(524,384)**
Additions	-	30,138	8,715	159,913	7,131	**205,897**
Disposals	-	(2,833)	(115)	(10,053)	-	**(13,001)**
Revaluations	63,436	-	-	-	-	**63,436**
At 31 December 2023	126,638	196,172	104,280	681,037	7,131	**1,115,258**
Depreciation						
At 1 January 2023	(15,596)	(123,022)	(97,591)	(408,452)	-	**(644,661)**
Forex adjustment	6,640	41,166	41,549	154,053	-	**243,408**
Charge for the year	-	(26,603)	(14,636)	(104,227)	-	**(145,466)**
On disposals	-	2,363	49	7,700	-	**10,182**
Revaluations	8,956	-	-	-	-	**8,956**
At 31 December 2023	-	(106,096)	(70,629)	(350,856)	-	**(527,581)**
Net book value						
At 31 December 2023	126,638	90,076	33,651	330,181	7,131	**587,677**
At 31 December 2022	94,464	137,689	69,024	437,472	-	**738,649**

The revaluation of buildings is reflected in the Statement of Financial Activities as an other recognised gain. Realisation of the gain would result in local taxation being payable and, accordingly, the gain is reported in the Statement of Financial Activities net of associated deferred tax of £21,717.

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2023	1,902,887
Additions	294,533
At 31 December 2023	2,197,420
Provision	
At 1 January 2023	(57,360)
Charge for the year	(315,00)
At 31 December 2023	(372,360)
Net book value	
At 31 December 2023	1,825,060
At 31 December 2022	1,845,527

Additions to investments represent new capital injected into the three wholly owned subsidiaries through a combination of cash advances and conversion of intercompany debt. This is done as part of an ongoing strategy to fund their expansion.

A summary of the results and the aggregate of share capital and reserves of the subsidiaries, converted into Pound Sterling, is shown below.

	Income	Expenditure	Result for the year	Aggregate of share capital and reserves
	£	£	£	£
MLF Malawi	1,990,553	(1,963,442)	27,111	874,880
MLF Zambia	2,717,951	(2,666,942)	51,009	956,060
MLF Zimbabwe	286,577	(246,645)	39,932	78,670
	4,995,081	(4,877,029)	118,052	1,909,610

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

10 Stock

	The group		The charity	
	2023 £	2021 £	2023 £	2021 £
Consumables held	**6,309**	7,379	-	-

11 Debtors

	The group		The charity	
	2023 £	2022 £	2023 £	2022 £
Trade debtors	**-**	1,750	**-**	1,750
Amounts due from group undertakings	**-**	-	**198,303**	194,213
Microcredit loans	**5,267,141**	7,230,813	**-**	-
Other debtors and prepayments	**341,504**	149,904	**156,178**	21,502
	5,608,645	7,382,467	**354,481**	217,465

Two large legacies were notified to MicroLoan Foundation during the year to 31 December 2023. An interim distribution of £151,000 for one of the legacies has been notified post year end and recognised in other debtors and prepayments. Further distributions from either legacy have not been recognised in 2023 due to uncertainty over the amounts due.

12 Current asset investments

	The group		The charity	
	2023 £	2022 £	2023 £	2022 £
Short term deposits	**250,000**	-	**250,000**	-

Investments in short term deposits represent amounts held in the COIF Charities Deposit Fund which comprises a diversified portfolio of sterling denominated money market deposits and other instruments. The fund is instant access. The annualised yield on the fund in 2023 was 5.27% (2022: N/A).

13 Creditors: amounts falling due within one year

	The group		The charity	
	2023 £	2022 £	2023 £	2022 £
Trade creditors	**8,257**	15,645	**4,146**	2,944
Taxation and social security	**136,193**	161,618	**9,856**	7,664
Other creditors and accruals	**134,373**	373,371	**34,862**	46,506
Loans	**1,769,109**	2,448,512	**-**	-
	2,047,932	2,999,146	**48,864**	57,114

Further information in respect of loans outstanding is provided at note 14.

14 Creditors: amounts falling due after one year

	The group		The charity	
	2023 £	2022 £	2023 £	2022 £
Loan repayments due:				
In 1 - 2 years	**2,784,375**	2,050,663	**-**	-
In 2 - 5 years	**1,217,161**	1,662,849	**1,100,000**	1,100,000
	4,001,536	3,713,512	**1,100,000**	1,100,000

Loans represent amounts borrowed by various MLF entities to fund activities. Details of the loan providers, the entity the loan is with, the currency in which the loan is denominated and the applicable interest rate are set out on the next page.

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,100,000	UK	GBP	Nil
Grameen Credit Agricole Microfinance Foundation	257,386	Malawi	MWK	31.53%
Grameen Credit Agricole Microfinance Foundation	122,610	Zambia	ZMW	25.81%
Grameen Credit Agricole Microfinance Foundation	392,669	Zambia	ZMW	26.00%
Lend with Care	104,063	Malawi	MWK	Nil
Lend with Care	141,187	Zambia	ZMW	Nil
Paul Foundation	39,370	Zimbabwe	USD	5.00%
ADA Microfinance	112,113	Zambia	ZMW	30.00%
Global Partnerships	30,499	Malawi	MWK	16.83%
Global Partnerships	125,176	Zambia	ZMW	24.69%
Global Partnerships	116,892	Zambia	ZMW	28.35%
Global Partnerships	293,819	Zambia	ZMW	23.89%
Global Partnerships	361,332	Zambia	ZMW	22.93%
Symbiotics	318,859	Zambia	ZMW	26.50%
Symbiotics	307,870	Zambia	ZMW	25.00%
Oikocredit	202,950	Zambia	ZMW	26.00%
FEFISOL II	136,526	Zambia	ZMW	28.63%
SIDI	83,976	Malawi	MWK	22.00%
Reserve Bank of Malawi FinES	1,523,348	Malawi	MWK	3.00%
	5,770,645			

15 Provisions for liabilities

	The group		The charity	
	2023 £	2022 £	2023 £	2022 £
Deferred Tax				
Amounts payable to the Malawi Revenue Authorities	-	36,011	-	-
Amounts payable to the Zambian Revenue Authorities	**559**	-	-	-
	559	36,011	-	-

At 31 December 2023, the group also had unrecognised deferred tax assets of £6,579 (2022: £nil) in respect of Malawi, £44,542 (2022: £7,260) in respect of Zambia, and £nil (2022: £7,768) in respect of Zimbabwe.

16 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £98,666 (2022: £102,442).

17 Analysis of group net assets between funds

	Unrestricted	Restricted		Unrestricted	Restricted	
	2023 £	2023 £	Total 2023 £	2022 £	2022 £	Total 2022 £
Tangible fixed assets	**587,677**	-	**587,677**	738,649	-	**738,649**
Net current assets	**5,166,405**	**41,804**	**5,208,209**	5,123,001	35,913	**5,158,914**
Long term liabilities	**(4,001,536)**	-	**(4,001,536)**	(3,713,512)	-	**(3,713,512)**
Deferred tax liability	**(559)**	-	**(559)**	(36,011)	-	**(36,011)**
	1,751,987	**41,804**	**1,793,791**	2,112,127	35,913	**2,148,040**

18 Funds

2023 movements

	Balance at 1 January 2023	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2023
	£	£	£	£	£	£
Unrestricted funds						
General fund	369,519	5,603,602	(5,090,298)	(873,444)	397,970	**407,349**
Designated funds: - Africa Investment	1,492,608	-	-	-	(547,970)	**944,638**
- Africa Expansion	100,000	-	-	-	300,000	**400,000**
- Zimbabwe Growth	150,000	-	-	-	(150,000)	**-**
	2,112,127	**5,603,602**	**(5,090,298)**	**(873,444)**	**-**	**1,751,987**
Restricted funds						
Malawi	-	202,029	(201,429)	-	-	**600**
Zambia	23,400	100,788	(124,188)	-	-	**-**
Zimbabwe	12,513	208,124	(179,433)	-	-	**41,204**
Africa general	-	25,424	(25,424)	-	-	**-**
UK infrastructure	-	1,020	(1,020)	-	-	**-**
	35,913	**537,385**	**(531,494)**	**-**	**-**	**41,804**
Total funds	**2,148,040**	**6,140,987**	**(5,621,792)**	**(873,444)**	**-**	**1,793,791**

2022 movements

	Balance at 1 January 2022	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2022
	£	£	£	£	£	£
Unrestricted funds						
General fund	274,529	3,312,829	(2,641,914)	101,140	(732,010)	**314,574**
Designated funds - Africa Investment	572,948	-	-	-	582,010	**1,154,958**
-Zimbabwe Growth	-	-	-	-	150,000	**150,000**
	847,477	**3,312,829**	**(2,641,914)**	**101,140**	**-**	**1,619,532**
Restricted funds						
Malawi	36,900	187,003	(197,103)	-	-	**26,800**
Zambia	6,040	126,511	(132,551)	-	-	**-**
Zimbabwe	4,257	108,489	(107,366)	-	-	**5,380**
Africa general	20,750	41,594	(62,344)	-	-	**-**
UK infrastructure	-	11,461	(11,461)	-	-	**-**
	67,947	**475,058**	**(510,825)**	**-**	**-**	**32,180**
Total funds	**915,424**	**3,787,887**	**(3,152,739)**	**101,140**	**-**	**1,651,712**

The designated 'Africa investment' fund reflects the book value of UK assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans. It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £102,840 (2022: £101,284) relating to a revaluation reserve created in respect of land and buildings owned in Malawi.

A key part of the charity's medium term strategy is to seek to expand its operations into a new African country by 2025. A significant amount of research and planning has been undertaken in respect of this project and the intention is to open a green-field operation in South Africa in the latter half of 2024. The designated 'Africa expansion' fund represents unrestricted funds that have been ringfenced to provide part of the initial start up capital required to fund this expansion.

The designated 'Zimbabwe growth' fund represented unrestricted funds that had been ringfenced to facilitate the ongoing recapitalisation of Zimbabwe in 2023. This was achieved during the year through a combination of the brought forward designated funds and new restricted income received. The increase in Zimbabwe's net asset value as a result of the recapitalisation forms part of the net movement in the designated Africa investment fund. Restricted funds represent the total of individual fund balances received for activities within the charity's countries of operation, as indicated by the fund name. The 'Africa general' fund comprises of amounts where the donors have stipulated that the funds should be applied directly to our projects within Africa but have not specified a particular country. The trustees do not consider there to be any individually material amounts within each aggregated fund balance that would require separate disclosure.

19 Financial Instruments

	2023 £	2022 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	**7,249,832**	8,150,681
	7,249,832	8,150,681
Financial liabilities measured at amortised cost	**142,630**	389,016
Loan commitments measured at cost less impairment	**5,770,645**	6,162,024
	5,913,275	6,551,040

Financial assets measured at fair value
There are no financial assets measured at fair value.

Financial assets that are debt instruments measured at amortised cost
This comprises of microcredit loans, trade debtors, other debtors, cash and cash equivalents (as applicable).

Financial liabilities measured at historic cost
This comprises of trade creditors, other creditors and accruals.

Loan commitments measured at cost less impairment
This comprises of loans.

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2022				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,962,533	-	-	-
	4,962,533	**-**	**-**	**-**
2021				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,381,573	-	-	-
	4,381,573	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £4,962,533 (2022: £4,381,573)

Impairment

Microcredit loans

The amount of the impairment loss during the year is £532,492 (2022: £184,561). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £532,492 (2022: £184,561).

Fair Value Hedges

Currency forwards - contracts to buy

The group is exposed to foreign currency risk when it borrows in currencies other than the functional currency. The Charity's policy is to seek to hedge this risk wherever it is practical and affordable using forward foreign currency contracts.

Interest rate swaps

From time to time, the group may also enter into interest rate swaps in respect of foreign currency borrowings in order to reduce exposure to foreign currency risk in respect of scheduled interest payments.

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2022: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2022: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2023	Cash flows	Other non-cash changes	At 31 December 2023
	£	£	£	£
Cash at bank and in hand	768,214	724,780	(101,807)	**1,391,187**
Cash at bank and in hand	-	250,000	-	**250,000**
Total cash and cash equivalents	**768,214**	**974,780**	**(101,807)**	**1,641,187**
Loans falling due within one year	(2,448,512)	(1,633,918)	(954,515)	**(1,769,109)**
Loans falling due after more than one year	(3,713,512)	(3,519,411)	3,231,387	**(4,001,536)**
Total	**(5,393,810)**	**(910,713)**	**2,175,065**	**(4,129, 458)**

The large non-cash movements in both cash and net debt are due to the significant devaluation of the Malawian Kwacha and Zambian Kwacha during 2023.

21 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. The member is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

22 Ultimate controlling party

The company's ultimate parent undertaking and controlling party is WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665). Copies of its consolidated financial statements are available from Companies House.



MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

MicroLoan Foundation UK
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London
SE1 8ND

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MicroLoan Foundation Zambia
Registered Office
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Plot 346, 4th Street Chelstone Green
Salama Park
Lusaka

MicroLoan Foundation Zimbabwe
Registered Office
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Harare

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MICROLOAN FOUNDATION

England & Wales - Charity number 1104287

Accounts

microloan foundation



Annual Report and Financial Statements 2022

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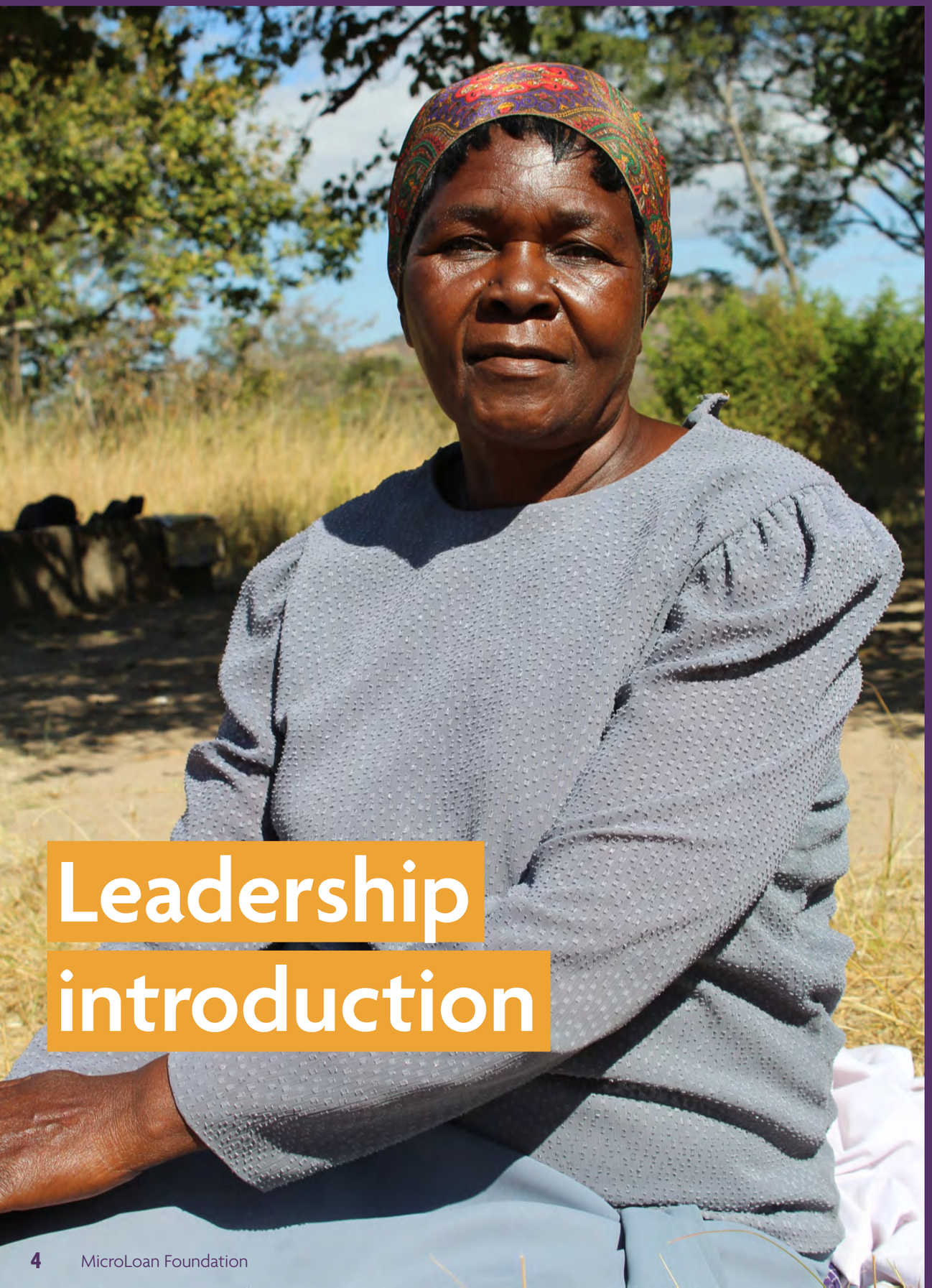
Registered charity number: 1104287 (England and Wales); SC041941 (Scotland)
Company limited by guarantee registered company number: 04828558 (England and Wales)

To date over 390,000 women have joined MicroLoan Foundation to start their own small businesses and begin their journey out of poverty. As a result, their children have increased access to food, healthcare and education, taking the total lives impacted to 2 million.

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Leadership introduction

We have come a long way in 20 years, and it is our immense pleasure to introduce the 2022 Annual Report for MicroLoan Foundation. MicroLoan's work in sub-Saharan Africa began with one staff member in Malawi who provided a cash loan and training to a group of women in 2002. Since then, we have served over 390,000 microentrepreneurs and impacted more than 2 million lives.

Our high impact model has been developed by listening to the women we serve. We make sure we meet their needs and remain true to our mission to provide the poorest women in sub-Saharan Africa with the tools and skills to enable them to work their own way out of poverty.

Serving the poorest segment of the population comes with a unique set of challenges. The methodology has been designed to overcome the obstacles that many of our clients face such as rural living and the lack of education, literacy and asset ownership. Our teams travel long distances to deliver loans and facilitate savings alongside financial literacy and business training. As the need of our clients change, we adapt our model to ensure that we are providing the best possible service.

In this milestone year, the number of active clients as well as the value of the loan book nearly doubled. MicroLoan Malawi recorded Operational Self Sufficiency for the first time in its history. MicroLoan Zambia saw dramatic growth for the third consecutive year and has become a leader in digital financial service provision and innovation for rural women. In Zimbabwe, MicroLoan stabilised its operations in a volatile macro-economic environment by setting up US dollar lending for the organisation, thereby paving the way for growth in 2023 and beyond.

These are remarkable accomplishments made possible by increased efficiency due to digitalisation, access to capital through donations and large-scale debt facilities, and the hard work of our staff.

We would like to thank our investors, donors, supporters, partner organisations, staff, and Board members for their continued belief in our mission.

Above all else, we want to express our gratitude to the women in MicroLoan's network. Our reach and impact has all been possible thanks to your resilience, determination, and a work ethic we can only hope to replicate.

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer

How we work

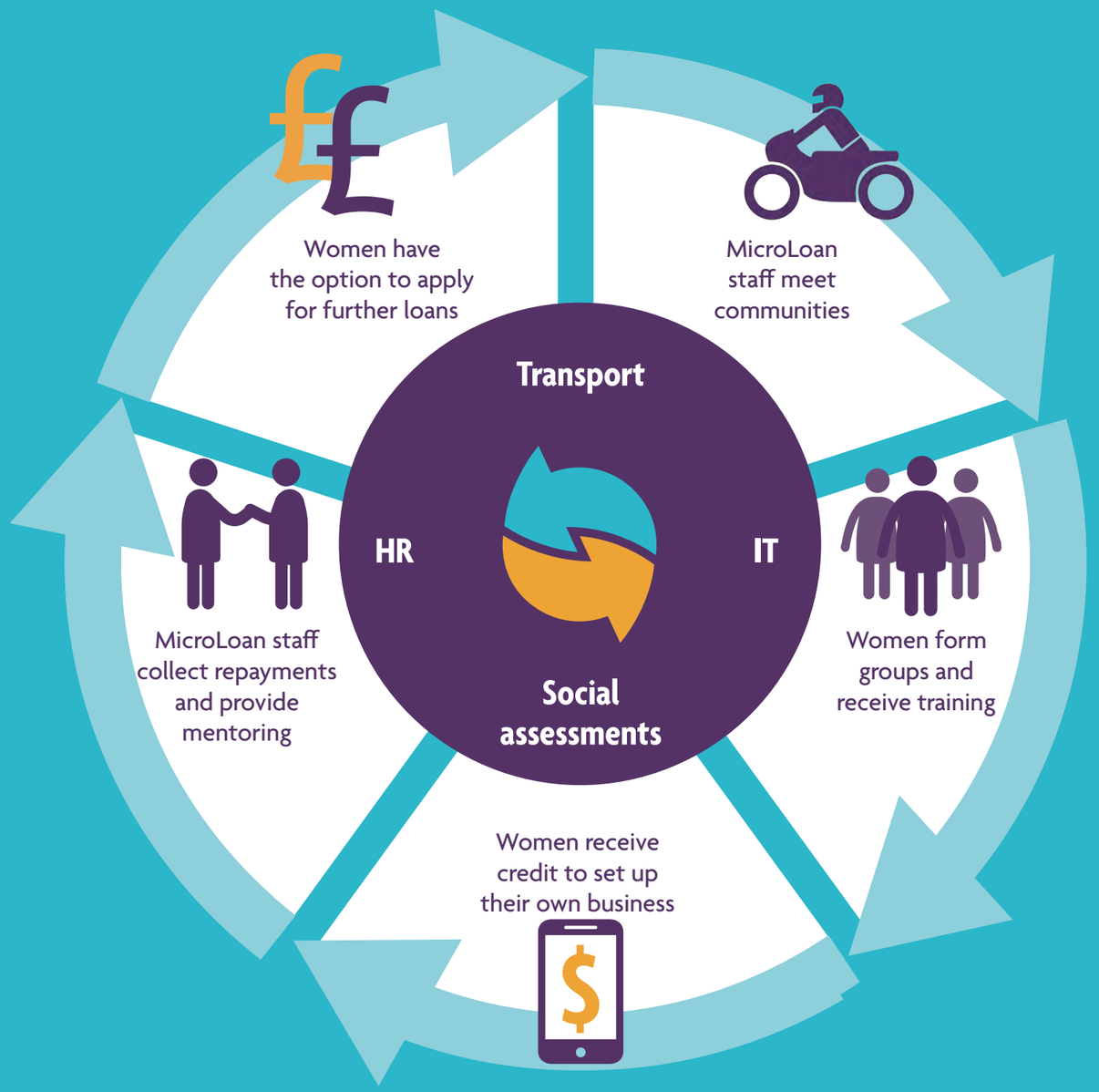
MicroLoan's vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families. We provide loans, training and ongoing business support to women in Malawi, Zambia and Zimbabwe, giving them the opportunity to kickstart their own income generating activities.

Our high-touch social microfinance model is specifically developed for women living in rural communities where poverty is often more prevalent and severe. The majority of our clients have limited literacy and no experience of running a business.

Loan & Training Officers travel into rural communities to meet with traditional leaders and introduce our work. The leaders then invite MicroLoan to attend a village meeting to explain that women have the opportunity to join a loan group and start a business. In the group lending model women support each other both socially and financially, as they have a collective responsibility for loan repayments. Before accessing their loans, each group of five women completes seven training modules to develop financial literacy skills and understand the rights and responsibilities involved. Delivered through visual aids, song, dance and role play, our training is accessible for women with low literacy levels.

Women receive their loans via mobile money or cash. Once they have received their loans, the training is put into practice and they set up their own small businesses such as farms, grocery stores or hairdressing salons. The Loan & Training Officers continue to provide mentoring, and once a month there are village centre meetings where several groups come together for advanced business training. At a centre level, the women elect centre leaders who take an active role in delivering training and mentoring. This is ensuring the women's agency and ownership of their learning. The centre meetings are a great opportunity for women to meet other women entrepreneurs in their local area and share their experiences.

MicroLoan is different to traditional charities and operates through a model that aims to reach Operational Self Sufficiency where interest income from the loan book covers direct operational costs (excluding loan book growth and capital expenditure). We want to create a sustainable institution that is not reliant on charitable donations for its day to day running costs. The loan repayment rate is consistently above 97%. When this revolving loan book is combined with operational interest income and social impact investments, charitable donations can be focussed on improving our services and growing our outreach to support more women year on year. Our model maximises the social impact of every donation.



Our training methodology is designed for women with low literacy levels and is delivered through dance, song, and role play.

20 years of impact

MicroLoan has developed from a small charity into a leading microfinance institution in its countries of operation. We started with one staff member delivering loans and training in Malawi in 2002. Today over 250 staff members in Malawi, Zambia and Zimbabwe are committed to support our mission to alleviate poverty and increase gender equality by providing financial services to women in rural areas.

Through macroeconomic challenges, disease outbreaks, and natural disasters brought on by climate change, we continue to support hard-working women on their entrepreneurial journey.

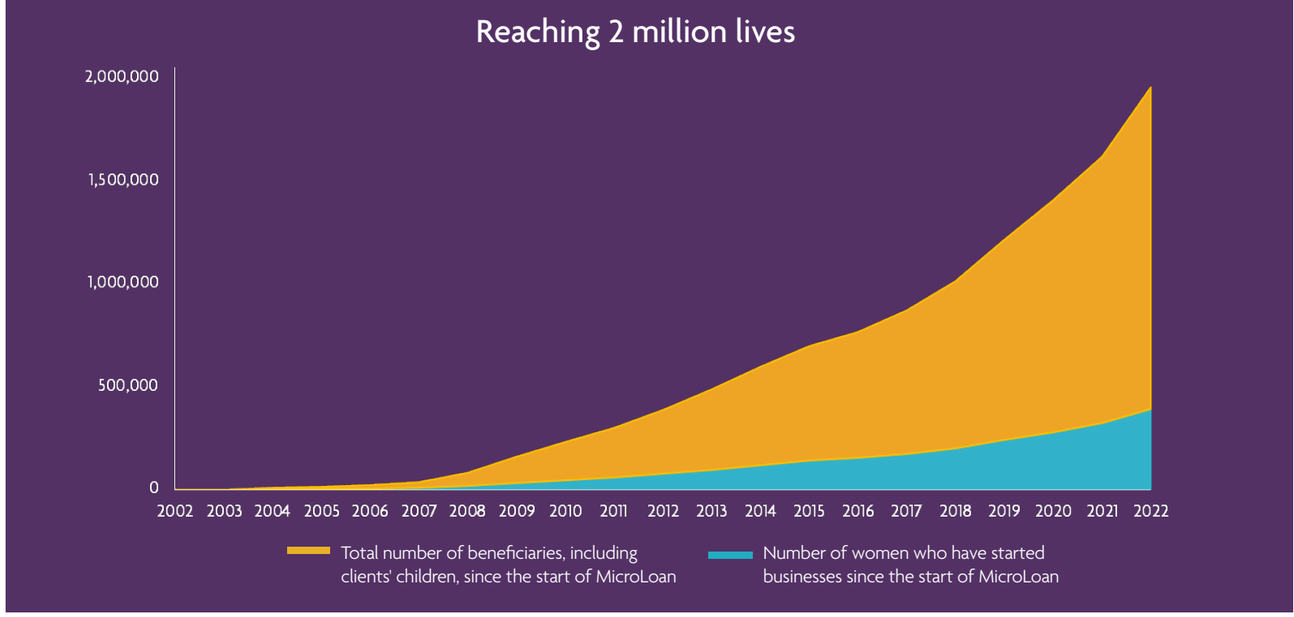
Over

£98 million

has been disbursed through 1.4 million loans.

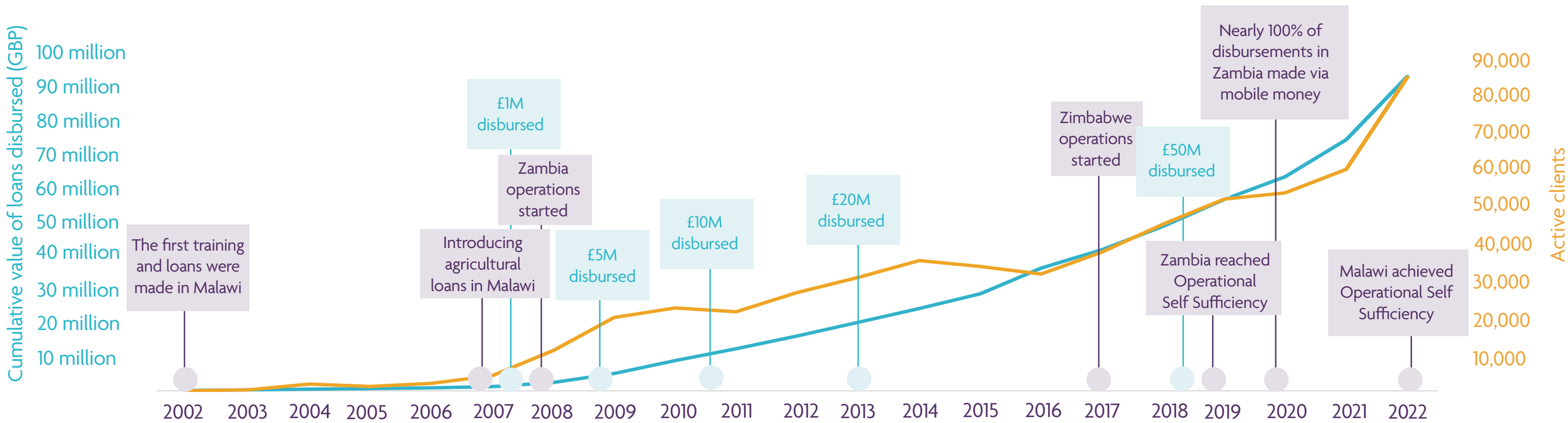
To date over 390,000 women have taken the opportunity to build a business. Their hard work has given more than 1.63 million children and vulnerable adults improved living conditions and access to food, healthcare and education.

To date over 390,000 women have taken the opportunity to build a business.



Over £98 million has been disbursed through 1.4 million loans. Over the past five years we have introduced mobile money services in all three countries of operation. This improves our efficiency and creates more secure, safe and timely access to financial services for rural communities.

MicroLoan has a strong tradition of listening to the clients to ensure that we are providing the services they want and need. Through their feedback, our model and methodology are constantly improved to help them save for the future, increase their agricultural productivity, and grow their businesses.





Social impact

MicroLoan's social mission is to alleviate poverty and we measure our impact carefully. Social Performance Management is a system of processes and activities that ensure we are achieving our aim of helping the poorest women to transform their lives. This includes defining and monitoring social goals, developing client-centric products and services, treating clients and employees responsibly, and balancing social and financial performance.

Our Social Performance Management model is often cited as an example of best practice. MicroLoan has been recognised by TrueLift, a global initiative striving for accountability and learning in pro-poor programmes. In 2022, MicroLoan Zambia took part in the Microfinance Insights Index impact study with excellent results across all dimensions: Access, Business Impact, Household Impact, Client Protection, Resilience and Agency.

Over 160,000 women in Malawi, Zambia, and Zimbabwe accessed financial literacy, business training and small affordable loans in 2022.

These women have been able to start or grow their own small businesses and an estimated 670,000 children and vulnerable adults in their care have improved food security, access to healthcare and are more likely to go to school. At the end of the year 83,110 female entrepreneurs were actively running a business with MicroLoan.

Building resilience

During the year, our clients have faced challenges from natural disasters to hyperinflation and food insecurity. By providing access to finance and a sustainable solution to alleviate poverty, we are helping our clients build resilience to external shocks.

We enhanced our services through digitisation of our systems, rolling out mobile money, and developing agricultural loan products that better meet the cashflow needs of smallholder farmers. We have reached more clients than ever before and as a result more families are given the opportunity to rise out of poverty and achieve a higher standard of living and wellbeing.

As clients grow their income, they prioritise nutritious food for their family first, followed by education for their children. They also prioritise making structural improvements to their homes to withstand natural disasters and adverse weather conditions.

We have seen how the MicroLoan model is effective in creating a safety net for our clients. This comes in the form of having a diversified source of income beyond farming, access to savings, access to additional capital, and support from a loan group who will step up when crises hit.

MicroLoan encourages clients to saving for the future through training and by providing secure savings facilities. In 2022 over 93% of all MicroLoan clients were able to put money away for a rainy day.

% of clients reporting an improvement to their quality of life after joining MicroLoan



% average increase in business profits after joining MicroLoan



% of clients in Zambia with improved resilience to face emergencies



% of clients reporting increased spending on housing and household assets





Tackling intergenerational poverty

Understanding and measuring poverty is challenging and it is essential that we collect data and measure poverty from a long-term perspective. MicroLoan uses the Poverty Probability Index®, an innovative measurement tool that determines the likelihood of a household living below the poverty line. We have been collecting Poverty Probability Data since 2012 which helps us to assess if we are reaching the poorest segment of the population and if their poverty status is improving over time.



In 2022, 83% of all new clients were living below the global $2.50 per day poverty line and 56% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.

Over 17% of our clients who have been with us for more than one year are moving out of extreme poverty. This is a significant achievement considering many of these families have been living in poverty for generations.

However, poverty reduction data only tells part of the story. We can report on a range of positive changes in the lives of poor rural women because of their businesses and increased household income even before their poverty status changes. Our data shows the impact on the women and their families after joining MicroLoan.

20% of women have increased asset ownership (such as livestock, a bicycle or land)

84% of women have increased food security

8% of women have one or more paid employees

49% of women have increased access to healthcare

97% of women report an increase in business profits after joining MicroLoan

67% of women can send all of their female children to school compared to **58%** previously

Striving for gender equity

MicroLoan works with women to create a more equitable society and maximise social impact. Generating an independent income promotes gender equality and changes women's attitudes towards taking risks and learning new skills. Financial independence and asset ownership contribute to a greater acceptance of women's rights to legal and economic freedoms.

Women are more likely to prioritise the welfare of the family when spending income, improving their health, education and living situation. When one woman prospers, a whole community can be positively impacted. As her business grows, often with support from her husband or adult children, the local economy benefits, and employment opportunities are created for others.

The United Nations Sustainable Development Goals are the blueprint for achieving a better and more sustainable future for all. Our work contributes directly to the goals No Poverty, Zero Hunger and Gender Equality.

The impact of our work also addresses the goals on Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land and Partnerships for the Goals.

SUSTAINABLE DEVELOPMENT GOALS

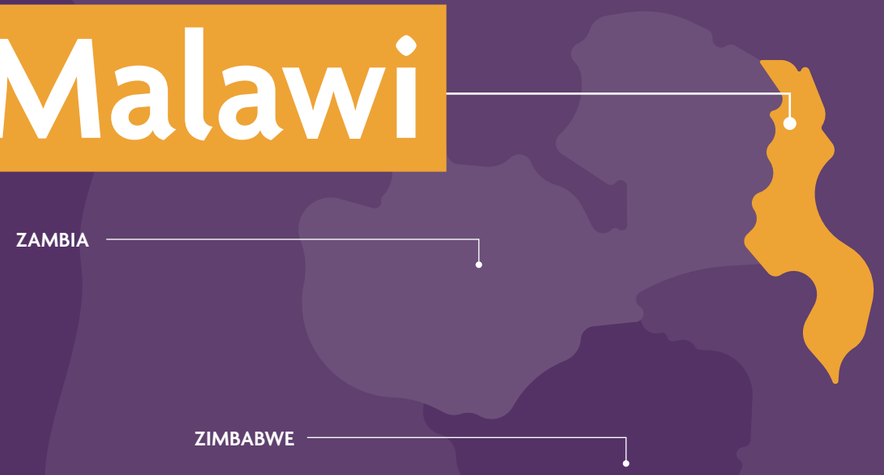




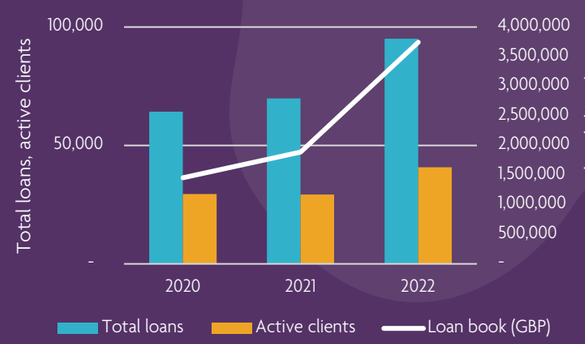
98% of MicroLoan clients report that they feel more confident

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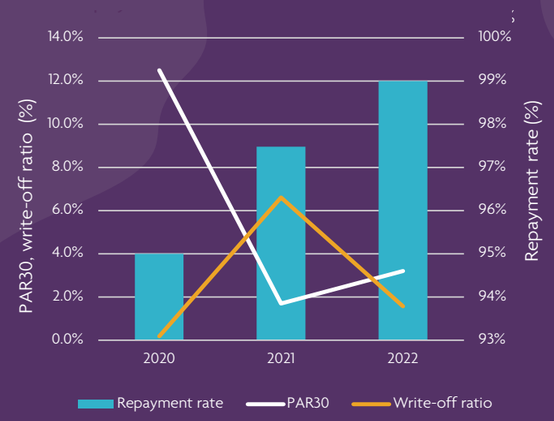
Operations in Malawi



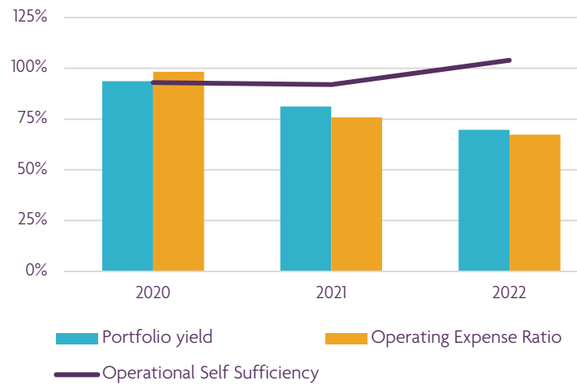
Total loans made, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2020	2021	2022
Total loans made	64,169	69,768	95,078
Active clients	29,454	29,276	40,813
Loan book (GBP)	1,451,858	1,886,753	3,740,293
Average loan size (GBP)	78	80	102
PAR30	12.50%	1.70%	3.20%
Repayment rate	95%	97%	99%
Operational Self Sufficiency	93%	92%	104%
Portfolio yield	94%	81%	70%

MicroLoan is now one of the largest microfinance institutions in Malawi, based on active client numbers. Despite facing an extremely challenging external environment in 2022, MicroLoan Malawi witnessed a record year across several key performance indicators.

Malawi's economy continued to be impacted by external shocks, including global supply-chain disruptions and the war in Ukraine. As a result of these shocks, combined with weak export proceeds and reduced foreign direct investment inflows, the country witnessed a continuous depreciation of the Malawian Kwacha against most of its major trading currencies, including a devaluation of the currency in May 2022. With persistent fuel shortages experienced throughout the year and with headline inflation rising sharply to 20.8% in 2022, compared to 9.3% in the prior year, economic growth slowed down to 0.9% from 2.8% in the prior year.

The reengineering efforts that were deployed across the institution in 2021, ensured that in 2022, MicroLoan Malawi was able to register a significant growth in its loan portfolio of 121% in Malawian Kwacha terms compared the prior year. The loan book grew from MWK 2.07 billion in 2021 to MWK 4.59 billion in 2022. Productivity improvements to the operation model and increased demand, particularly in the latter quarter of the year, meant that we were able to expand the volume of disbursements by 86% during the year.

We witnessed a 59% growth in interest income in Malawi Kwacha terms. Management's cost containment measures, alongside the operational improvements instilled during the year have also resulted in an improvement in the Operating Expense Ratio to 67% from 76% recorded in 2021. The consequent result has been that the institution has, for the first time in its history, registered full Operational Self Sufficiency.

Portfolio at Risk (PAR) is an indicator of loan portfolio quality and PAR30 indicates the ratio of loan book overdue by more than 30 days. PAR30 closed the year at 3.2%, following a write down of 1.6%. This has been an improvement over the prior year, where MicroLoan Malawi recorded a PAR30 of 1.7%, following a write-down of 6.6%. Alongside the growth in the loan portfolio, active clients have significantly increased from 29,276 at the end of the year in 2021 to 40,813 in 2022. Growth in clients was also supported through the opening of three additional branches and the systematic role out of mobile money across branches, which has greatly enhanced service delivery and generated time and mobility saving. Based on the learnings from Zambia and Zimbabwe, we also introduced the 'centre model' in Malawi. The centre model aims at improving operational efficiency by creating smaller groups of five members, who then come together with other groups of five to form a village centre. This process ensures quicker appraisal of groups by MicroLoan's Loan & Training Officers and creates more time for training activities. As outlined in the how we work section, the centre model also gives women greater agency over their learning.

In the face of severe foreign currency shortages in the country, the growth in MicroLoan Malawi's loan book was greatly supported by the Financial Inclusion and Entrepreneurship Scaling (FInES) Project, a multi-year World Bank funded initiative, administered through the Reserve Bank of Malawi. MicroLoan Malawi received approximately the equivalent of £2 million in local currency funding at a concessionary rate through the FInES project in 2022, and this in turn enabled MicroLoan Malawi to reduce its interest rates to its existing clients by an average of 28% on an annual basis.

Due to the significant growth in loan book, we witnessed a 59% growth in interest income in Malawi Kwacha terms. Management's cost containment measures, alongside the operational improvements instilled during the year have also resulted in an improvement in the Operating Expense Ratio to 67% from 76% recorded in 2021. The consequent result has been that the institution has, for the first time in its history, registered full Operational Self Sufficiency.

In 2023, we will look to build on the successes of 2022. Key focus areas will include the full roll out of mobile money across all branches of the country, the refinement of the centre model and development of additional products to better suit clients' needs. MicroLoan will also create additional branches, to better service those operational areas that have reached their critical mass.

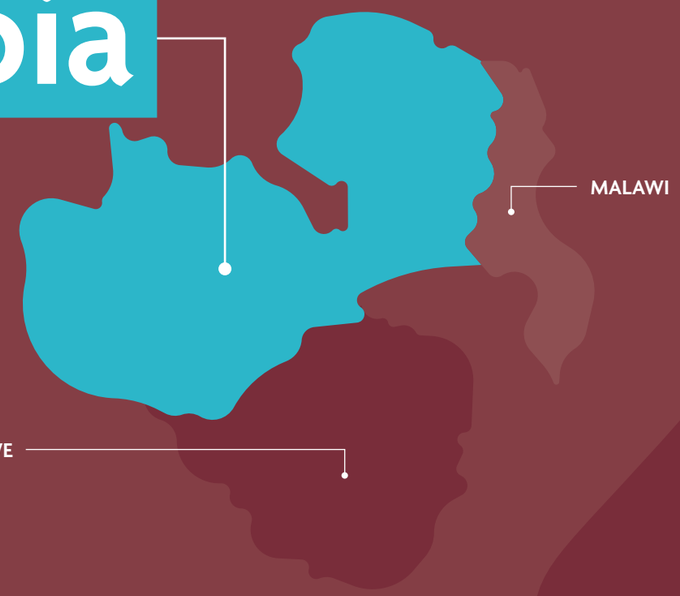
In 2023, MicroLoan Malawi will also continue to build on its development of an Environmental, Social and Governance (ESG) compliant individual loan product, a project which it commenced in 2022, with the aim of helping its microentrepreneurs and smallholder farmers with growth ambitions to manage environmental and social risks associated with their business. The measure will have a positive impact not just on the clients themselves but wider agricultural value chains on both supply and demand side.

During the year, we appointed a new CEO, and welcomed four new members of the Board. The enhancement to the leadership and governance of the organisation, along with the registering of an operational surplus during the year, establish a strong foundation for a healthy growth trajectory and the realisation of the organisation's strategic goals in the years to come.

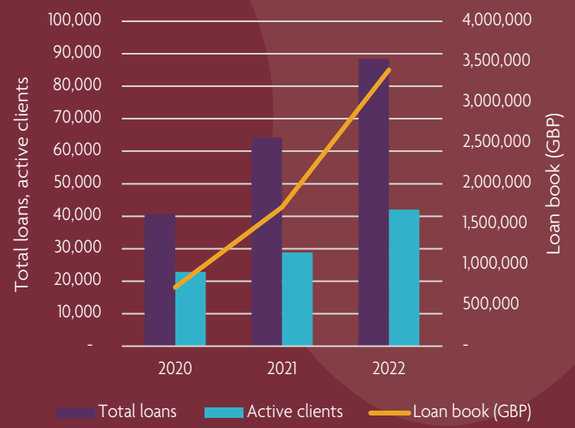


MicroLoan is now one of the largest microfinance institutions in Malawi, based on active client numbers. Despite facing an extremely challenging external environment in 2022, MicroLoan Malawi witnessed a record year across several key performance indicators.

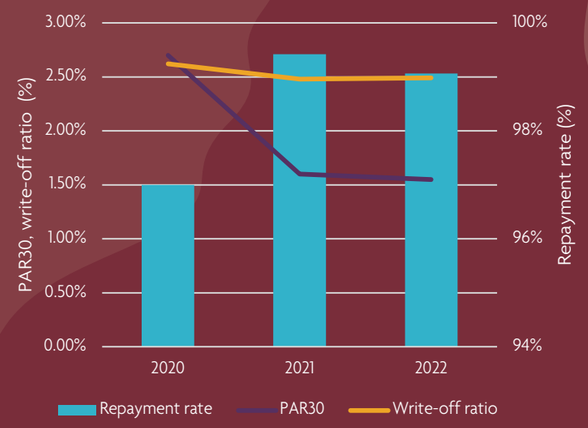
Operations in Zambia



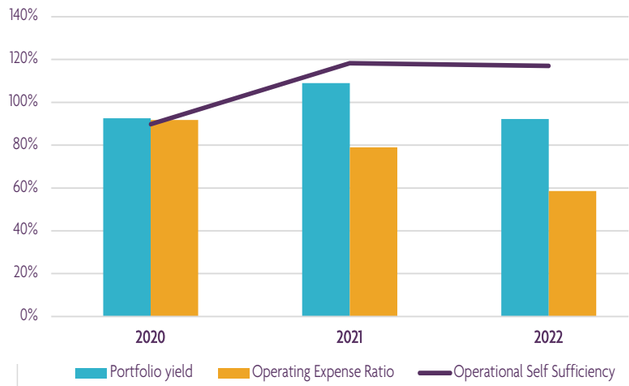
Total loans made, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2020	2021	2022
Total loans made	40,679	64,221	88,367
Active clients	22,900	28,877	42,063
Loan book (GBP)	725,760	1,713,968	3,401,247
Average loan size (GBP)	59	68	105
PAR30	2.70%	1.60%	1.55%
Repayment rate	97%	99%	99%
Operational Self Sufficiency	90%	118%	117%
Portfolio yield	93%	109%	92%

MicroLoan Zambia had yet another successful year in achieving exceptional growth in active client numbers and portfolio size, with a strong performance across all key performance indicators. The institution continues to be the only microfinance institution serving solely women in Zambia, and the second largest overall by active client numbers.

In 2022, challenges in agriculture, mining and construction led to a slowdown in the pace of the post-pandemic recovery of the Zambian economy. Real GDP grew by 3.7% year-on-year, largely driven by services. The impact of the war in Ukraine, coupled with falling copper prices and the uncertainty surrounding Zambia's debt restructuring, triggered a 19% depreciation of the Zambian Kwacha against the US Dollar in the last quarter of the year. Inflationary pressures during the year eased steadily, with year-on-year inflation reducing to 9.9% from 16.4% recorded in the prior year. Prices of goods and services, however, remained high during the year due to factors such as high fuel prices and the Zambian Kwacha depreciation towards the end of the year.

MicroLoan Zambia's active clients grew by 83% up from 22,900 in 2021 to 42,063 in 2022, as we continued to expand our footprint in the Eastern, Southern, Central and Northern provinces of the country. Similarly, the loan book witnessed an unprecedented growth rate of 92% in Zambian Kwacha terms, from ZMW 38.5 million in 2021 to ZMW 73.8 million in 2022. The increased outreach and the higher loan sizes required by clients as a result of increase in prices of goods and services contributed to this significant growth in loan book. The demand was met by the support of external borrowings from social impact investors. MicroLoan Zambia maintained good portfolio quality, with a PAR30 of 1.5% and write-downs of 2.5% at the end of the year.

Operating expenses increased by 72% during the year, largely on account of the substantial growth paired with rising costs. Finance costs have also recorded an increase as the organisation secured additional external borrowings from social investors to facilitate increased outreach. Interest income generated on the loan book increased by 60% year on year. The Operating Expense Ratio improved significantly to 59%, compared to 79% in the prior year, largely owing to efficiencies gained through mobile money and the further refinement of the centre model across all of its branches. Consequently, MicroLoan Zambia continued its trend of ending the year with a healthy operational surplus and an Operational Self Sufficiency ratio of 117%. We were able to pass back the benefits to our clients by lowering the interest rate on our loan products by an average of 10% per annum, in the final quarter.

During 2022, over 2,000 female farmers accessed MicroLoan Zambia's Tilime service which has been specifically developed to improve the yields, food security and household income of female farmers.

The loans are paired with conservation farming training, to ensure that their agricultural practices maximise yields and are sustainable for their families, communities, and the planet.

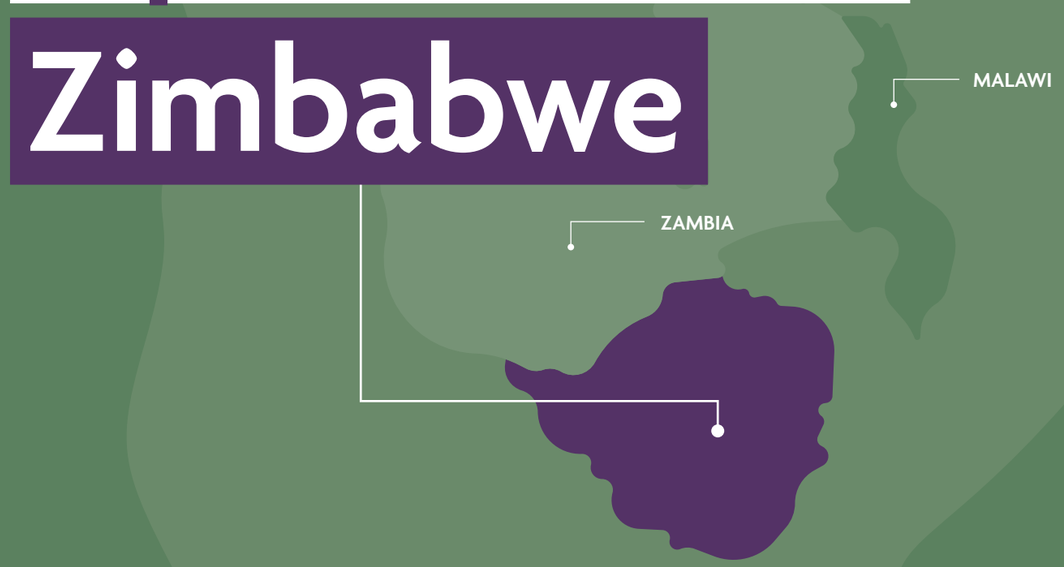
MicroLoan Zambia furthered its digital efforts during the year, particularly around the enhancement of an innovative savings platform known as Kathumba. MicroLoan Zambia is building on its existing digital capabilities on MTN's (its network provider) mobile money platform through a backend interface in order to develop a digital savings facility that is specifically tailored to the poorest women in rural areas. Offering a digital savings account gives women more control and oversight over their savings, strengthening financial safety, increasing efficiency, and enabling them to build resilience. MicroLoan Zambia aims to roll out the savings platform across its operations in 2023 and 2024.

In 2023, we will look to build on our efforts over the last two years. MicroLoan Zambia will open new operational areas, particularly in the central and northern provinces of the country. In addition to the digital savings platform, digital efforts will continue in other aspects of the business, including the development of a platform called Oleyas. The platform will essentially serve as a single portal that will integrate various systems and applications across all business units. The development of Oleyas is expected to bring further efficiency improvements by simplifying key work processes on a single platform. In 2023, we also aim to expand our agricultural footprint by supporting over 4,000 female smallholders with agricultural loans and climate smart farming training.



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Operations in Zimbabwe



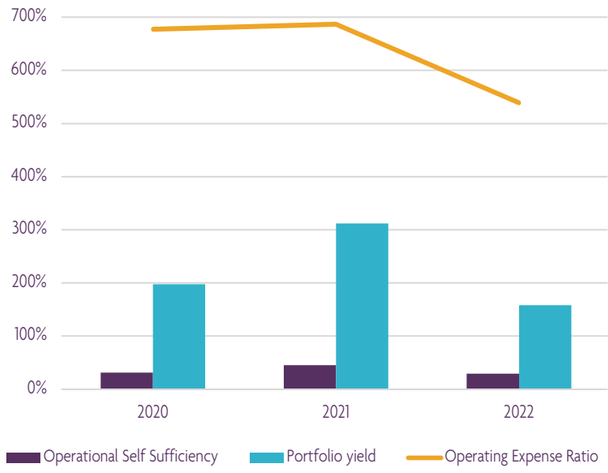
Total loans made, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2020	2021	2022
Total loans made	1,051	1,303	1,082
Active clients	102	562	234
Loan book (GBP)	3,583	24,979	8,715
Average loan size (GBP)	12	84	73
PAR30	3.00%	0.55%	0.60%
Repayment rate	100%	100%	100%
Operational Self Sufficiency	31%	45%	29%
Portfolio yield	198%	312%	158%
Operating Expense Ratio	677%	687%	539%

MicroLoan Zimbabwe continues to be one of the only truly social microfinance institutions operating in the country. Consequently, the demand for financial services in poor communities remains high. However, due to an extremely challenging macroeconomic climate, we have not been able to increase our outreach during 2022.

The Zimbabwean economy witnessed a slowdown, with real GDP growth reducing to 3.4% in 2022 from 8.5% in 2021, largely as a result of worsening agriculture conditions and macroeconomic instability. Low rainfall caused the contraction of agricultural output by 14% after growing double digits in 2021. Overall economic growth in 2022 came mainly from mineral exporters who benefitted from high global prices and from tourism.

Inflation returned to triple digits in 2022, following a slowdown in 2021. The war in Ukraine resulted in a surge in global prices, which in turn worsened the domestic inflationary pressures. With the Zimbabwean Dollar continuing its downward spiral during the year, the Reserve Bank of Zimbabwe issued gold coins as legal tender in July 2022, to act as a store of value and with the expectation that it would help in easing the demand for US Dollars.

We intend to grow our active client base to 2,500 clients within our existing regions of operation, and achieve full Operational Self Sufficiency by the end of 2023.



Following widespread pressure from the financial sector, the Reserve Bank of Zimbabwe issued a new regulation allowing lending in US Dollar in February 2022. As a means to preserve the value of its loan book, MicroLoan Zimbabwe sought approval from the Reserve Bank of Zimbabwe for US Dollar lending to its clients. The application for approval was submitted in March 2022 and was granted in October 2022.

As a result of the prolonged uncertainty and volatility, MicroLoan Zimbabwe deliberately slowed down on disbursements during the year, whilst it awaited the approval for US Dollar lending from the Reserve Bank of Zimbabwe. This was primarily done to prevent further loss of value in its loan book, in the face of a rapidly depreciating local currency. Active client numbers reduced to 234 in 2022, compared to 562 in the previous year. The loan book shrunk to USD 10,545 from USD 33,697 in 2021. The quality of the loan portfolio continued to remain impeccable, with the institution registering a repayment rate of 100% and a PAR30 of 0%. With the decrease in loan book and consequent drop in interest income, the Operational Self Sufficiency ratio stood at 29.3% for the year.

With the approval for US Dollar lending in October 2022, and the with increasing dollarisation of the economy, MicroLoan Zimbabwe is well positioned for growth in 2023. We expect a significant surge in demand, based on our clients' preferences for receiving US Dollar loans rather than local currency loans in the current climate.

The level of political risk remains high, as the country is gearing up for elections in mid-2023. MicroLoan Zimbabwe continues to engage with local authorities to ensure that its operations can continue unhampered in the run up to the elections.

With a greater degree of stability and certainty that comes with US Dollar lending, our strategy for 2023 is to work closely with new and existing partners to re-build our portfolio with US Dollar lending. We intend to grow our active client base to 2,500 clients within our existing regions of operation, and achieve full Operational Self Sufficiency by the end of 2023. The achievement of these milestones will serve as a crucial pivot to the organisation in its plans for future growth and expansion.

Fundraising overview

In 2022 MicroLoan Foundation raised £946,085 in voluntary income (2021: £1,100,124). This includes donated resources and gifts in kind to a total value of £50,722 (2021: £59,645). Our supporters include trusts, foundations and corporate partners, as well as individuals who support us through personal donations or through fundraising events, challenges and community engagements.

Our top donors in 2022 include WildHearts Group and Foundation, The Language Factory, The Paul Foundation, The Oso Foundation, The Headley Trust, Bliss Family Charity, ADA Microfinance, Rita and David Slowe Charitable Trust, and The MacDaibhidh Charitable Trust. GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) provided a Technical Assistance grant through the Water and Energy for Food (WE4F) project.

In addition, we received generous donations from a number of private individuals and organisations that wish to remain anonymous.

MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to develop innovative projects and ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice. No complaints were received during the year.

MicroLoan Foundation has an increased focus on strategic funding partnerships from institutions providing Technical Assistance grants paired with social impact investment. In 2022 MicroLoan Foundation received investments in the form of debt facilities from Global Partnerships, Grameen Credit Agricole, ADA Microfinance, Oikocredit, FEFISOL (Fonds Européen de Financement Solidaire pour l'Afrique), SIDI (International Solidarity for Development and Investment), FDH Bank, The Paul Foundation, KIVA, LendwithCare, and The World Bank via the FInES (Financial Inclusion and Entrepreneurship Scaling) project.

Fundraising income 2022



Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2022 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 50 to 83. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia and Zimbabwe.

Results in overview

2022 was a year of significant growth and positive financial performance despite the currency challenges in both Malawi and Zimbabwe mentioned above.

Group net income in 2022 was £564,335 compared to £635,148 in 2021. There were net exchange losses of £68,007 in respect of the retranslation of brought forward assets (2021: £101,140 gain) that arose primarily due to a devaluation of the Malawian Kwacha in 2022. The impact of this devaluation was partially offset by a continued recovery in the Zambian Kwacha against Sterling, which had driven the large prior year exchange gain. In combination, there was an overall net increase in group funds over the year of £496,328 (2021: £736,287).

At the year end, total group funds amounted to £2,148,040 (2021: £1,651,711) of which £35,913 (2021: £32,180) were restricted and £2,112,127 (2021: 1,619,531) were unrestricted. Of these, £1,388,808 (2021: 1,067,360) related to MicroLoan Foundation as the charitable parent, with £35,912 (2021: £19,491) restricted and £1,352,896 (2021: £1,047,869) unrestricted.

Income and expenditure

2022 group income totalled £5,327,658 (2022: £3,787,887), representing a 41% increase on the previous year. The majority of this comprised of interest income in respect of our microloan portfolio which grew by 64% to £4,371,653 (2021: £2,665,532) due to the significant growth in the number of loans disbursed and clients served. Voluntary income generated during the year totalled £946,085 (2021: £1,100,124), a fall of 14% compared to 2021. Investment income, comprising bank interest received and rental income on a property in Malawi, was £9,920 (2021: £22,231).

Total expenditure grew by 51% to £4,763,323 (2021: £3,152,739). This movement reflects the growth in operations during the year, with increases experienced across all cost categories. In particular, interest on borrowings grew by £421,096 (182%) because of the additional debt taken on to accelerate loan book growth. Similarly, bank charges grew by £98,703 (177%) as a direct result of the increased number of loans being disbursed to clients. Additional headcount to manage the higher client numbers, combined with significant inflationary pressures impacting salaries and fuel prices resulted in staff costs and travel and subsistence increasing by £306,943 (18%) and £131,368 (69%) respectively. The Group also incurred significant exchange losses of £193,201 due to the devaluation of the Malawian Kwacha and increased investment into Zimbabwe where there continued to be a hyperinflationary environment.

Use of funds

In total, the UK charity injected £367,260 of funding into its subsidiaries during 2022 to support expansion of our mission and impact. This comprised £112,234 of equity investment, £100,682 of loan funding and £154,344 in the form of further revenue grants. Our UK fundraising team also helped secure a further £73,332 of grant support that was received directly into Africa. These amounts were supplemented by significant additional social investment from external lenders in 2022, leveraging capital advanced by the UK over the last few years.

As a result of these various investments, the British Pound value of the year end loan book increased by £3,601,664 (99%) to £7,230,813 (2021: £3,629,149). The total value of all loans disbursed increased by 72% to £18,626,172 (2021: £10,851,594). The number of clients we supported during the year grew by 69% to 162,812 (2021: 96,263), with an average loan size of £101 (2021: £80).

During 2022, the charity also ringfenced £150,000 to invest into Zimbabwe in 2023 and a further £100,000 towards startup capital for geographical expansion in 2024 or 2025.

Key Financial Performance Indicators

The key financial performance indicators that are monitored by management are principally as set out in the reviews of operations above. In addition, the efficiency of our fundraising function and the proportion of total income that the charity reinvests in fundraising activities are also closely monitored:

Fundraising efficiency ratio

	2020	2021	2022
Donations and legacies received	£963,432	£1,100,124	£946,085
Cost of fundraising function	£294,703	£277,259	£322,623
Ratio	3.3	4.0	2.9

Fundraising expenditure

	2020	2021	2022
Total expenditure	£2,817,845	£3,152,739	£4,763,323
Expenditure on fundraising	£294,703	£277,259	£322,623
Percentage	10.5%	8.8%	6.8%

Reserves policy and management

In the UK

Reserves are maintained at a level that enables the charity to manage financial risk and ensure the charity can sustain its activities over the long term. As a fundraising charity, we are subject to the effects of short-term volatility in income whereas our cost base is relatively fixed and the demand for funds to support our loan book growth is ongoing.

We use a single reserves measure in respect of our UK operations. This measure mandates that MicroLoan Foundation should hold a minimum level of free reserves to ensure that the charity is able to meet its financial commitments as they fall due, with any excess then available to grow loan book.

'Free reserves' is defined by the Board as unrestricted and undesignated net current assets. It excludes tangible fixed assets (which are not readily convertible to cash), long term borrowings and any funds that have already been committed or advanced to our projects in Africa through grants, investment or lending. Such advances do not represent an available source of funds to meet UK financial commitments.

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2022, the free reserves position was £357,369, equivalent to 7.9 months.

MicroLoan Foundation has made significant investment over the last few years to strengthen its management team across all countries and to continue to build its reputation within the sector as a responsible, well-managed and mission-focussed microfinance organisation.

Management nevertheless recognises the importance of ensuring a responsible approach to the amount of debt taken on relative to the level of reserves. Accordingly, it is vital that the charity continues to manage and grow other reserves as part of ensuring there are sufficient funds available to support and scale our activities in line with the Group's five-year strategic plan.

In Africa

As regulated microfinance institutions, our subsidiaries in Malawi, Zambia and Zimbabwe must meet stringent capital adequacy rules mandated by the local Reserve Banks. In addition, the environments that they operate in make these entities more susceptible to macro-economic shocks caused by natural disasters such as floods, famine or changes in government policy. Accordingly, reserves policy is delegated to local Boards which each include Senior Management representation from MicroLoan Foundation in the UK. Generally, a prudent approach is taken to reserves management and gearing within our microfinance subsidiaries, with all of them operating well within the mandated capital requirements set out by local statute.

Investment policy and objectives

The charity's investment policy is to seek to maximise the number of lives positively impacted whilst managing risk. The Board is very conscious of its responsibility to utilise charitable funds in a highly effective and efficient way and the need to ensure that this same ethos cascades across the wider group and local Boards. All investment decisions are therefore made with these considerations in mind.

Each subsidiary is expected to work towards a position of Operational Self Sufficiency where it is able to independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.

As the parent charitable organisation, MicroLoan Foundation makes targeted advances of funds to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served. The Board is also currently exploring opportunities to open an additional operation in a new country. To that end, the charity has started to ringfence funds to be applied towards the startup capital required for such a project. Seeking to diversify operations through geographical expansion is an important part of the Board's strategy to manage investment risk over the long term as the Group continues to scale.

Going concern

The Group continues to make steady progress against its strategic plan, building resilience within its microfinance subsidiaries through sustained, responsible growth and ensuring liquidity by developing a strong network of engaged and mission-aligned investors that supplement fundraising activities undertaken by the UK.

Our operations in Malawi and Zambia were Operationally Self Sufficient in 2022 and are expected to remain so in 2023 and beyond. Zimbabwe's business plan projects that it will also achieve Operational Self Sufficiency by the end of 2023, subject to further phased investment that the Group plans to fund primarily from reserves already held and ringfenced at the end of 2022.

In the UK, our donor pipeline remains healthy and 2022 saw the return of 'in person' and challenge events following two years of disruption caused by COVID-19 restrictions. This has presented us with exciting opportunities to reinvigorate our fundraising pipeline and engage new supporters. The parent charity has no external debt commitments to service and continues to rigorously challenge its cost base to ensure it is operating as leanly as possible. The Board also continues to adopt a prudent approach to reserves cover to ensure that short-term fluctuations in income levels can be adequately managed.

After having reviewed forward projections and making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.



Risk Management

The trustees have assessed the principal risks across the group:

- Fundraising risk
- Sustainability risk
- Liquidity and funding risk
- Credit risk
- Foreign exchange risk
- Operational risk (including fraud)
- Reputational risk

The measures taken by the charity to mitigate these risks are as follows:

Fundraising risk

This is the risk that the level or mix of unrestricted and restricted income and social investment is insufficient to maintain or expand our social mission.

Donor funding presently remains a key part of MicroLoan Foundation's income stream, however the Board is very conscious of the shifting fundraising landscape and the changing needs of the microfinance operations as they mature and seek to scale. In recent years the charity has sought to diversify income streams and explore strategic partnerships, such as that entered into with WildHearts Foundation at the start of 2019. This blended approach alongside attracting other mission-aligned social investment is anticipated to be the most effective way to maximise the potential and impact that can be delivered through our microfinance operations in Malawi, Zambia and Zimbabwe. Accordingly, the Board continues to explore ways that this can be achieved over the medium term.

Sustainability risk

This is the risk that the expenses from our charitable activities in respect of microfinance exceed the associated income and therefore reduces our ability to provide services and maintain or grow our impact.

Our strategy is to continue to responsibly increase investment into each country through a combination of donations and social investment to reach more beneficiaries whilst at the same time benefitting from the economies of scale associated with growth. The group also continues to critically evaluate the cost base and working practices to identify more efficient ways to operate. Digitisation is key to this and our operations in Malawi and Zambia have both benefited from Technical Assistance to upskill personnel and accelerate implementation of system enhancements. We aspire to be a high-tech organisation whilst maintaining the core principals of our high-touch service model for clients.

Our objective remains that all three operations in Africa reach Operational Self Sufficiency. Achieving this milestone makes each more resilient to the effects of short-term volatility and macro-economic shocks, as well as provide them with a robust platform from which to grow.

Liquidity and funding risk

Gross income streams can be volatile whereas the underlying UK cost base, which is principally staff and associated costs, is relatively stable and recurring.

The Board seeks to maintain a prudent level of free reserve cover to cope with fluctuations in income and thereby ensure running costs can be met and that charitable activities can continue to be delivered without disruption. The partnership between MicroLoan Foundation and WildHearts Foundation is also a key part of the strategy to manage volatility in income streams since it provides cost synergies as well as complimentary income streams within the wider group.

Credit risk

This is the risk of significant levels of default across our microfinance portfolio.

Although we operate in some of the poorest areas of sub-Saharan Africa, our credit risk history shows that our methodology works. Loan repayment rates typically average over 97% and our sector-leading Management Information System allows us to identify problems early and work with clients to resolve them.

Operational risk

The charitable group has more than 250 staff working across five countries and therefore we have the logistical risks associated with operating over large distances, in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

To manage this risk, operational performance is monitored closely on an ongoing basis at both local and group levels. There are well established daily, weekly and monthly reporting routines that include variance analysis against budgets and Key Performance Indicators.

We continually seek ways to improve our operational framework, including upskilling our people and local Boards and investing in strengthening our internal audit function. We also regularly review and upgrade our IT infrastructure and computer equipment to ensure it remains fit for purpose.

There are mechanisms in place that allow knowledge sharing and collaboration across our different countries of operation, helping management identify examples of best practice and also areas of risk.

Reputational risk

This is the risk of an event or allegation adversely impacting the reputation of the charity and, consequently, jeopardising its ability to fulfil its charitable objectives.

There are a variety of measures imbedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. The group has a zero-tolerance approach to instances of harassment and bullying, fraud, bribery or corruption. Within our microfinance operations, we have strong client protection and safeguarding policies. Our effective Social Performance Management system ensures that we are achieving our social mission and balancing social and financial performance.



Governance

Nature of governing document

The charity is governed by its Memorandum and Articles of Association (last amended 10 December 2018).

Organisation structure

The directors of the UK charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The appointment, removal, power and duties of the trustees are set out in the charity's Memorandum and Articles of Association.

The Board of Trustees meets at least quarterly and presently consists of the following four individuals, all of whom act in a Non-Executive capacity. The trustees that served during the year and since the year end were as follows:

- Bernice Dunsmuir
- Michael Jackson
- Colin Milne
  (resigned 3 October 2022)
- Karen Scholes
  (resigned 3 October 2022)
- Steve Stolliday
  (appointed 3 October 2022)
- Steven Marshall
  (appointed 3 October 2022)

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country.

Day to day running of the Foundation in the UK is delegated to a Senior Management Team, which comprises the Group Chief Executive Officer, the Chief Financial Officer and the Director of Fundraising.

These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries.

Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

Each local Board has directors with a variety of local and international experience and include both executive and non-executive members.

The organisational structure and Board composition is reviewed on an on-going basis as part of normal risk management processes.

Recruitment and appointment of trustees

MicroLoan Foundation's Memorandum and Articles of Association permit any person who is willing to act to be appointed as a trustee by an ordinary resolution. There are no provisions that require or permit any external body to appoint a member to the Board. In practice, trustees are appointed based on their backgrounds, professional networks and passion for the group's vision.

Board members are provided with a detailed induction on appointment and in advance of each scheduled meeting to ensure that their knowledge of the charity's activities and regulatory environment remains current.

Induction and training of trustees

It is expected that all trustees and other senior personnel, both in the UK and in Africa, undertake appropriate personal and professional development activities relevant to their position. Opportunities for formal training, including seminars and conferences, are offered periodically. The charity is also fortunate to have attracted several experienced professionals from a variety of backgrounds who provide ongoing support, advice and mentoring. This network enables the charity and the trustees to harness the best and most creative minds in their respective disciplines to support our social mission.

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible. Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). KPIs are closely monitored to assess value-added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2022.

Statement of Trustees' responsibilities

Public benefit

The trustees are responsible for confirming that the activities of the UK charity are consistent with its charitable objectives as set out in this annual report and financial statement.

Financial statements

The trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report 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 group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or 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 (FRS 102).
- 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 and the group will continue in operation.

The trustees are responsible for keeping adequate 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 group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they 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.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. 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.

Signed on behalf of the Board

Dr Mick Jackson
Chairman



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Independent auditor's report

Opinion

We have audited the financial statements of MicroLoan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2022 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.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on MicroLoan Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report:

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.



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Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:



- We enquired of management and the Board of trustees, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor
4 August 2023

For and on behalf of:
Sayer Vincent LLP, Statutory Auditor

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

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

Financial statements

MicroLoan Foundation

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2022



	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Income from:							
Charitable activities							
• Malawi		**1,998,072**	-	**1,998,072**	1,358,427	-	1,358,427
• Zambia		**2,346,229**	-	**2,346,229**	1,262,805	-	1,262,805
• Zimbabwe		**27,352**	-	**27,352**	44,300	-	44,300
		4,371,653	**-**	**4,371,653**	2,665,532	-	2,665,532
Donations and legacies	2	**597,845**	**348,240**	**946,085**	625,066	475,058	1,100,124
Investment income	3	**9,920**	-	**9,920**	22,231	-	22,231
Total income		**4,979,418**	**348,240**	**5,327,658**	3,312,829	475,058	3,787,887
Expenditure on:							
Charitable activities							
• Malawi	5	**(1,860,055)**	**(194,176)**	**(2,054,231)**	(1,395,940)	(197,103)	(1,593,043)
• Zambia	5	**(2,154,732)**	**(4,567)**	**(2,159,299)**	(969,524)	(192,887)	(1,162,411)
• Zimbabwe	5	**(84,976)**	**(142,194)**	**(227,170)**	(10,652)	(109,374)	(120,026)
		(4,099,763)	**(340,937)**	**(4,440,700)**	(2,376,116)	(499,364)	(2,875,480)
Raising funds	5	**(319,053)**	**(3,570)**	**(322,623)**	(265,798)	(11,461)	(277,259)
Total expenditure		**(4,418,816)**	**(344,507)**	**(4,763,323)**	(2,641,914)	(510,825)	(3,152,739)
Net income		**560,602**	**3,733**	**564,335**	670,915	(35,767)	635,148
Other recognised gains / (losses):							
Exchange gains / (losses)	18	**(68,007)**	-	**(68,007)**	101,140	-	101,140
Net movement in funds		**492,595**	**3,733**	**496,328**	772,055	(35,767)	736,288
Reconciliation of funds:							
Total funds brought forward	18	**1,619,532**	**32,180**	**1,651,712**	847,477	67,947	915,424
Total funds carried forward		**2,112,127**	**35,913**	**2,148,040**	1,619,532	32,180	1,651,712

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year. All amounts related to continuing operations.

The notes on pages 56 to 82 form part of these financial statements.

Charity Statement of Financial Activities (including Income and Expenditure Account)
for the year ended 31 December 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Income from:							
Charitable activities		**93,531**	-	**93,531**	-	-	-
Donations and legacies		**597,845**	**274,908**	**872,753**	625,066	428,987	1,054,053
Total income		**691,376**	**274,908**	**966,284**	625,066	428,987	1,054,053
Expenditure on:							
Charitable activities		**(180,018)**	**(142,195)**	**(322,213)**	(68,398)	(302,112)	(370,510)
Raising funds		**(319,053)**	**(3,570)**	**(322,623)**	(265,798)	(11,461)	(277,259)
Total expenditure		**(499,071)**	**(145,765)**	**(644,836)**	(334,196)	(313,573)	(647,769)
Net income		**192,305**	**129,143**	**321,448**	290,870	115,414	406,284
Transfers between funds		**112,722**	**(112,722)**	**-**	163,870	(163,870)	-
Net movement in funds		**454,740**	**(48,456)**	**406,284**	454,740	(48,456)	406,284
Reconciliation of funds:							
Total funds brought forward		**1,047,869**	**19,491**	**1,067,360**	593,129	67,947	661,076
Total funds carried forward		**1,352,896**	**35,912**	**1,388,808**	1,047,869	19,491	1,067,360

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 56 to 82 form part of these financial statements.



Balance sheets as at 31 December 2022

Company registration number: 04828558

	Note	The group 2022 £	The group 2021 £	The charity 2022 £	The charity 2021 £
Fixed assets					
Tangible assets	8	**738,649**	508,454	**-**	-
Investments	9	**-**	-	**1,845,527**	1,733,293
		738,649	508,454	**1,845,527**	1,733,293
Current assets					
Stock	10	**7,379**	6,246	**-**	-
Debtors	11	**7,382,467**	3,761,372	**217,465**	9,663
Cash at bank and in hand		**768,214**	674,005	**482,930**	520,303
		8,158,060	4,441,623	**700,395**	529,966
Creditors: Amounts falling due within one year	12	**(2,999,146)**	(1,432,886)	**(57,114)**	(45,899)
Net current assets		**5,158,914**	3,008,737	**643,281**	484,067
Total assets less current liabilities		**5,897,563**	3,517,191	**2,488,808**	2,217,360
Creditors: Amounts falling due after one year	13	**(3,713,512)**	(1,820,623)	**(1,100,000)**	(1,150,000)
Provisions for liabilities	14	**(36,011)**	(44,856)	**-**	-
Total net assets		**2,148,040**	1,651,712	**1,388,808**	1,067,360
Funds of the charity:					
Unrestricted funds	18	**369,519**	314,574	**620,886**	314,576
Designated funds	18	**1,742,608**	1,304,958	**732,010**	733,293
Restricted funds	18	**35,913**	32,180	**35,912**	19,491
Total funds		**2,148,040**	1,651,712	**1,388,808**	1,067,360

The financial statements were approved by the Board and authorised for issue on 21 June 2023 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 56 to 82 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2022

	The group 2022 £	The group 2022 £	The group 2021 £	The group 2021 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**564,335**		635,148	
Depreciation charges	**160,167**		119,476	
Investment income receivable	**(9,920)**		(22,231)	
Interest on borrowings	**652,149**		231,053	
Loss on disposal of tangible fixed assets	**649**		1,298	
(Increase) / decrease in stock	**(1,874)**		5,793	
Increase in debtors	**(3,839,324)**		(1,055,936)	
(Increase) in creditors	**293,606**		179,565	
(Decrease) / Increase in deferred tax provision	**(8,845)**		30,534	
Net cash flows from operating activities		**(2,189,057)**		124,700
Cash flows from investing activities				
Interest receivable and similar income	**9,920**		22,231	
Purchase of tangible fixed assets	**(435,439)**		(256,966)	
Proceeds from sale of tangible fixed assets	**16,992**		27,516	
Net cash flows from investing activities		**(408,527)**		(207,219)
Cash flows from financing activities				
New loans obtained during the period	**4,566,048**		1,163,188	
Loans repaid during the period	**(1,205,402)**		(674,911)	
Interest paid on borrowings	**(652,149)**		(231,053)	
Net cash flows from financing activities		**2,708,497**		257,224
Net increase in cash and cash equivalents		**110,913**		174,705
Cash and cash equivalents at 1 January 2022		**674,005**		523,541
Exchange loss on cash and cash equivalents		**(16,704)**		(24,241)
Cash and cash equivalents at 31 December 2022		**768,214**		674,005

All of the cash flows are derived from continuing operations during the current and prior year.

The notes on pages 56 to 82 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation and statement of compliance

MicroLoan Foundation is a private company limited by guarantee (incorporated in England under the Companies Act) and a charity registered with the Charity Commission for England & Wales and the Office of the Scottish Charity Regulator. The charitable company's registered office address is 1-2 Paris Garden, London, SE1 8ND.

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

MicroLoan Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries on a line by line basis. The subsidiaries are MicroLoan Foundation Malawi (Registration Number 12509), MicroLoan Foundation Zambia (Registration Number 70587), and in Zimbabwe, MicroLoan Trust Zimbabwe (Registration Number MA0000738/2016) and MicroLoan Foundation (Private) Limited (Registration Number 851/2016). All are incorporated locally in their respective country of operation.

Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes to the charitable company's balance sheet.

The presentational currency used in these financial statements is Pound Sterling. Amounts have been rounded to the nearest Pound.

Going concern

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this asseement in respect of a period of at least one year from the date of approval of the financial statements.

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £7,230,813 (2021: £3,629,149).

Summary of disclosure exemptions

The charity has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to separately disclose transactions between members of the charitable group headed by WildHearts Foundation.

Income

Income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Income from donations and legacies is recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the donor specifies that the donation must be used in future accounting periods or imposes other conditions which must be fulfilled before the charity becomes entitiled to use such income, the income is deferred and not recognised until the pre-conditions have been met.

Grants receivable

Grant income is also recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the grant agreement contains performance or other pre-conditions which must be met before the charity becomes entitled to the funding, the grant income is deferred and released to income in the reporting period in which the conditions limiting recognition are met.

Donated resources and services

The activities of MicroLoan Foundation are supported by resources and services provided on a pro bono or discounted basis. In accordance with the Charities SORP (FRS 102), an amount is recognised within the Statement of Financial Activities as income when received, with a corresponding expense, where the benefit of these services is reasonably quantifiable and measurable.

Each year, the trustees undertake a comprehensive exercise in order to calculate on a consistent and systematic basis the value of in kind support received in the form of donated services and facilities. This value is determined by calculating the gross open market cost of undertaking each activity and then deducting amounts directly incurred by the charity. For the purposes of this calculation, no allowance has been made for irrecoverable VAT that could potentially have been incurred in respect of donated amounts in the open market. The trustees do not consider it practical to accurately determine the latter figure due to uncertainty over when VAT would or would not be applied.

Income from charitable activities

Income from charitable activities comprises of interest charged in respect of the microloans that we provide to our beneficiaries in order to make our lending activities sustainable. It is recognised on an accruals basis net of provision for bad debt.

Other trading activities

Income generated from fundraising events is recognised at the point of receipt.

Investment income

Investment income is included on an accruals basis and is stated gross of any taxation recoverable.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable that settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the use of the resources.

Raising funds

Costs of raising funds represent amounts incurred in undertaking fundraising events and in attracting other voluntary income.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature that are necessary to support them.

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient.

In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as shown in Note 5.

Governance costs

Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Trading subsidiaries are subject to corporation tax in the countries that they operate in. Tax is recognised in the Statement of Financial Activities.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits of a trading subsidiary; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible fixed assets

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

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be included as a revaluation reserve within charitable funds.

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Website costs	33%

Investments

Programme related investments, which includes investments in the Charity's subsidiaries, are made in furtherance of the Charity's objectives and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost less provision for impairment except for listed investments which are included at fair value (bid price). Any loss or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Investments made by the charity which represent concessionary loans are measured at cost less provision for impairment.

Other investments are measured at fair value through income and expenditure unless fair value cannot be measured reliably. In such circumstances, investments are measured at cost less impairment.

Stocks

Stock is held at fair value. In respect of donated items held for distribution or resale, this is the amount the charity would have been willing to pay for the items on the open market.

Microcredit loans

Microcredit loans that we advance to our beneficiaries are typically short term and carry a fixed, market rate of interest. They are therefore treated as basic financial instruments and initially measured at transaction cost then subsequently assessed potential impairment. The balance is reported net of impairment provisions made.

Trade and other debtors

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings that are interest free or at a rate below prevailing market rates are treated as concessionary loans. Such loans are initially recorded at the amount received, with the carrying value subsequently adjusted to reflect repayments and any accrued interest.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method.

Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension and other post retirement obligations

Contributions to defined contribution pension schemes are charged to the Statement of Financial Activities in the period in which they become payable.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date unless there is a matching forward currency contract in place.



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In such circumstances, the contracted rate of exchange is used.

Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

The Charity's overseas subsidiaries have different functional currencies from that of their parent. On consolidation, assets and liabilities of these subsidiaries are translated using the applicable exchange rate as at the balance sheet date. Transactions included within the Statement of Financial Activities are translated using the average exchange rate across the period. Foreign currency gains or losses arising in respect of the translation of overseas subsidiaries are reflected in the Statement of Financial Activities as other operating gains or losses.

Fund accounting

Reserves which can be used at the discretion of the trustees are classified as unrestricted funds.

Designated funds, which are also unrestricted, represent amounts ringfenced or committed by the charity for specific charitable activities.

Restricted funds are to be used for specific purposes as laid down, either implicitly or explicitly, by the donor. Expenditure which meets the criteria is allocated to the appropriate fund, together with a fair allocation of overhead support cost.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities. These are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire or are settled

(b) the Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or

(c) the Charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligation is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of concessionary loans and some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Statement of Financial Activities.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Derivative financial instruments

From time to time, the charity uses derivative financial instruments to reduce exposure to foreign exchange risk. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Financial Activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Charity designates certain derivatives as hedging instruments in fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the charity determines and documents causes for hedge ineffectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Financial Activities immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item.

Hedge accounting is discontinued when the charity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Financial activities from that date.

2 Income from donations and legacies

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Individuals and events	**403,072**	**105,647**	**508,719**	423,831	85,586	509,417
Trusts and institutions	**111,709**	**242,593**	**354,302**	127,271	389,472	516,743
Corporates	**32,342**	**-**	**32,342**	14,319	-	14,319
Donated services and facilities	**50,722**	-	**50,722**	59,645	-	59,645
	597,845	**348,240**	**946,085**	625,066	475,058	1,100,124

3 Investment income

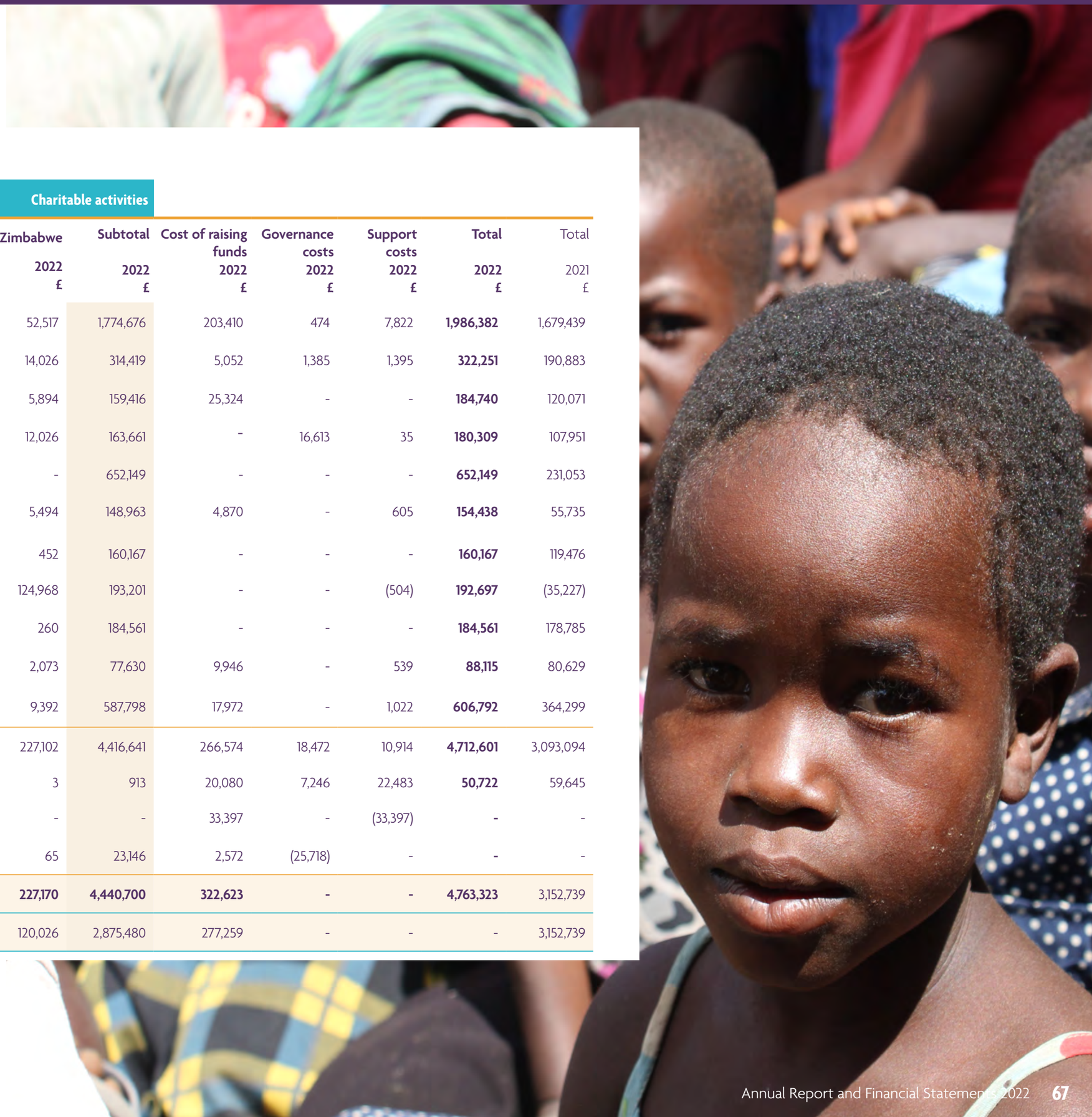
	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Interest receivable	**3,487**	**-**	**3,487**	4,524	-	4,524
Other investment income	**6,433**	**-**	**6,433**	17,707	-	17,707
	9,920	-	**9,920**	22,231	-	22,231

4 Net income / (expenditure) for the year

	2022 £	2021 £
This is stated after charging:		
Depreciation	**160,167**	119,476
Auditor's remuneration - audit	**15,000**	11,700
Operating lease expenses - property	**121,518**	78,890

5 Expenditure analysis

	Charitable activities								
	Malawi	Zambia	Zimbabwe	Subtotal	Cost of raising funds	Governance costs	Support costs	Total	Total
	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2021 £
Staff costs	863,337	858,822	52,517	1,774,676	203,410	474	7,822	**1,986,382**	1,679,439
Travel and subsistence	161,829	138,564	14,026	314,419	5,052	1,385	1,395	**322,251**	190,883
Premises costs	107,297	46,225	5,894	159,416	25,324	-	-	**184,740**	120,071
Legal and professional fees	112,718	38,917	12,026	163,661	-	16,613	35	**180,309**	107,951
Interest costs	162,882	489,267	-	652,149	-	-	-	**652,149**	231,053
Bank charges	64,549	78,920	5,494	148,963	4,870	-	605	**154,438**	55,735
Depreciation	74,882	84,833	452	160,167	-	-	-	**160,167**	119,476
Exchange (gains) / losses	44,423	23,810	124,968	193,201	-	-	(504)	**192,697**	(35,227)
Loan provisions and write-off	83,867	100,434	260	184,561	-	-	-	**184,561**	178,785
IT and telecommunications	43,697	31,860	2,073	77,630	9,946	-	539	**88,115**	80,629
Other costs	322,936	255,470	9,392	587,798	17,972	-	1,022	**606,792**	364,299
	2,042,417	2,147,122	227,102	4,416,641	266,574	18,472	10,914	**4,712,601**	3,093,094
In kind support	448	462	3	913	20,080	7,246	22,483	**50,722**	59,645
Support costs	-	-	-	-	33,397	-	(33,397)	**-**	-
Governance costs	11,366	11,715	65	23,146	2,572	(25,718)	-	**-**	-
Total expenditure	**2,054,231**	**2,159,299**	**227,170**	**4,440,700**	**322,623**	**-**	**-**	**4,763,323**	3,152,739
2021 expenditure analysis	1,593,043	1,162,411	120,026	2,875,480	277,259	-	-	-	3,152,739





5 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2021 £	MLF Zambia 2021 £	MLF Zimbabwe 2021 £	Subtotal 2021 £	Cost of raising funds 2021 £	Governance costs 2021 £	Support costs 2021 £	Total 2021 £
Staff costs	786,920	640,922	48,863	1,476,705	194,310	-	8,424	**1,679,439**
Travel and subsistence	104,490	67,713	18,139	190,342	541	-	-	**190,883**
Premises costs	71,427	36,994	2,667	111,088	8,935	-	48	**120,071**
Legal and professional fees	51,329	20,567	21,072	92,968	2,200	12,429	354	**107,951**
Interest costs	91,504	139,549	-	231,053	-	-	-	**231,053**
Bank charges	12,517	35,273	4,517	52,307	2,580	-	848	**55,735**
Depreciation	65,509	53,053	914	119,476	-	-	-	**119,476**
Exchange (gains) / losses	(1,217)	(43,541)	9,618	(35,140)	-	-	(87)	**(35,227)**
Loan provisions and write-off	144,614	33,624	547	178,785	-	-	-	**178,785**
IT and telecommunications	41,683	20,411	6,843	68,937	11,432	-	260	**80,629**
Other costs	198,032	147,889	6,653	352,574	11,168	-	557	**364,299**
	1,566,808	1,152,454	119,833	2,839,095	231,166	12,429	10,404	**3,093,094**
In kind support	16,583	436	8	17,027	8,603	9,080	24,935	**59,645**
Support costs	-	-	-	-	35,339	-	(35,339)	**-**
Governance costs	9,652	9,521	185	19,358	2,151	(21,509)	-	**-**
Total expenditure	**1,593,043**	**1,162,411**	**120,026**	**2,875,480**	**277,259**	**-**	**-**	**3,152,739**

6 Staff costs

	2022 £	2021 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,777,108**	1,469,568
Social security costs	**28,936**	28,319
Pension costs	**102,442**	86,851
	1,908,486	1,584,738

The number of employees receiving emoluments of more than £60,000 was as follows:

	2022 £	2021 £
£90,000 - £99,999	2	1
£80,000 - £89,999	-	2
£70,000 - £79,999	-	-
£60,000 - £69,999	1	-
	3	3

Pension contributions made on behalf of these employees totalled £7,400 (2021: £6,311).

The trustees consider key management personnel during 2022 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £423,827 (2021: £416,284) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

The average number of persons employed by the charity during the year was as follows:

	2022 No.	2021 No.
Malawi	**134**	115
Zambia	**99**	93
Zimbabwe	**14**	15
Raising funds	**6**	6
Governance and administration	**2**	3
	255	232

7 Trustee remuneration and expenses

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. Expenses totalling £18 (2021: £nil) were reimbursed to one (2021: nil) trustees during the year.



8 Tangible Fixed Assets

	The group				
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2022	122,714	216,690	107,936	587,715	**1,035,055**
Forex adjustment	(12,654)	(38,143)	15,389	(28,982)	**(64,390)**
Additions	-	82,164	44,515	308,760	**435,439**
Disposals	-	-	(1,225)	(21,569)	**(22,794)**
At 31 December 2022	110,060	260,711	166,615	845,924	**1,383,310**
Depreciation					
At 1 January 2022	(15,862)	(97,968)	(85,031)	(327,740)	**(526,601)**
Forex adjustment	1,636	4,706	8,769	21,843	**36,954**
Charge for the year	(1,370)	(29,760)	(22,082)	(106,955)	**(160,167)**
On disposals	-		753	4,400	**5,153**
At 31 December 2022	(15,596)	(123,022)	(97,591)	(408,452)	**(644,661)**
Net book value					
At 31 December 2022	94,464	137,689	69,024	437,472	**738,649**
At 31 December 2021	106,852	118,722	22,905	259,975	**508,454**

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2022	1,790,653
Additions	112,234
At 31 December 2022	1,902,887
Provision	
At 1 January 2022	(57,360)
At 31 December 2022	(57,360)
Net book value	
At 31 December 2022	1,845,527
At 31 December 2021	1,733,293

Additions to investments represent new capital injected into the three wholly owned subsidiaries through a combination of cash advances and conversion of intercompany debt. This was done as part of the strategy to fund their expansion.

A summary of the results and the aggregate of share capital and reserves of the subsidiaries, converted into Pound Sterling, is shown below.

	Income £	Expenditure £	Result for the year £	Aggregate of share capital and reserves £
MLF Malawi	2,034,884	(1,968,364)	66,520	1,300,038
MLF Zambia	2,354,399	(2,120,286)	234,113	1,274,773
MLF Zimbabwe	113,993	(157,923)	(43,930)	31,583
	4,503,276	(4,246,573)	256,703	2,606,394

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

10 Stock

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Consumables held	**7,379**	6,246	-	-

11 Debtors

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Trade debtors	**1,750**	600	**1,750**	600
Amounts due from group undertakings	**-**	-	**194,213**	
Microcredit loans	**7,230,813**	3,629,149	**-**	-
Other debtors and prepayments	**149,904**	131,623	**21,502**	9,063
	7,382,467	3,761,372	**217,465**	9,663

12 Creditors: amounts falling due within one year

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Trade creditors	**15,645**	13,683	**2,944**	3,003
Taxation and social security	**161,618**	71,457	**7,664**	3,354
Amounts due to group undertakings	**-**	19,473	**-**	19,473
Other creditors and accruals	**373,371**	217,314	**46,506**	20,069
Loans	**2,448,512**	1,110,959	**-**	-
	2,999,146	1,432,886	**57,114**	45,899

Further information in respect of loans outstanding is provided at note 13.

13 Creditors: amounts falling due after one year

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Loan repayments due:				
In 1 - 2 years	**2,050,663**	670,623	**-**	-
In 2 - 5 years	**1,662,849**	1,150,000	**1,100,000**	1,150,000
	3,713,512	1,820,623	**1,100,000**	1,150,000

Loans represent amounts borrowed by various MLF entities to fund activities. Details of the loan providers, the entity the loan is with, the currency in which the loan is denominated and the applicable interest rate are set out on the next page.

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,100,000	UK	GBP	Nil
KIVA Microfunds	30,961	Malawi	USD	Nil
Grameen Credit Agricole Microfinance Foundation	81,526	Malawi	MWK	18.50%
Grameen Credit Agricole Microfinance Foundation	112,610	Zambia	ZMW	32.15%
Grameen Credit Agricole Microfinance Foundation	370,258	Zambia	ZMW	25.81%
FDH	105,672	Malawi	MWK	18.00%
Lend with Care	38,318	Malawi	MWK	Nil
Lend with Care	172,926	Zambia	ZMW	Nil
Paul Foundation	42,179	Zambia	USD	3.50%
ADA Microfinance	485,788	Zambia	ZMW	30.00%
Global Partnerships	149,952	Malawi	MWK	16.83%
Global Partnerships	283,506	Zambia	ZMW	24.69%
Global Partnerships	264,743	Zambia	ZMW	28.35%
Oikocredit	510,724	Zambia	ZMW	26.00%
FEFISOL II	257,676	Zambia	ZMW	28.63%
SIDI	175,280	Malawi	MWK	22.00%
Reserve Bank of Malawi FinES	1,979,905	Malawi	MWK	3.00%
	6,162,024			

The FDH loan provided to Malawi is secured over a property owned by MLF Malawi in Kasungu.

14 Provisions for liabilities

	The group		The charity	
	2022 £	**2021 £**	**2022 £**	**2021 £**
Deferred Tax	**-**	-	**-**	-
Amounts payable to the Malawi Revenue Authorities	**36,011**	31,507	-	-
Amounts payable to the Zambian Revenue Authorities	**-**	13,349	-	-
	36,011	44,856	-	-

At 31 December 2022, the group also had unrecognised deferred tax assets of £7,260 (2021: £nil) in respect of Zambia, and £7,768 (2021: £100) in respect of Zimbabwe.

15 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £102,442 (2021: £86,851).

16 Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	The group		The charity	
	2022 £	**2021 £**	**2022 £**	**2021 £**
In less than one year		23,843	**-**	-
In one to five years		2,777	**-**	-
More than five years	**-**	-	**-**	-
		26,620	**-**	-

17 Analysis of group net assets between funds

	Unrestricted	Restricted		Unrestricted	Restricted	
	2022	2022	Total 2022	2021	2021	Total 2021
	£	£	£	£	£	£
Tangible fixed assets	**738,649**	**-**	**738,649**	508,454	-	508,454
Net current assets	**5,123,001**	**35,913**	**5,158,914**	2,976,557	32,180	3,008,737
Long term liabilities	**(3,713,512)**	**-**	**(3,713,512)**	(1,820,623)	-	(1,820,623)
Deferred tax liability	**(36,011)**	**-**	**(36,011)**	(44,856)	-	(44,856)
	2,112,127	**35,913**	**2,148,040**	1,619,532	32,180	1,651,712

18 Funds

	Balance at 1 January 2022	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2022
	£	£	£	£	£	£
Unrestricted funds						
General fund	314,574	4,979,418	(4,406,666)	(68,007)	(449,800)	**369,519**
Designated funds: - Africa Investment	1,154,958	-	-	-	337,650	**1,492,608**
- Africa Expansion	-	-	-	-	100,000	**100,000**
- Zimbabwe Growth	150,000	-	(12,150)	-	12,150	**150,000**
	1,619,532	**4,979,418**	**(4,418,816)**	**(68,007)**	**-**	**2,112,127**
Restricted funds						
Malawi	26,800	134,598	(161,398)	-	-	**-**
Zambia	-	27,967	(4,567)	-	-	**23,400**
Zimbabwe	5,380	108,275	(101,142)	-	-	**12,513**
Africa general	-	73,830	(73,830)	-	-	**-**
UK infrastructure	-	3,570	(3,570)	-	-	**-**
	32,180	**348,240**	**(344,507)**	**-**	**-**	**35,913**
Total funds	**1,651,712**	**5,327,658**	**(4,763,323)**	**(68,007)**	**-**	**2,148,040**

2021 movements

	Balance at 1 January 2021	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2021
	£	£	£	£	£	£
Unrestricted funds						
General fund	274,529	3,312,829	(2,641,914)	101,140	(732,010)	**314,574**
Designated funds - Africa Investment	572,948	-	-	-	582,010	**1,154,958**
-Zimbabwe Growth	-	-	-	-	150,000	**150,000**
	847,477	**3,312,829**	**(2,641,914)**	**101,140**	**-**	**1,619,532**
Restricted funds						
Malawi	36,900	187,003	(197,103)	-	-	**26,800**
Zambia	6,040	126,511	(132,551)	-	-	**-**
Zimbabwe	4,257	108,489	(107,366)	-	-	**5,380**
Africa general	20,750	41,594	(62,344)	-	-	**-**
UK infrastructure	-	11,461	(11,461)	-	-	**-**
	67,947	**475,058**	**(510,825)**	**-**	**-**	**32,180**
Total funds	**915,424**	**3,787,887**	**(3,152,739)**	**101,140**	**-**	**1,651,712**

The designated 'Africa Investment' fund reflects the book value of UK assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans. It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £101,284 (2021: £101,284) relating to a revaluation reserve created in respect of land and buildings owned in Malawi.

A key part of the charity's medium term strategy is to seek to expand its operations into a new African country by 2025. A significant amount of research and planning is ongoing in respect of this project. The designated 'Africa Expansion' fund represents unrestricted funds that have been ringfenced to provide part of the initial start up capital required to ensure such an expansion is viable.

The designated 'Zimbabwe Growth' fund represents unrestricted funds that have been ringfenced to faciltate the recapitalistion of Zimbabwe in 2023. Subject to the economic conditions being sufficiently stable, the intention is to advance approximately $280,000 into the country in 2023 through a combination of unrestricted funds and restricted grants in order to regrow the loan book and support operating costs.

Restricted funds represent the total of individual fund balances received for activities within the charity's countries of operation, as indicated by the fund name. The 'Africa general' fund comprises of amounts where the donors have stipulated that the funds should be applied directly to our projects within Africa but have not specified a particular country. The trustees do not consider there to be any individually material amounts within each aggregated fund balance that would require separate disclosure.

19 Financial Instruments

	2022 £	2021 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	8,150,681	4,435,377
	8,150,681	**4,435,377**
Financial liabilities measured at amortised cost	389,016	230,997
Loan commitments measured at cost less impairment	6,162,024	2,931,582
	6,551,040	**3,162,579**

Financial assets measured at fair value
There are no financial assets measured at fair value.

Financial assets that are debt instruments measured at amortised cost
This comprises of microcredit loans, trade debtors, other debtors, cash and cash equivalents (as applicable).

Financial liabilities measured at historic cost
This comprises of trade creditors, other creditors and accruals.

Loan commitments measured at cost less impairment
This comprises of loans.

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2022				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,381,573	-	-	-
	4,381,573	**-**	**-**	**-**
2021				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,687,763	-	-	-
	2,687,763	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £4,381,573 (2021: £2,687,763)

Impairment
Microcredit loans
The amount of the impairment loss during the year is £184,561 (2021: £178,785). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £184,561 (2021: £178,785).

Fair Value Hedges
Currency forwards - contracts to buy
The group is exposed to foreign currency risk when it borrows in currencies other than the functional currency. The Charity's policy is to seek to hedge this risk wherever it is practical and affordable using forward foreign currency contracts.

Interest rate swaps
From time to time, the group may also enter into interest rate swaps in respect of foreign currency borrowings in order to reduce exposure to foreign currency risk in respect of scheduled interest payments.

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2021: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2021: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2022 £	Cash flows £	Other non-cash changes £	At 31 December 2022 £
Cash at bank and in hand	674,005	110,913	(16,704)	**768,214**
Total cash and cash equivalents	**674,005**	**110,913**	**(16,704)**	**768,214**
Loans falling due within one year	(1,110,959)	(3,360,646)	2,023,093	**(2,448,512)**
Loans falling due after more than one year	(1,820,623)	-	(1,892,889)	**(3,713,512)**
Total	**(2,257,577)**	**(3,249,733)**	**113,500**	**(5,393,810)**

21 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. The member is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

22 Ultimate controlling party

The company's ultimate parent undertaking and controlling party is WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665). Copies of its consolidated financial statements are available from Companies House.



Photo credit - Peter Caton

MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

MicroLoan Foundation UK
Registered Office
1-2 Paris Garden
London
SE1 8ND

MicroLoan Foundation Malawi
Registered Office
P.O. Box 2292, Area 6
Lilongwe

MicroLoan Foundation Zambia
Registered Office
P.O. Box 310082
Plot 346, 4th Street Chelstone Green
Salama Park
Lusaka

MicroLoan Foundation Zimbabwe
Registered Office
c/o Scanlen & Holderness,
13th Floor
Cabs Centre
74 Jason Moyo Avenue
Harare

Affiliates

MicroLoan Foundation USA
237 Bonad Road
Chestnut Hill
MA 02467

MicroLoan Foundation Australia
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Hope Island
Queensland 4212

Group Auditors

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UK Bankers

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Barclays Bank Plc
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MICROLOAN FOUNDATION

England & Wales - Charity number 1104287

Accounts



microloan foundation

Annual Report and Financial Statements 2021

Registered charity number: 1104287 (England and Wales); SC041941 (Scotland)
Company limited by guarantee registered company number: 04828558 (England and Wales)

To date over 324,000 women have joined MicroLoan Foundation to start their own small businesses and begin their journey out of poverty. As a result, their children have increased access to food, healthcare and education, taking the total lives impacted to 1.6 million.



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Leadership introduction

We are delighted to introduce the 2021 Annual Report for MicroLoan Foundation. The organisation had a record-breaking year with over 96,000 women in Malawi, Zambia and Zimbabwe accessing our high impact social microfinance services. These women have been able to start or grow their own small businesses and as a result over 400,000 children and vulnerable adults in their care have improved food security, access to healthcare, and education. This is a remarkable achievement and has been made possible by the generous support of our funders and hard work of our team.

MicroLoan serves some of the poorest communities in remote, rural areas. Our local teams travel long distances to facilitate loans and repayments, deliver training, and provide one-to-one mentoring. Operating in hard-to-reach areas comes with unique challenges. During the year the institution has enhanced digital services on offer, strengthened internal structures, and increased efficiency to ensure that we are providing the best possible service to our clients.

The pandemic continued to present difficulties for our clients. Food insecurity was rife at the start of the year and the economic impact of restrictions and lockdowns resulted in rising costs and reduced access to markets. MicroLoan has been supporting women who are struggling to maintain their livelihoods with ongoing mentoring and loan restructuring, to provide them with the best possible chance of success.

MicroLoan Malawi introduced mobile money services to its clients and has seen a significant growth in its loan book. MicroLoan Zambia recorded a strong performance and for the second consecutive year, saw an impressive growth in its active client numbers and loan book. MicroLoan Zimbabwe has seen the operating climate stabilise and the number of active clients increase during the year.

MicroLoan is now the second largest microfinance provider, based on client numbers, serving the rural poor in both Malawi and Zambia, and the only truly social microfinance provider in Zimbabwe.

To respond to the high demand for our services in the very poorest communities, we have ambitious plans to scale up and grow our operations during 2022 and beyond.

We would like to thank our investors, donors, supporters, partner organisations, staff, and Board members for their unwavering support. Above all else, we acknowledge and admire the hardworking women we serve, whose tenacity and perseverance takes us one step closer to achieving our mission.

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer

How we work

MicroLoan's vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families.

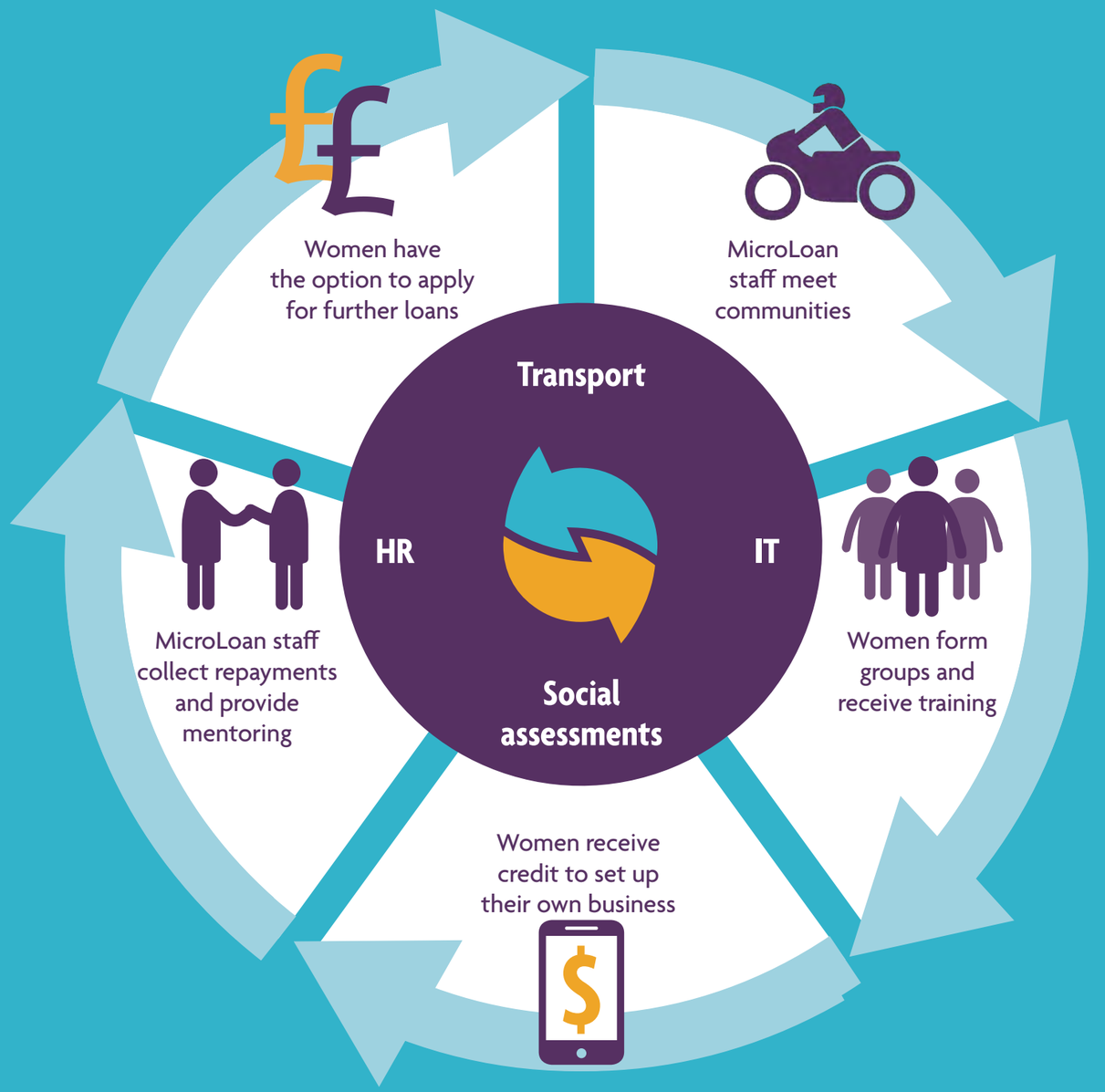
We believe that the best way to achieve our vision is to provide small loans, training and ongoing business support to women living in poverty, thereby giving them the opportunity to kickstart their own income generating activities.

Our social microfinance model is specifically developed for women living in rural, poor communities, who have had limited access to education. MicroLoan has a strong tradition of listening to our beneficiaries. Their feedback has been used to develop our methodology to ensure that we are providing the services they want and need.

Focusing our operations in rural areas means that we reach women with little access to finance, who are therefore the most in need of our services. Loan & Training Officers travel long distances into rural communities to meet with traditional leaders and introduce our work. The leaders then invite MicroLoan to attend a village meeting where we explain that women have the opportunity to join a loan group and start a business. Our group lending model ensures women can support each other both socially and financially, as they have a collective responsibility for loan repayments. Before accessing their loan, each group of five women completes seven training modules to develop financial literacy skills and understand the rights and responsibilities involved. Delivered through song, dance and role play, our training is accessible for women with low literacy levels.

In Zambia and Zimbabwe, women receive their loans via mobile money. In 2021 we introduced mobile money services in Malawi and at year end an estimated 12% of loans were disbursed via mobile money. Once women have received their loans, they put their training into practice and set up small businesses such as farms, grocery stores or hairdressing salons. The Loan & Training Officers continue to visit every two weeks to provide mentoring, and once a month they bring together a cluster of loan groups for advanced business training. These sessions are a great opportunity for women to meet other women entrepreneurs in their local area and share their experiences.

MicroLoan is different to traditional charities and operates through a model that aims to reach Operational Self Sufficiency where interest income from the loan book covers direct operational costs (excluding loan book growth and capital expenditure). We aim to create a sustainable institution that is not reliant on charitable donations for its day to day running costs. The loan repayment rate is consistently above 97% (98% in 2021). When this revolving loan book is combined with operational interest income and social impact investments, charitable donations can be focussed on improving our services and growing our outreach to support more women year on year. Our model maximises social impact and every donation to MicroLoan is a gift that keeps on giving, over and over again.



Our training methodology is designed for women with low literacy levels and is delivered through dance, song, and role play.



Social impact

Since MicroLoan's operations began in 2002, over 324,000 women have been given the opportunity to begin their journey out of poverty through entrepreneurship. Their hard work has given more than 1.3 million children and vulnerable adults improved living conditions and access to education.

MicroLoan's social mission is to alleviate poverty and we measure our impact carefully. Social Performance Management is a system of processes and activities that ensure we are achieving our aim of helping the poorest women to transform their lives. This includes defining and monitoring social goals, developing client-centric products and services, treating clients and employees responsibly, and balancing social and financial performance. Our Social Performance Management model is often cited as an example of best practice and was recognised by TrueLift, a global initiative striving for accountability and learning in pro-poor programmes.

Building resilience

MicroLoan clients prioritise nutritious food for their family first, followed by education for their children. In addition to these immediate basic needs, MicroLoan encourages clients to save for the future by providing savings training and access to savings facilities. 97% of clients were able to make savings compared to 11% before joining MicroLoan, building resilience and giving them a positive coping mechanism to fall back on in times of crisis.

As clients grow their income, we notice they also prioritise making structural improvements to their homes to withstand natural disasters and adverse weather conditions. In Malawi, 35% of our clients have improved the building material of their home after two years, moving from a non-permanent solution like a thatch roof or mud floors to a semi or permanent solution like a corrugated iron roof or concrete floors. In Zambia 17% of clients have improved building materials of their home after two years.

Our data shows that clients also reinvest their profits in their businesses. Over time, clients take out larger loans as they scale up or diversify their businesses. On average our clients increase their loan size by 80% between loan cycle 1 and loan cycle 6.

20%

of women have increased asset ownership (such as livestock, a bicycle or land)

96%

of families have food security compared to **87%** before joining MicroLoan

8%

of women have one or more paid employees

96%

of clients and their families can seek medical treatment when required, compared to the **91%** baseline.

Women report a

218%

average increase in business profits after joining MicroLoan

After 3 years,

72%

of women can send all of their female children to school compared to **58%** previously

Prisca Muchindu, Livingstone branch, Zambia

Prisca is the mother of three children and a serial entrepreneur. Three years ago, she was running a small business selling popcorn in a local market. She was struggling to make ends meet and her children often had to go to bed hungry. A friend introduced her to MicroLoan and for the first time, she was able to take part in financial literacy and entrepreneurship training. With her new skills and a small business loan, she started a hardware store. As her businesses grew, she decided to diversify further and she now runs three businesses: a popcorn stall, a hardware store and a hair salon. Her weekly profits have increased from ZMK200 to ZMK1000. She no longer needs to worry about the family's food security, and she is able to send her children to school. **"My life has changed drastically since I got access to the training and loans. We are more secure now and I don't have to worry about the children going hungry."**



Tackling intergenerational poverty

Understanding and measuring poverty is challenging and it is essential that we collect data and measure poverty from a long-term perspective. MicroLoan uses the Poverty Probability Index®, an innovative measurement tool that determines the likelihood of a household living below the poverty line. We have been collecting Poverty Probability Data since 2012 which helps us to assess if we are reaching the poorest segment of the population and if their poverty status is improving over time.

The pandemic has led to increased poverty levels and heightened inequality. Africa stands out as the most-affected region in the world in terms of detrimental loss of income of poor households. In 2021, 82% of all new clients were living below the global $2.50 per day poverty line and 54% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day. More of the new clients we recruited in 2021 are living in extreme poverty than in previous years, and this is an indication of rising poverty levels in the communities we serve.

The long-term goal for our clients is to is to move out of poverty but this takes time. Over 17% of our clients who have been with us for more than one year are moving out of extreme poverty. This is a significant achievement considering many of these families have been living in poverty for generations. Before we see a direct change in poverty status, MicroLoan is also able to measure and report on a range of improvements in the standard of living and well-being for our clients and their household.



In 2021, 82% of all new clients were living below the global $2.50 per day poverty line and 54% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.


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Transformational impact

In 2021, a total of 96,263 women in Malawi, Zambia and Zimbabwe were given access to small affordable loans paired with financial literacy and business training. MicroLoan's clients have an average of 4.2 dependants, so we can estimate that over 400,000 children and vulnerable adults have had improved access to food, healthcare and education as a result.



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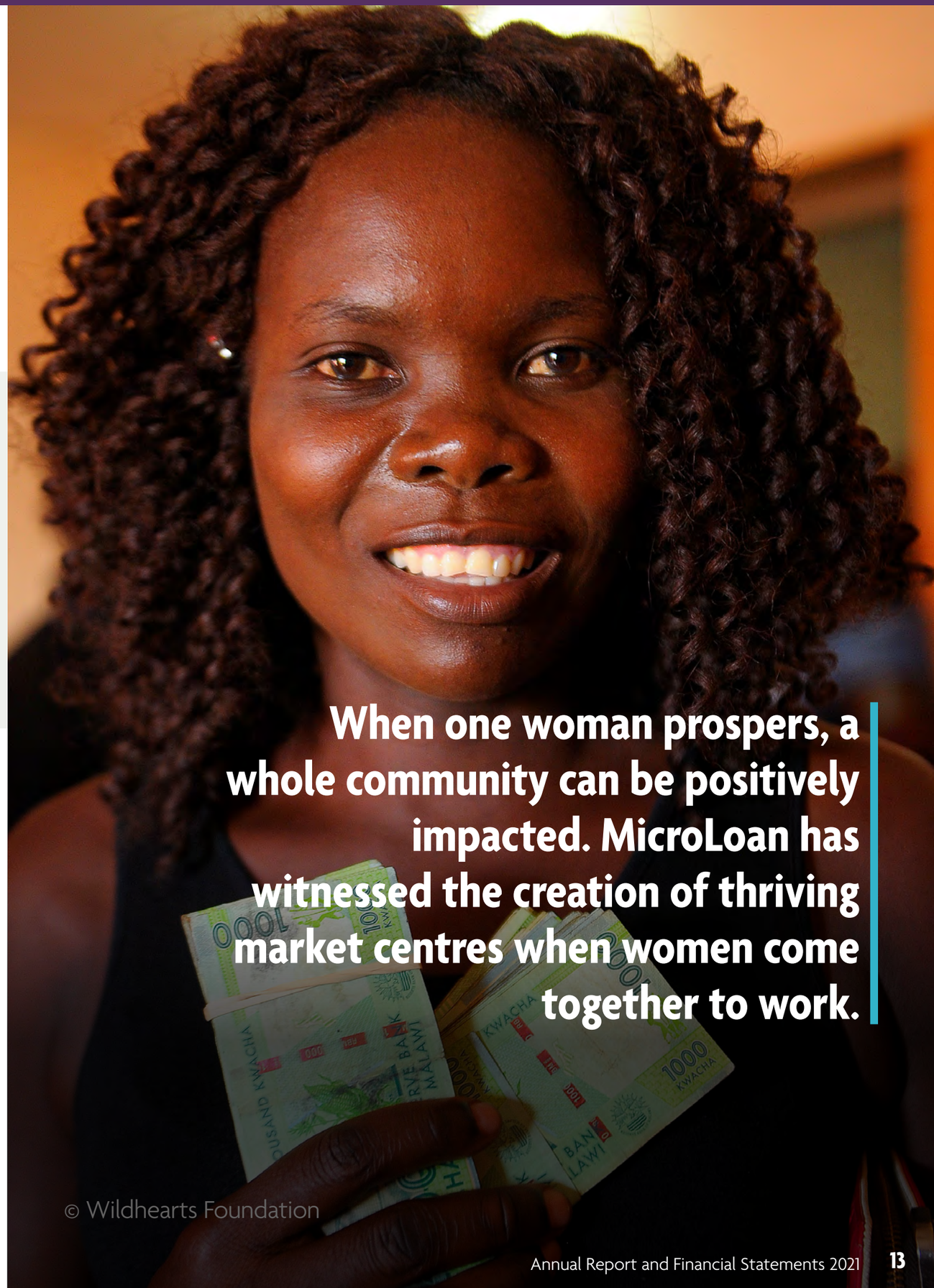
MicroLoan works with women because they are more likely to prioritise the welfare of the family when spending income, improving their health, education and living situation. When one woman prospers, a whole community can be positively impacted. As her business grows, often with support from her husband or adult children, the local economy benefits, and employment opportunities are created for others. MicroLoan has witnessed the creation of thriving market centres when women come together to work.

The United Nations Sustainable Development Goals are the blueprint for achieving a better and more sustainable future for all. Our work contributes directly to the goals No Poverty, Zero Hunger and Gender Equality.

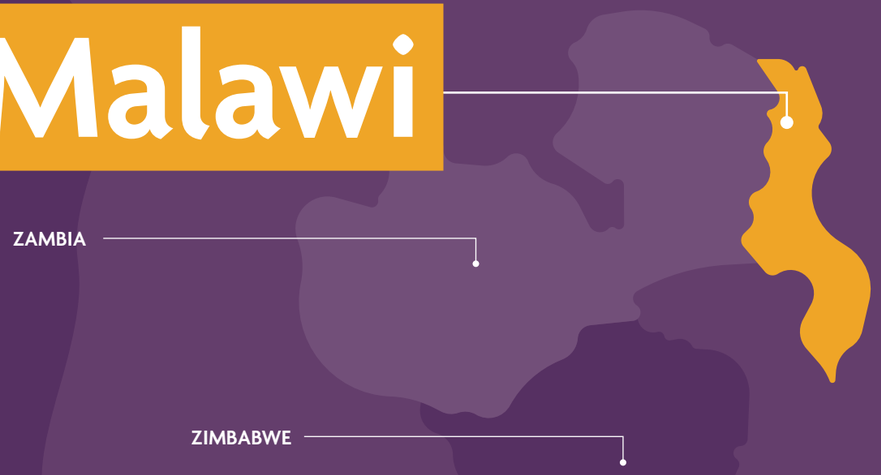
The impact of our work also addresses the goals on Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land and Partnerships for the Goals.

SUSTAINABLE DEVELOPMENT GOALS

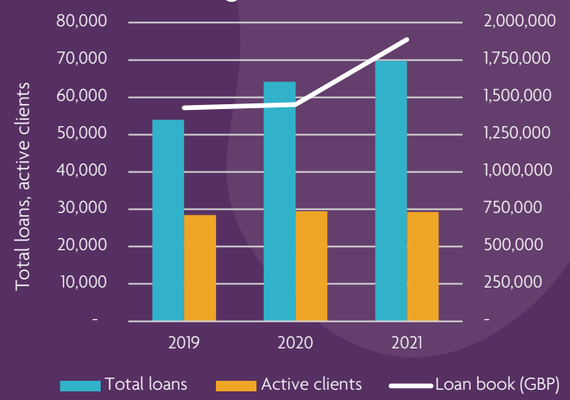




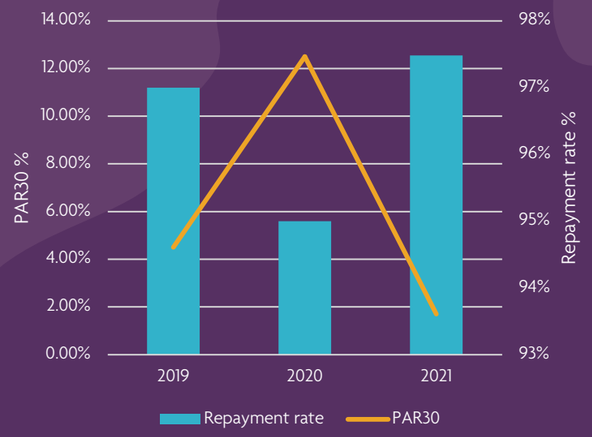
Operations in Malawi



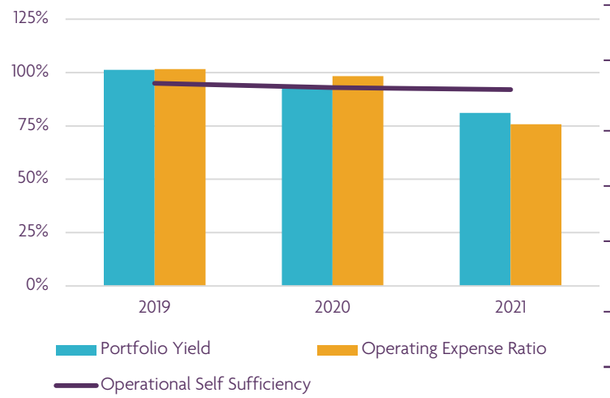
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2019	2020	2021
Total loans made	53,985	64,169	69,768
Active clients	28,480	29,454	29,276
Loan book (GBP)	1,428,932	1,451,858	1,886,753
Average loan size (GBP)	77	78	80
PAR30	4.50%	12.50%	1.70%
Repayment rate	97%	95%	97%
Operational Self Sufficiency	95%	93%	92%
Portfolio Yield	101%	94%	81%

MicroLoan is the second largest microfinance institution in Malawi based on active client numbers.

2021 proved to be a challenging year for the institution as a result of the ongoing COVID-19 pandemic, nevertheless we were able to record favourable outcomes in several of our key performance indicators.

Malawi's economy is vulnerable to external shocks and is heavily dependent on agriculture, employing nearly 80% of the population. The COVID-19 pandemic and restrictions had a significant impact on Malawi's economy but there are now signs of recovery as economic growth rose to 2.4% in 2021 from 0.8% in 2020. Malawi had a good agricultural season with an above average production of the staple food maize and the main export product tobacco.

The inflation rate inched higher, recording an average of 9.46% in 2021 compared to 8.64% in the previous year. The Malawian Kwacha depreciated by approximately 6% against the US Dollar during the year, with exchange rate pressures expected to remain elevated in 2022, as further weakening of the trade balance is anticipated over the medium term.

The loan book grew by 35.9% in Malawian Kwacha terms, from MWK 1.52 billion to MWK 2.07 billion, during the year, and was largely propelled by significant productivity improvements and increased demand, particularly in the last quarter of the year.



Portfolio at Risk (PAR) is an indicator of loan portfolio quality and PAR30 indicates the ratio of loan book overdue by more than 30 days. PAR30 closed the year at 1.7%, after a write-down of 6.61% of the loan book, owing to a combination of both internal operational challenges and COVID-19 related issues. The operational issues have been systematically addressed through an overhaul of systems, processes and human resource along with a significant push towards digitalisation. We have seen an increased level of poverty in the communities we operate in and continue to pay close attention to clients who are struggling, providing additional mentoring, support and loan restructuring when necessary. Active client numbers in Malawi remained relatively static, supporting 29,276 at year end 2021 compared to 29,454 a year prior. The stagnation was a result of the aftermath of COVID-19, paired with a strategic focus on strengthening internal structures and tightening up operating processes to prepare for accelerated growth. This included digitisation of operations, both at an administrative level and in the field. A consultant was also commissioned to optimise the use of the Management Information System and build internal digital capacity. The challenges posed by COVID-19 accelerated the need to digitalise our services and we are seeing how the introduction of mobile money builds resilience in our clients and the organisation in the face of external shocks.

In 2021, Over 4,100 clients have taken part in mobile money training and 12% of repayments were made via the platform in December 2021.

Five operational areas – Salima, Lilongwe, Zomba, Kasungu and Mzuzu – have been part of the pilot to date and the testing will be rolled out to Blantyre, Mwanza and Chikwawa in early 2022. Following the success of this pilot, MicroLoan Malawi will reduce the overall administrative burden of manual disbursements and repayments by integrating the system into the Musoni Management Information System. The aim is to test and roll out mobile money across all branches by the end of 2022.

Due to the stagnation in loan book growth, we witnessed a marginal growth in interest income of 7% to the prior year. We have seen a 1.7% reduction in recurring operating expenses in 2021 compared to 2020, resulting in an improvement in the Operating Expense Ratio from 98% to 76% during the same time period. Owing to a challenging internal and external environment, the Operational Self Sufficiency stood at 92% for the year. However, significant operational improvements made as a result of the reengineering efforts initiated across the institution, have laid the foundation for a healthy growth trajectory and full operational self-sufficiency in 2022 and beyond.

As part of our expansion strategy, we look to open four new branches in 2022 and develop additional loan products in the Small and Medium Enterprise (SME) and agricultural space to closely match specific clients' needs. MicroLoan Malawi will implement an Environmental Social and Governance (ESG) framework to ensure that the micro and small businesses we lend to are educated on sustainable business practices and able to manage associated risks. We will also look to strengthen our governance structure through the addition of new members on the Board, who will bring the relevant skills and expertise to match the needs of MicroLoan Malawi's future strategy.

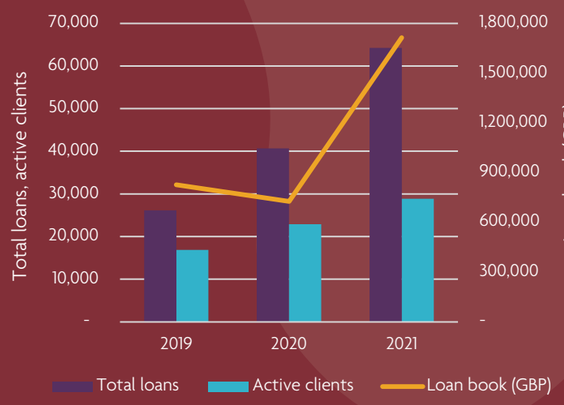


We have seen an increased level of poverty in the communities we operate in and continue to pay close attention to clients who are struggling, providing additional mentoring, support and loan restructuring when necessary.

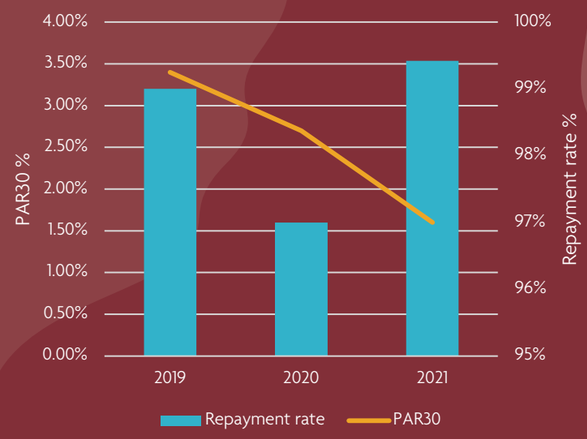
Operations in Zambia



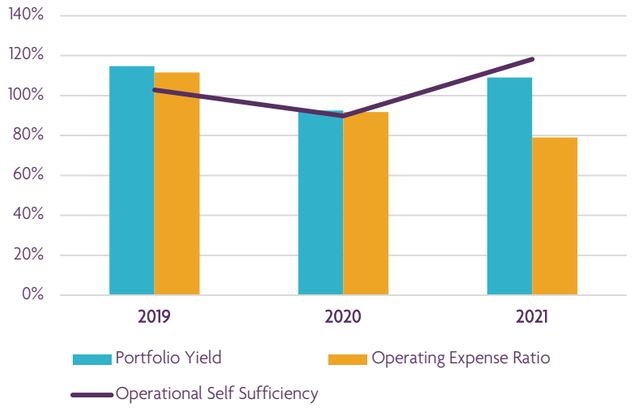
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2019	2020	2021
Total loans made	26,144	40,679	64,221
Active clients	16,862	22,900	28,877
Loan book (GBP)	827,106	725,760	1,713,968
Average loan size (GBP)	81	59	68
PAR30	3.40%	2.70%	1.60%
Repayment rate	99%	97%	99%
Operational Self Sufficiency	103%	90%	118%
Portfolio Yield	115%	93%	109%
Operating Expense Ratio	115%	112%	92%

MicroLoan Zambia had a successful year achieving exceptional growth in active client numbers and portfolio size, with a strong performance across all key performance indicators. The institution is now the only microfinance institution serving solely women, and the second largest overall.

Following a historic contraction in the previous year, the Zambian economy recovered by 3.3% in 2021. The recovery is driven by high copper prices, improved performance in the agriculture sector, and increased confidence in the market following the elections which saw a new government take the reins. The Zambian Kwacha stabilised during the year and appreciated over 21% against the US Dollar. Inflation continued to rise averaging about 22.8% during the year compared to 15.7% in the previous year.

MicroLoan Zambia's active clients grew by 26%, up from 22,900 in 2020 to 28,877 at the end of 2021, as we continued to grow our outreach in branches in the Southern, Eastern and Northern provinces. The loan book demonstrated an impressive 86% growth in Zambian Kwacha terms from ZMW 21 million to ZMW 38.5 million as a result of increased outreach and inflationary pressure on clients requiring higher loan sizes. This demand was met by the support of external borrowings from social impact investors. MicroLoan Zambia maintained excellent loan portfolio quality with a PAR30 of 1.6% at the end of the year.

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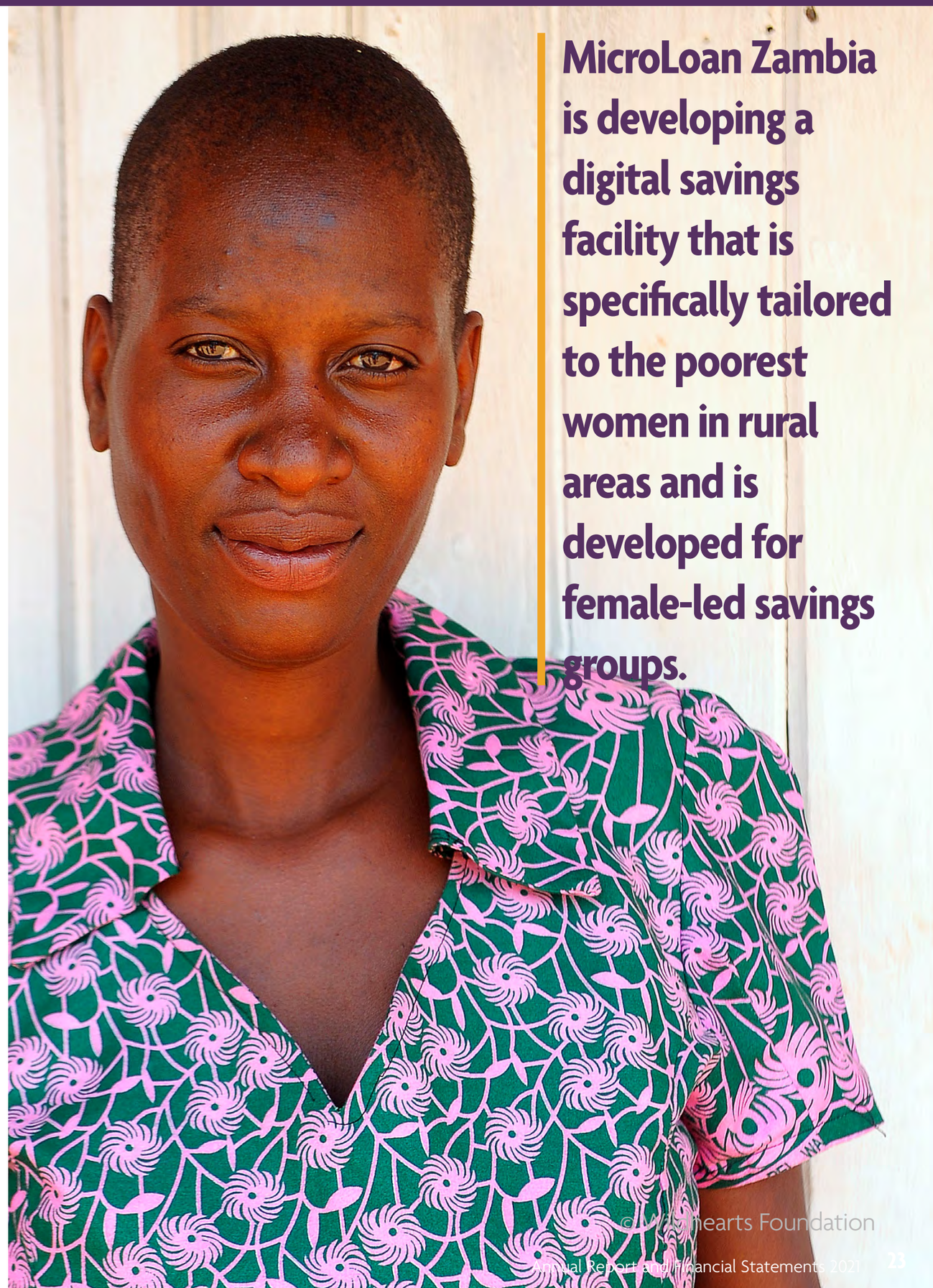
Operating expenses rose by 41% during the year, largely on account of growth paired with inflationary pressure. Finance costs also increased as the organisation secured external borrowings to facilitate increased outreach. The interest income generated on the loan book increased by 93% year on year. The Operating Expense Ratio improved and landed at 79% compared to 92% in 2020. Consequently, MicroLoan Zambia ended the year with a healthy operational surplus and an Operational Self Sufficiency ratio of 118%.

Following the lift of restrictions imposed during the COVID-19 pandemic, markets and business activity witnessed a recovery and a return to normality. The management team have simultaneously spearheaded a number of operational efficiency initiatives including the increased adoption of digitalisation in our operations and the reduction of fixed costs through the conversion of branches into satellites. Both these factors have translated into a stronger overall performance for MicroLoan Zambia.

MicroLoan Zambia's adoption of digital platforms and solutions gives the organisation a competitive advantage in the wake of COVID-19. With 100% of loans disbursed and an estimated 70% of repayments made via mobile money, our services are more efficient and secure, for clients and staff alike.

Encouraging a savings behaviour is a key element of MicroLoan's training programme and is crucial for supporting women to become financially independent and resilient. Over the past few years, we have seen a surge in the demand for a safe and secure savings facility. This presents an opportunity to improve access to digital savings by building on our existing digital capabilities on MTN's (our network provider) mobile money platform. MicroLoan Zambia is developing a digital savings facility that is specifically tailored to the poorest women in rural areas and is developed for female-led savings groups.

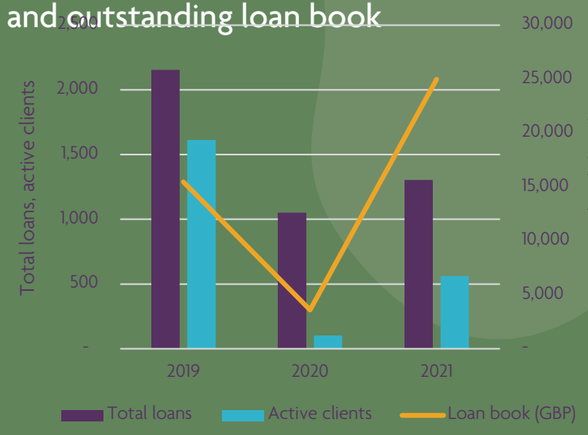
In 2022, MicroLoan Zambia will look to expand its footprint through new satellites in rural areas and its product offering which will include a savings platform and an agricultural loan product targeted at smallholder farmers. MicroLoan Zambia will also look to hire an Operations Manager and strengthen its governance structure through the addition of new board members, keeping in line with its future growth strategy.



Operations in Zimbabwe



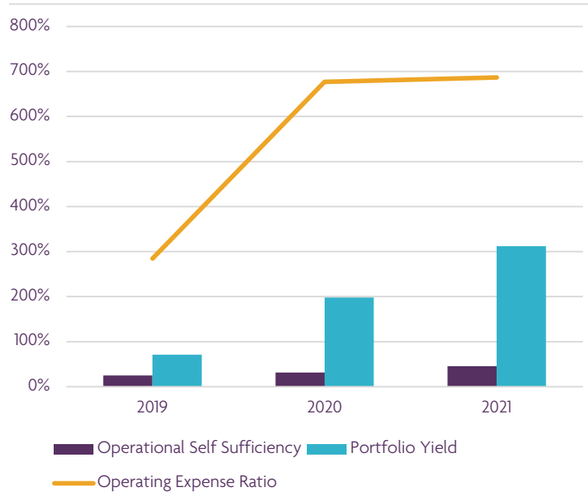
Total loans made, active clients and outstanding loan book



Repayment rate and loan book



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2019	2020	2021
Total loans made	2,155	1,051	1,303
Active clients	1,612	102	562
Loan book (GBP)	15,466	3,583	24,979
Average loan size (GBP)	19	12	84
PAR30	0.00%	3.00%	0.55%
Repayment rate	100%	100%	100%
Operational Self Sufficiency	25%	31%	45%
Portfolio Yield	71%	198%	312%
Operating Expense Ratio	285%	677%	687%

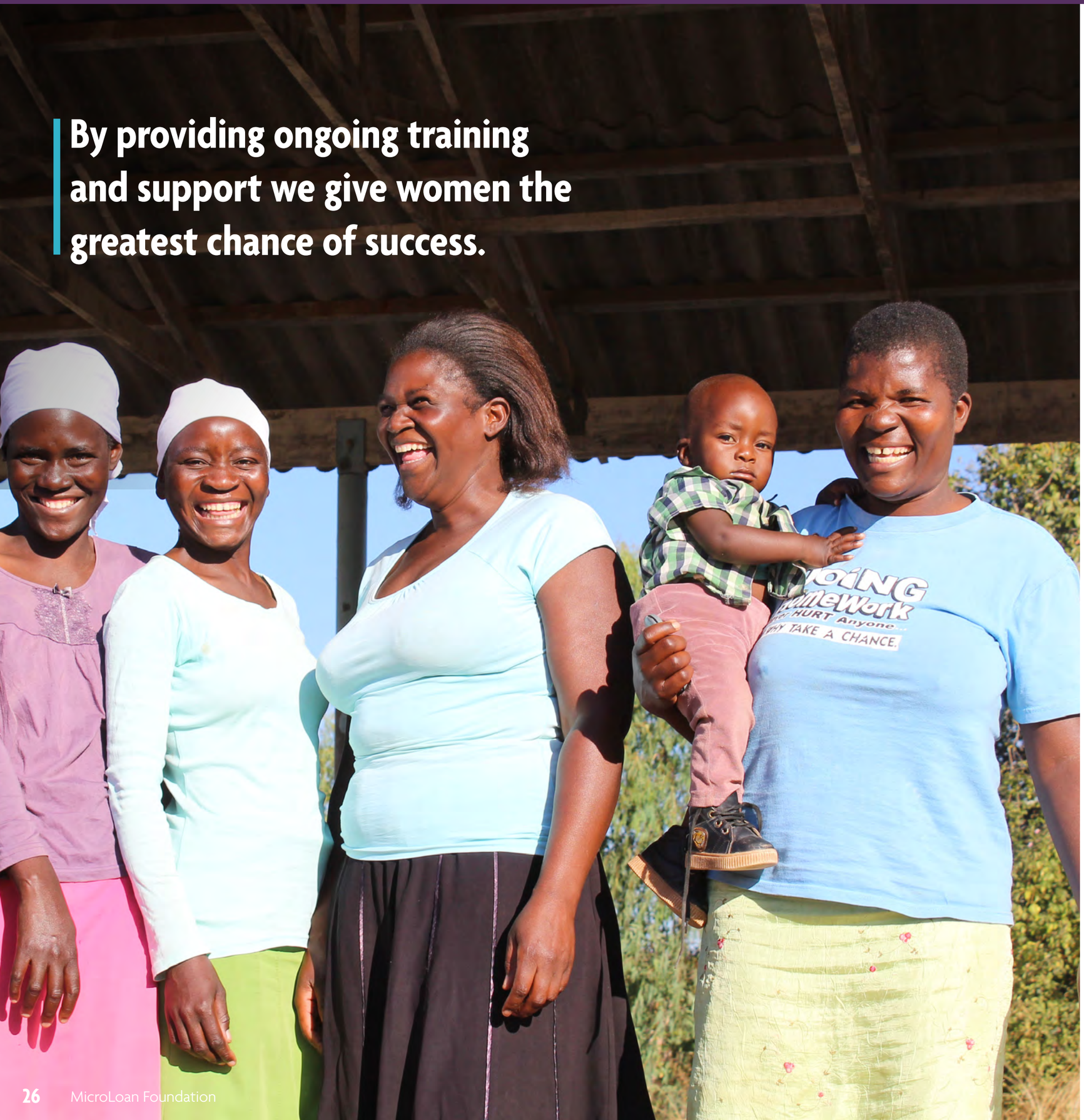
MicroLoan Zimbabwe is one of very few, if not the only, truly social microfinance institutions operating in the country. The demand for financial services in poor communities remains high and we saw a steady performance and carefully managed growth in 2021.

The economy rebounded in 2021 despite macroeconomic challenges and the economic impacts of COVID-19. This was driven by an exceptionally good agriculture season, recovery of industry, and relative stabilisation of prices and exchange rates. GDP is estimated to have grown by 5.8% in 2021 after contracting by 6.2% in 2020.

Inflation slowed down and in December the inflation rate was 60.4% and the average annual inflation rate 92.54%, compared to 557.21% in the previous year. The Zimbabwean Dollar remains volatile and the gap between the official and parallel market exchange rates is increasing.

MicroLoan Zimbabwe grew active client numbers and the loan book during the year. The total number of active clients at year end was 562 compared to 102 at the end of 2020. The loan book grew by 586% from USD 4,909 to USD 33,697. This was due to an injection of grant funding into the loan book. The repayment rate was 99.9% in 2021 and the loan portfolio quality was excellent with a PAR30 at 1%. Expenditure came in under budget and we had an Operational Self Sufficiency ratio of 45%.

By providing ongoing training and support we give women the greatest chance of success.



In 2019, the country banned the domestic use of foreign currencies but in 2020 foreign currencies became legal tender again. However, MicroLoan has not been allowed to disburse loans in US Dollars, leaving our clients and the organisation open to forex losses and local currency inflation. Following widespread pressure from the financial sector, the Reserve Bank of Zimbabwe has now issued a new regulation allowing lending in US Dollar.

MicroLoan is hoping to obtain approval for US Dollar lending from the Reserve Bank, which will enable loan disbursements to clients in US Dollars in 2022, and simultaneously preserve the value of its loan book.

All MicroLoan Zimbabwe's disbursements and repayments are done digitally via a mobile money platform. The mobile money platform only operates in ZWL and as the economy in rural areas is largely dollarized, rural mobile money agents are often faced with a situation where there is a shortage of cash. It is therefore expected that lending in US Dollars will not only address the forex risks but also the challenges of a shortage of ZWL with mobile money agents in rural areas.

The level of political risk is increasing as the country is gearing up for 2023 elections. In some politically sensitive areas gatherings are being prohibited, which has had an impact on our centre meetings, particularly in the Bindura area. MicroLoan Zimbabwe continues to engage with local authorities to ensure that meetings can go ahead without disruptions.

MicroLoan Zimbabwe is well positioned for growth and expects a significant surge in demand for its services as MicroLoan will be able to address clients' preference for receiving US Dollar loans rather than local currency loans. Our strategy for 2022 is to work closely with new and existing partners to re-build our portfolio and grow our client base within our existing regions of operations.

Fundraising overview

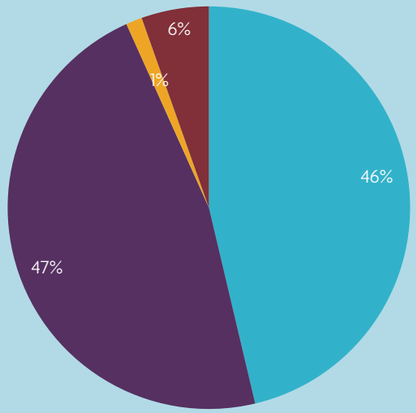
In 2021 MicroLoan Foundation raised £1,100,124 in voluntary income (2020: £963,432). This includes donated resources and gifts in kind to a total value of £59,645 (2020: £33,631). Our supporters include trusts, foundations and corporate partners, as well as individuals who support us through personal donations or through fundraising events, challenges and community engagements.

Our top donors in 2021 include WildHearts Group and Foundation, Whole Planet Foundation, The Paul Foundation, The Language Factory, The Oso Foundation, The Headley Trust, Bliss Family Charity, The Randal Charitable Foundation, ADA Microfinance, Rita and David Slowe Charitable Trust, The MacDaibhidh Charitable Trust as well as a number of private individuals and organisations that wish to remain anonymous. We received a generous legacy gift in the memory of Vivien Helen Barnard. See to the left a breakdown of voluntary income for 2021. MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to develop innovative projects and ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

MicroLoan Foundation has an increased focus on strategic funding partnerships from institutions providing Technical Assistance grants paired with social impact investment. In 2021 MicroLoan Foundation received investments in the form of debt facilities from ADA Microfinance, Grameen Credit Agricole, Global Partnerships, FDH Bank, The Paul Foundation, KIVA and LendwithCare.

We are truly grateful for the generous and transformational support from our many donors and investors. It is thanks to you that we can continue our life-changing work, helping more women and their families to build a life outside of poverty.

Fundraising income 2021



Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2021 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 48 to 53. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia and Zimbabwe.

Results in overview

The Board are encouraged by the financial performance during 2021 and the progress that has been made. In 2020, the combined effects of COVID-19-related restrictions on income levels and significant currency depreciation on assets led to a net reduction in total charitable funds. Across 2021, conditions were slightly less challenging, with a relatively stable macroeconomic environment in Malawi, a partial recovery in the value of the Zambian Kwacha and an easing of the hyperinflationary pressures in Zimbabwe. Whilst restrictions of movement and gatherings continued, these proved to be much less sustained and our operations in all countries were better prepared to absorb their effects. The result is that the Group financials reflect a year of recovery, strong growth and solid foundations.

Group net income in 2021 was £635,148 compared to £277,362 in 2020. Net exchange gains of £101,140 (2020: £324,624 loss) on retranslation of brought forward reserves, driven by the improving Zambian Kwacha, resulted in an overall net increase in group funds of £736,288 (2020: £71,877 decrease). The 2020 increase included a gain of £25,385 relating to the revaluation of land and buildings held in Malawi.

At the year end, total group funds amounted to £1,651,712 (2020: £915,424) of which £32,180 (2020: £67,947) were restricted and £1,619,532 (2020: £847,477) were unrestricted. Of these, £1,067,360 (2020: £661,076) related to MicroLoan Foundation as the charitable parent, with £19,491 (2020: £67,947) restricted and £1,047,869 (2020: £593,129) unrestricted.

Income and expenditure

2021 group income totalled £3,787,887 (2020: £3,045,207), representing a 24% increase on the previous year. The majority of this comprised of interest income in respect of our microloan portfolio which grew by 28% to £2,665,532 (2020: £2,076,929). Voluntary income generated during the year totalled £1,100,124 (2020: £963,432), an increase of 15% compared to 2020. Investment income, comprising bank interest received and rental income on a property in Malawi, grew to £22,231 (2020: £4,846).

Total expenditure grew by 12% to £3,152,739 (2020: £2,817,845). In the UK, we benefited from the full year effect of exiting our former leased office space during 2020 and our team continued to adopt a hybrid working arrangement. Our fundraising events programme was largely moved online, contributing to savings in the cost of delivery. We also had two temporary vacancies in our fundraising team that resulted in some salary savings. Across our operations in Africa, expenditure denominated in local currency increased due to the ongoing growth in our operations and the number of clients we serve. In British Pound terms, the effects of this increase were amplified slightly by the recovering Zambian Kwacha.

Use of funds

In total, the UK charity injected £636,935 of funding to Africa during 2021 to support expansion of our mission and impact. This comprised £332,052 of equity investment and £304,883 in the form of further revenue grants. Part of these funds represented conversion of brought forward intercompany debt of £67,359 advanced in the prior year. Our UK fundraising team also helped secure a further £24,946 of grants received directly in Malawi.

All these amounts were supplemented by additional social investment from external lenders.

As a result of this investment, the British Pound value of the year end loan book increased by £1,447,890 (66%) to £3,629,149 (2020: £2,181,259). The strengthening of the Zambian Kwacha contributed to this increase, more than offsetting further declines in the value of Malawian Kwacha and RTGS dollars in Zimbabwe. Net foreign exchange movements across all currencies increased the British Pound value of the brought forward loan book by approximately £144,740. This partially reversing an equivalent drop of £408,000 in 2020 when the group was severely impacted by the collapse of the Zambian Kwacha and hyperinflation in Zimbabwe.

Through a combination of the loan book growth and easing COVID-19 restrictions, the total value of all loans disbursed increased by 61% during 2021 to £10,851,594 (2020: £6,752,019). The number of clients we supported during the year grew by 13% to 96,263, with an average loan size of £80.

Key Financial Performance Indicators

The key financial performance indicators that are monitored by management are principally as set out in the reviews of operations above. In addition, the efficiency of our fundraising function and the proportion of total income that the charity reinvests in fundraising activities are also closely monitored:



Fundraising efficiency ratio

	2019	2020	2021
Donations and legacies received	£1,047,584	£963,432	£1,100,124
Cost of fundraising function	£348,184	£294,703	£277,259
Ratio	3.0	3.3	4.0

Fundraising expenditure

	2019	2020	2021
Total expenditure	£2,982,067	£2,817,845	£3,152,739
Expenditure on fundraising	£348,184	£294,703	£277,259
Percentage	11.7%	10.5%	8.8%

Reserves policy and management

In the UK

Reserves are maintained at a level that enables the charity to manage financial risk and ensure the charity can sustain its activities over the long term. As a fundraising charity, we are subject to the effects of short-term volatility in income whereas our cost base is relatively fixed and the demand for funds to support our loan book growth is ongoing.

We use a single reserves measure in respect of our UK operations. This measure mandates that MicroLoan Foundation should hold a minimum level of free reserves to ensure that the charity is able to meet its financial commitments as they fall due, with any excess then available to grow loan book.

'Free reserves' is defined by the Board as unrestricted and undesignated net current assets. It excludes tangible fixed assets (which are not readily convertible to cash), long term borrowings and any funds that have already been committed or advanced to our projects in Africa through grants, investment or lending. Such advances do not represent an available source of funds to meet UK financial commitments.

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2021, the free reserves position was £314,574, equivalent to 8.3 months.

Despite a challenging economic environment, 2021 was a successful fundraising year for the charity. Alongside this, the Group was able to leverage the significant amount of donor-funded investment into Africa over the last few years to successfully secure new loan capital from various social investors.

Furthermore, in Malawi, a targeted debt facility from the country's Reserve Bank has also been approved. Most of this new funding will be drawn down in the coming year and play a crucial role in continuing to scale our activities in Africa throughout 2022 and beyond.

The Group nevertheless continues to take a responsible approach to the amount of debt it takes on relative to the level of reserves. Furthermore, it is the view of management that the macroeconomic conditions in Zimbabwe make it unwise for that subsidiary to take on external debt at the present time. Accordingly, it is vital that the charity continues to manage and grow other reserves as part of ensuring there are sufficient funds available to support and scale our activities in line with the Group's 5-year strategic plan. At 31 December, a total of £150,000 was held in the UK as designated funds specifically for this purpose. These funds will be advanced to Africa on a phased basis throughout 2022.

In Africa

As regulated microfinance institutions, our subsidiaries in Malawi, Zambia and Zimbabwe must meet stringent capital adequacy rules mandated by the local Reserve Banks. In addition, the environments that they operate in make these entities more susceptible to macro-economic shocks caused by natural disasters such as floods, famine or changes in government policy. Accordingly, reserves policy is delegated to local Boards which each include Senior Management representation from MicroLoan Foundation in the UK. Generally, a prudent approach is taken to reserves management and gearing within our microfinance subsidiaries, with all of them operating well within the mandated capital requirements set out by local statute.

Investment policy and objectives

The charity's investment policy is to seek to maximise the number of lives positively impacted whilst managing risk. The Board is very conscious of its responsibility to utilise charitable funds in a highly effective and efficient way and the need to ensure that this same ethos cascades across the wider group and local Boards. All investment decisions are therefore made with these considerations in mind.

> **Each subsidiary is expected to work towards a position of operational self-sufficiency where it is able to independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.**

As the parent charitable organisation, MicroLoan Foundation makes targeted advances of funds to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served.

The impact of COVID-19 on our operations

Over the last two years, the COVID-19 pandemic has resulted in severe economic and societal disruption across all our countries of operation and the long-term effects are still not fully known. As events have unfolded, we have responded swiftly to the developing situation, taking precautionary measures to minimise financial and operational risk. At all times our teams have followed government and medical advice to ensure that our staff and beneficiaries are safeguarded.

In Africa, any restrictions imposed on movement and gatherings have a major impact on our 'high touch' operating model, making it more challenging to disburse and collect loans and slowing our efforts to responsibility grow our loan book. Our in-country management teams have adapted policies and refined our approach to cope with the changing circumstances and specific local requirements. We have been able to continue our lending activities in a safe and effective manner, ensuring an ongoing income stream to fund operational costs.

In the UK, our donor pipeline remains healthy and 2022 will see a return of 'in person' and challenge events which present us with an exciting opportunity to reinvigorate our fundraising pipeline and engage new supporters. The charity has no external debt commitments to service and has continued to rigorously challenge its cost base to ensure it is operating as leanly as possible. It has also built additional reserves coverage to ensure it will be resilient to the effects of short-term fluctuations in income levels.

After having reviewed forward projections and making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.



Risk Management

The trustees have assessed the principal risks across the group:

- Fundraising risk
- Sustainability risk
- Liquidity and funding risk
- Credit risk
- Foreign exchange risk
- Operational risk (including fraud)
- Reputational risk

The measures taken by the charity to mitigate these risks are as follows:

Fundraising risk

This is the risk that the level or mix of unrestricted and restricted income and social investment is insufficient to maintain or expand our social mission.

Donor funding presently remains a key part of MicroLoan Foundation's income stream, however the Board is very conscious of the shifting fundraising landscape and the changing needs of the microfinance operations as they mature and seek to scale. In recent years the charity has sought to diversify income streams and explore strategic partnerships, such as that entered into with WildHearts Foundation at the start of 2019. This blended approach alongside attracting other mission-aligned social investment is anticipated to be the most effective way to maximise the potential and impact that can be delivered through our microfinance operations in Malawi, Zambia and Zimbabwe. Accordingly, the Board continues to explore ways that this can be achieved over the medium term.

Sustainability risk

This is the risk that the expenses from our charitable activities in respect of microfinance exceed the associated income and therefore reduces our ability to provide services and maintain or grow our impact.

Our strategy is to continue to responsibly increase investment into each country through a combination of donations and social investment to reach more beneficiaries whilst at the same time benefitting from the economies of scale associated with growth. The group also continues to critically evaluate the cost base and working practices to identify more efficient ways to operate. Digitisation is key to this and our operations in Malawi and Zambia have both benefited from technical assistance to upskill personnel and accelerate implementation of system enhancements. We aspire to be a high-tech organisation whilst maintaining the core principals of our high-touch service model for clients.

Our objective remains that all three operations in Africa reach operational self-sufficiency. Achieving this milestone makes each more resilient to the effects of short-term volatility and macro-economic shocks, as well as provide them with a robust platform from which to grow.

Liquidity and funding risk

Gross income streams can be volatile whereas the underlying UK cost base, which is principally staff and associated costs, is relatively stable and recurring.

The Board seeks to maintain a prudent level of free reserve cover to cope with fluctuations in income and thereby ensure running costs can be met and that charitable activities can continue to be delivered without disruption. The partnership between MicroLoan Foundation and WildHearts Foundation is also a key part of the strategy to manage volatility in income streams since it provides cost synergies as well as complimentary income streams within the wider group.

Credit risk

This is the risk of significant levels of default across our microfinance portfolio.

Although we operate in some of the poorest areas of sub-Saharan Africa, our credit risk history shows that our methodology works. Loan repayment rates typically average over 97% and our sector-leading Management Information System allows us to identify problems early and work with clients to resolve them.

Operational risk

The charitable group has more than 200 staff working across five countries and therefore we have the logistical risks associated with operating over large distances, in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

To manage this risk, operational performance is monitored closely on an ongoing basis at both local and group levels. There are well established daily, weekly and monthly reporting routines that include variance analysis against budgets and Key Performance Indicators.

We continually seek ways to improve our operational framework, including upskilling our people and local Boards and investing in strengthening our internal audit function. We also regularly review and upgrade our IT infrastructure and computer equipment to ensure it remains fit for purpose.

There are mechanisms in place that allow knowledge sharing and collaboration across our different countries of operation, helping management identify examples of best practice and also areas of risk.

Reputational risk

This is the risk of an event or allegation adversely impacting the reputation of the charity and, consequently, jeopardising its ability to fulfil its charitable objectives.

There are a variety of measures imbedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. The group has a zero-tolerance approach to instances of harassment and bullying, fraud, bribery or corruption. Within our microfinance operations, we have strong client protection and safeguarding policies. Our effective Social Performance Management system ensures that we are achieving our social mission and balancing social and financial performance.



Governance

Nature of governing document

The charity is governed by its Memorandum and Articles of Association (last amended 10 December 2018).

Organisation structure

The directors of the UK charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The appointment, removal, power and duties of the trustees are set out in the charity's Memorandum and Articles of Association.

The Board of Trustees meets at least quarterly and presently consists of the following four individuals, all of whom act in a Non-Executive capacity. The trustees that served during the year and since the year end were as follows:

- Bernice Dunsmuir
- Michael Jackson
- Colin Milne
- Karen Scholes

Day to day running of the Foundation in the UK is delegated to a Senior Management Team, which comprises the Group Chief Executive Officer, the Chief Financial Officer and the Director of Fundraising.

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country.

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country. These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries. Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

Each local Board has directors with a variety of local and international experience and include both executive and non-executive members.

The organisational structure and Board composition is reviewed on an on-going basis as part of normal risk management processes.

Recruitment and appointment of trustees

MicroLoan Foundation's Memorandum and Articles of Association permit any person who is willing to act to be appointed as a trustee by an ordinary resolution. There are no provisions that require or permit any external body to appoint a member to the Board. In practice, trustees are appointed based on their backgrounds, professional networks and passion for the group's vision.

Board members are provided with a detailed management information pack on appointment and in advance of each scheduled meeting to ensure that their knowledge of the charity's activities and regulatory environment remains current.

Induction and training of trustees

It is expected that all trustees and other senior personnel, both in the UK and in Africa, undertake appropriate personal and professional development activities relevant to their position. Opportunities for formal training, including seminars and conferences, are offered periodically. The charity is also fortunate to have attracted several experienced professionals from a variety of backgrounds who provide ongoing support, advice and mentoring. This network enables the charity and the trustees to harness the best and most creative minds in their respective disciplines to support our social mission.

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible.

Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). KPIs are closely monitored to assess value-added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2021.

Statement of Trustees' responsibilities

Public benefit

The trustees are responsible for confirming that the activities of the UK charity are consistent with its charitable objectives as set out in this annual report and financial statement.

Financial statements

The trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report 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 group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or 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 (FRS 102).
- 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 and the group will continue in operation.

The trustees are responsible for keeping adequate 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 group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they 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.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. 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.

The annual report was approved by the Board on Wednesday 24 August 2022

Dr Mick Jackson
Chairman





Independent auditor's report

Opinion

We have audited the financial statements of Microloan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 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.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Microloan Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact..

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report:

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:



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- We enquired of management and the board of trustees, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

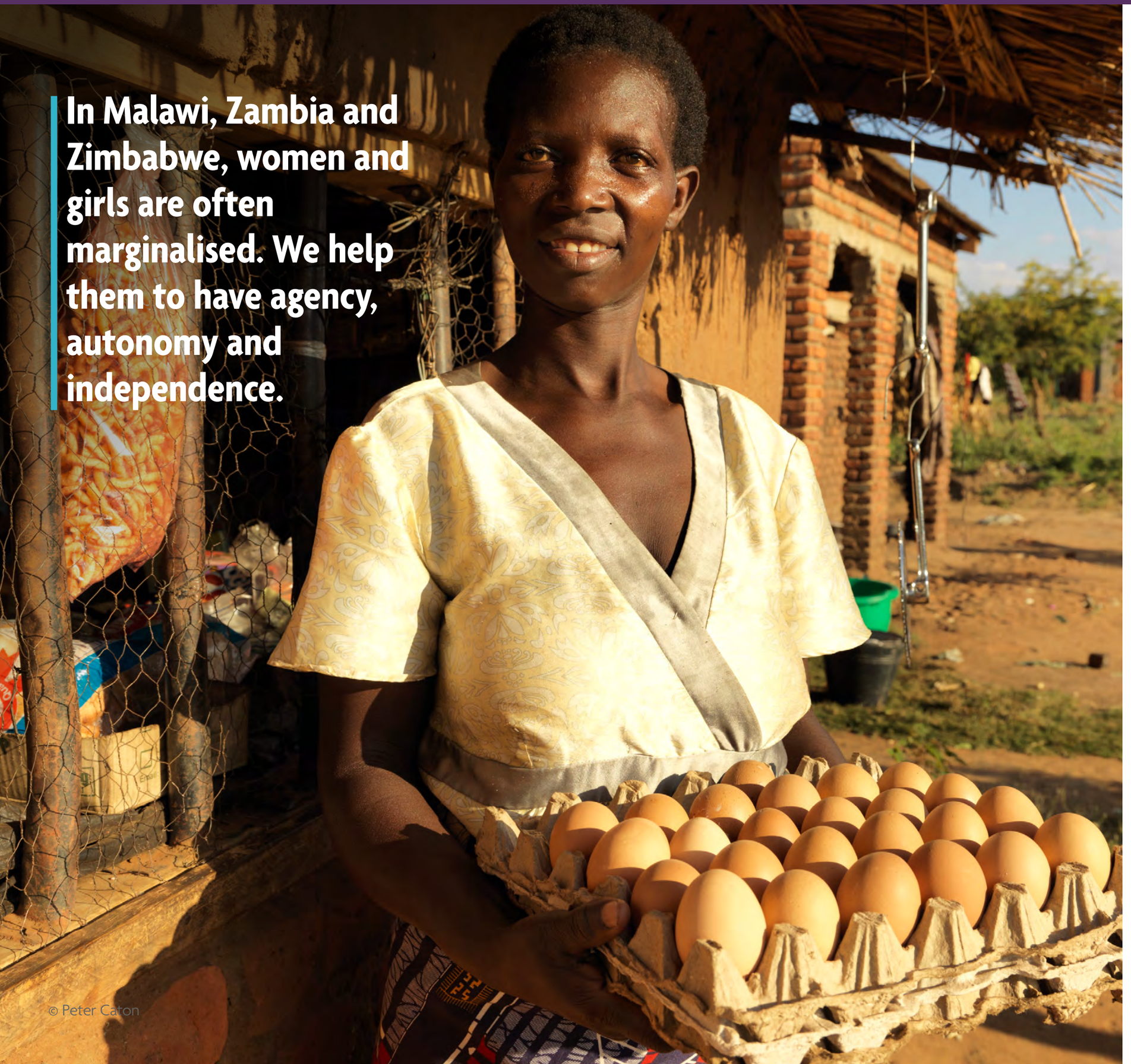
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor

7 September 2022
For and on behalf of:
Sayer Vincent LLP, Statutory Auditor
Invicta House,
108-114 Golden Lane,
London, EC1Y 0TL

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

Financial statements

MicroLoan Foundation (MLF)

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2021

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 54 to 80 form part of these financial statements.



	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Income from:							
Donations and legacies	2	**625,066**	**475,058**	**1,100,124**	456,944	506,488	963,432
Charitable activities							
• MLF Malawi		**1,358,427**	-	**1,358,427**	1,350,010	-	1,350,010
• MLF Zambia		**1,262,805**	-	**1,262,805**	708,481	-	708,481
• MLF Zimbabwe		**44,300**	-	**44,300**	18,438	-	18,438
Investment income	3	**22,231**	-	**22,231**	4,846	-	4,846
Total income		**3,312,829**	**475,058**	**3,787,887**	2,538,719	506,488	3,045,207
Expenditure on:							
Raising funds	5	**(265,798)**	**(11,461)**	**(277,259)**	(281,098)	(13,605)	(294,703)
Charitable activities							
• MLF Malawi	5	**(1,395,940)**	**(197,103)**	**(1,593,043)**	(1,333,491)	(233,974)	(1,567,465)
• MLF Zambia	5	**(969,524)**	**(192,887)**	**(1,162,411)**	(739,665)	(146,204)	(885,869)
• MLF Zimbabwe	5	**(10,652)**	**(109,374)**	**(120,026)**	(6,853)	(62,955)	(69,808)
Total expenditure		**(2,641,914)**	**(510,825)**	**(3,152,739)**	(2,361,107)	(456,738)	(2,817,845)
Net income		**670,915**	**(35,767)**	**635,148**	177,612	49,750	227,362
Other recognised gains / (losses):							
Gain on revalued fixed assets		**-**	-	**-**	25,385	-	25,385
Exchange gains / (losses)	18	**101,140**	-	**101,140**	(324,624)	-	(324,624)
Net movement in funds		**772,055**	**(35,767)**	**736,288**	(121,627)	49,750	(71,877)
Reconciliation of funds:							
Total funds brought forward	18	**847,477**	**67,947**	**915,424**	969,104	18,197	987,301
Total funds carried forward		**1,619,532**	**32,180**	**1,651,712**	847,477	67,947	915,424

Charity Statement of Financial Activities (including Income and Expenditure Account)
for the year ended 31 December 2021

	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Income from:							
Donations and legacies		**625,066**	**428,987**	**1,054,053**	456,944	423,497	880,441
Investment income		**-**	-	-	-	-	-
Total income		**625,066**	**428,987**	**1,054,053**	456,944	423,497	880,441
Expenditure on:							
Raising funds		**(265,798)**	**(11,461)**	**(277,259)**	(281,098)	(13,605)	(294,703)
Charitable activities		**(68,398)**	**(302,112)**	**(370,510)**	(202,916)	(140,027)	(342,943)
Total expenditure		**(334,196)**	**(313,573)**	**(647,769)**	(484,014)	(153,632)	(637,646)
Net income		**290,870**	**115,414**	**406,284**	(27,070)	269,865	242,795
Transfers between funds		**163,870**	**(163,870)**	**-**	220,115	(220,115)	-
Net movement in funds		**454,740**	**(48,456)**	**406,284**	193,045	49,750	242,795
Reconciliation of funds:							
Total funds brought forward		**593,129**	**67,947**	**661,076**	400,084	18,197	418,281
Total funds carried forward		**1,047,869**	**19,491**	**1,067,360**	593,129	67,947	661,076

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 54 to 80 form part of these financial statements.



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Balance sheets as at 31 December 2021

Company registration number: 04828558

	Note	The group 2021 £	The group 2020 £	The charity 2021 £	The charity 2020 £
Fixed assets					
Tangible assets	8	**508,454**	387,955	**-**	-
Investments	9	**-**	-	**1,733,293**	1,401,241
		508,454	387,955	**1,733,293**	1,401,241
Current assets					
Stock	10	**6,246**	12,458	**-**	-
Debtors	11	**3,761,372**	2,468,438	**9,663**	74,690
Cash at bank and in hand		**674,005**	523,541	**520,303**	355,341
		4,441,623	3,004,437	**529,966**	430,031
Creditors: Amounts falling due within one year	12	**(1,432,886)**	(908,320)	**(45,899)**	(20,196)
Net current assets / (liabilities)		**3,008,737**	2,096,117	**484,067**	409,835
Total assets less current liabilities		**3,517,191**	2,484,072	**2,217,360**	1,811,076
Creditors: Amounts falling due after one year	13	**(1,820,623)**	(1,554,326)	**(1,150,000)**	(1,150,000)
Provisions for liabilities	14	**(44,856)**	(14,322)	**-**	-
Total net assets		**1,651,712**	915,424	**1,067,360**	661,076
Funds of the charity:					
Unrestricted funds	18	**314,574**	274,529	**314,576**	274,529
Designated funds	18	**1,304,958**	572,948	**733,293**	318,600
Restricted funds	18	**32,180**	67,947	**19,491**	67,947
Total funds		**1,651,712**	915,424	**1,067,360**	661,076

The financial statements were approved by the Board and authorised for issue on 24 August 2022 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 54 to 80 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2021

	The group 2021 £	The group 2021 £	The group 2020 £	The group 2020 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**635,148**		227,362	
Depreciation charges	**119,476**		123,921	
Investment income receivable	**(22,231)**		(4,846)	
Interest on borrowings	**231,053**		96,200	
Loss / (gain) on disposal of tangible fixed assets	**1,298**		(1,338)	
Decrease / (increase) in stock	**5,793**		(188)	
Increase in debtors	**(1,055,936)**		(177,678)	
Increase / (decrease) in creditors	**179,565**		(158,168)	
Increase in deferred tax provision	**30,534**		8,066	
Net cash flows from operating activities		**124,700**		113,331
Cash flows from investing activities				
Interest receivable and similar income	**22,231**		4,846	
Purchase of tangible fixed assets	**(256,966)**		(88,371)	
Proceeds from sale of tangible fixed assets	**27,516**		1,552	
Net cash flows from investing activities		**(207,219)**		(81,973)
Cash flows from financing activities				
New loans obtained during the period	**1,163,188**		891,517	
Loans repaid during the period	**(674,911)**		(757,976)	
Interest paid on borrowings	**(231,053)**		(96,200)	
Net cash flows from financing activities		**257,224**		37,341
Net increase in cash and cash equivalents		**174,705**		68,699
Cash and cash equivalents at 1 January 2020		**523,541**		505,029
Exchange loss on cash and cash equivalents		**(24,241)**		(50,187)
Cash and cash equivalents at 31 December 2020		**674,005**		523,541

All of the cash flows are derived from continuing operations during the current and prior year.

The notes on pages 54 to 80 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation and statement of compliance

MicroLoan Foundation is a private company limited by guarantee (incorporated in England under the Companies Act) and a charity registered with the Charity Commission for England & Wales and the Office of the Scottish Charity Regulator. The charitable company's registered office address is 1-2 Paris Garden, London, SE1 8ND.

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

MicroLoan Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries on a line by line basis. The subsidiaries are MicroLoan Foundation Malawi (Registration Number 12509), MicroLoan Foundation Zambia (Registration Number 70587), and, in Zimbabwe, MicroLoan Trust Zimbabwe (Registration Number MA0000738/2016) and MicroLoan Foundation (Private) Limited (Registration Number 851/2016). All are incorporated locally in their respective country of operation.

Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes to the charitable company's balance sheet.

The presentational currency used in these financial statements is Pound Sterling. Amounts have been rounded to the nearest Pound.

Going concern

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this asseement in respect of a period of at least one year from the date of approval of the financial statements..

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £3,629,149 (2020: £2,181,259).

Summary of disclosure exemptions

The charity has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to separately disclose transactions between members of the charitable group headed by WildHearts Foundation.

Income

Income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Income from donations and legacies is recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the donor specifies that the donation must be used in future accounting periods or imposes other conditions which must be fulfilled before the charity becomes entitiled to use such income, the income is deferred and not recognised until the pre-conditions have been met.

Grants receivable

Grant income is also recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the grant agreement contains performance or other pre-conditions which must be met before the charity becomes entitled to the funding, the grant income is deferred and released to income in the reporting period in which the conditions limiting recognition are met.

Donated resources and services

The activities of MicroLoan Foundation are supported by resources and services provided on a pro bono or discounted basis. In accordance with the Charities SORP (FRS 102), an amount is recognised within the Statement of Financial Activities as income when received, with a corresponding expense, where the benefit of these services is reasonably quantifiable and measurable.

Each year, the trustees undertake a comprehensive exercise in order to calculate on a consistent and systematic basis the value of in kind support received in the form of donated services and facilities. This value is determined by calculating the gross open market cost of undertaking each activity and then deducting amounts directly incurred by the charity. For the purposes of this calculation, no allowance has been made for irrecoverable VAT that could potentially have been incurred in respect of donated amounts in the open market. The trustees do not consider it practical to accurately determine the latter figure due to uncertainty over when VAT would or would not be applied.

Income from charitable activities

Income from charitable activities comprises of interest charged in respect of the microloans that we provide to our beneficiaries in order to make our lending activities sustainable. It is recognised on an accruals basis net of provision for bad debt.

Other trading activities

Income generated from fundraising events is recognised at the point of receipt.

Investment income

Investment income is included on an accruals basis and is stated gross of any taxation recoverable.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable that settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the use of the resources.

Raising funds

Costs of raising funds represent amounts incurred in undertaking fundraising events and in attracting other voluntary income.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature that are necessary to support them.

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient. In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as shown in Note 5.

Governance costs

Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Trading subsidiaries are subject to corporation tax in the countries that they operate in. Tax is recognised in the Statement of Financial Activities.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits of a trading subsidiary; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible fixed assets

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

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be included as a revaluation reserve within charitable funds.

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Website costs	33%

Investments

Programme related investments, which includes investments in the Charity's subsidiaries, are made in furtherance of the Charity's objectives and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost less provision for impairment except for listed investments which are included at fair value (bid price). Any loss or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Stocks

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

Microcredit loans

Microcredit loans that we advance to our beneficiaries are typically short term and carry a fixed, market rate of interest. They are therefore treated as basic financial instruments and initially measured at transaction cost then subsequently assessed potential impairment. The balance is reported net of impairment provisions made..

Trade and other debtors

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings that are interest free or at a rate below prevailing market rates are treated as concessionary loans. Such loans are initially recorded at the amount received, with the carrying value subsequently adjusted to reflect repayments and any accrued interest.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method. Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension and other post retirement obligations

Contributions to defined contribution pension schemes are charged to the Statement of Financial Activities in the period in which they become payable.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date unless there is a matching forward currency contract in place. In such circumstances, the contracted rate of exchange is used.

Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

The Charity's overseas subsidiaries have different functional currencies from that of their parent. On consolidation, assets and liabilities of these subsidiaries are translated using the applicable exchange rate as at the balance sheet date. Transactions included within the Statement of Financial Activities are translated using the average exchange rate across the period. Foreign currency gains or losses arising in respect of the translation of overseas subsidiaries are reflected in the Statement of Financial Activities as other operating gains or losses.

By helping women to help themselves, our work is having a lasting impact on the lives of women, children and families in sub-Saharan Africa.



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Fund accounting

Reserves which can be used at the discretion of the trustees are classified as unrestricted funds.

Designated funds, which are also unrestricted, represent amounts ringfenced or committed by the charity for specific charitable activities.

Restricted funds are to be used for specific purposes as laid down, either implicitly or explicitly, by the donor. Expenditure which meets the criteria is allocated to the appropriate fund, together with a fair allocation of overhead support cost.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities. These are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire or are settled

(b) the Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or

(c) the Charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligation is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of concessionary loans and some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Statement of Financial Activities.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Derivative financial instruments

From time to time, the charity uses derivative financial instruments to reduce exposure to foreign exchange risk. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Financial Activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Charity designates certain derivatives as hedging instruments in fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the charity determines and documents causes for hedge ineffectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Financial Activities immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item.

Hedge accounting is discontinued when the charity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Financial activities from that date.

2 Income from donations and legacies

	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Individuals and events	**423,831**	**85,586**	**509,417**	298,427	73,962	372,389
Trusts and institutions	**127,271**	**389,472**	**516,743**	105,442	422,426	527,868
Corporates	**14,319**	**-**	**14,319**	19,444	10,100	29,544
Donated services and facilities	**59,645**	-	**59,645**	33,631	-	33,631
	625,066	**475,058**	**1,100,124**	456,944	506,488	963,432

3 Investment income

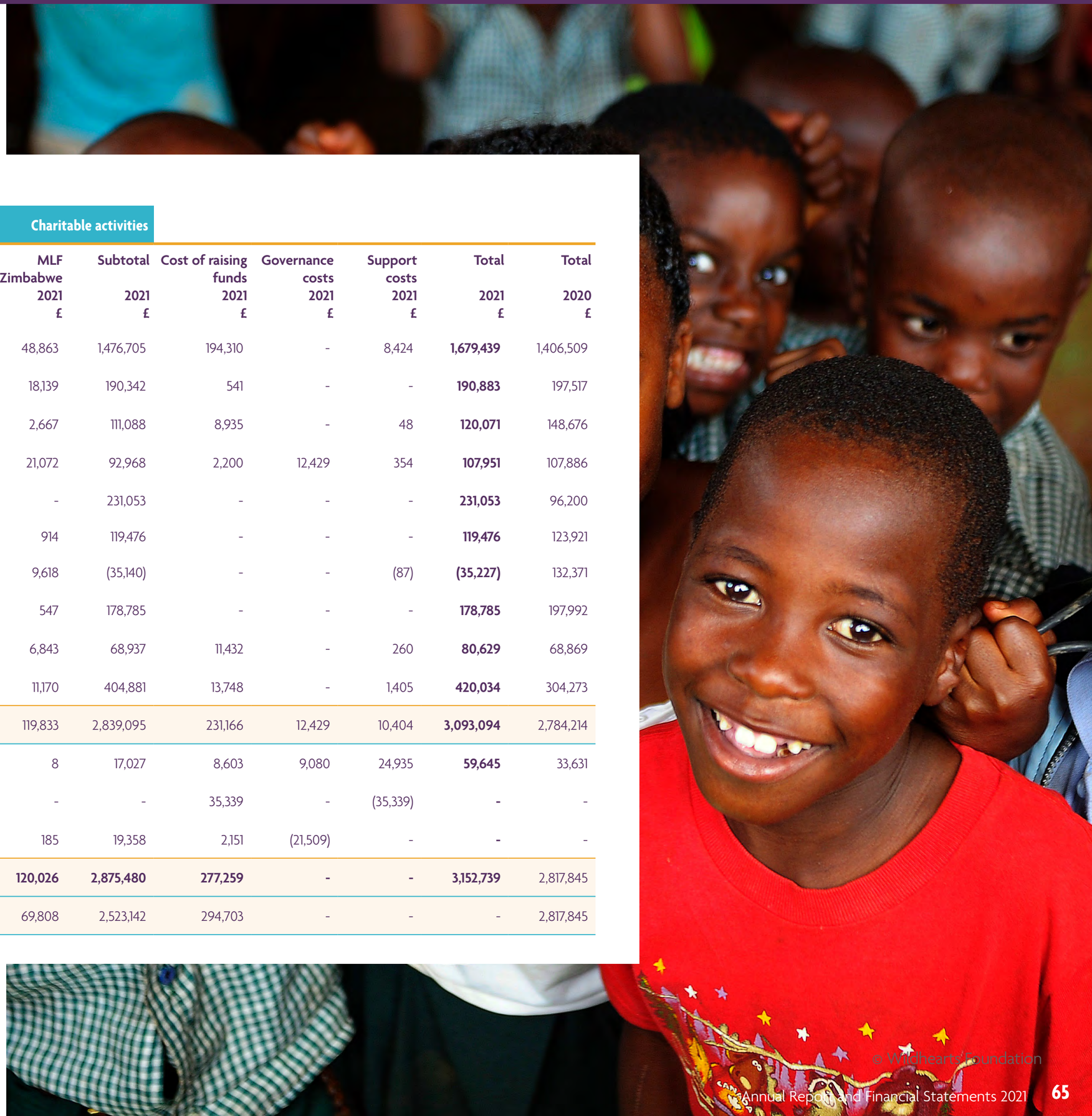
	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Interest receivable and similar income	**22,231**	-	**22,231**	4,846	-	4,846

4 Net income / (expenditure) for the year

	2021 £	2020 £
This is stated after charging:		
Depreciation	**119,476**	123,921
Auditor's remuneration - audit	**11,700**	11,400
Operating lease expenses - property	**78,890**	88,973

5 Expenditure analysis

	Charitable activities								
	MLF Malawi 2021 £	MLF Zambia 2021 £	MLF Zimbabwe 2021 £	Subtotal 2021 £	Cost of raising funds 2021 £	Governance costs 2021 £	Support costs 2021 £	Total 2021 £	Total 2020 £
Staff costs	786,920	640,922	48,863	1,476,705	194,310	-	8,424	**1,679,439**	1,406,509
Travel and subsistence	104,490	67,713	18,139	190,342	541	-	-	**190,883**	197,517
Premises costs	71,427	36,994	2,667	111,088	8,935	-	48	**120,071**	148,676
Legal and professional fees	51,329	20,567	21,072	92,968	2,200	12,429	354	**107,951**	107,886
Interest costs	91,504	139,549	-	231,053	-	-	-	**231,053**	96,200
Depreciation	65,509	53,053	914	119,476	-	-	-	**119,476**	123,921
Exchange (gains) / losses	(1,217)	(43,541)	9,618	(35,140)	-	-	(87)	**(35,227)**	132,371
Loan provisions and write-off	144,614	33,624	547	178,785	-	-	-	**178,785**	197,992
IT and telecommunications	41,683	20,411	6,843	68,937	11,432	-	260	**80,629**	68,869
Other costs	210,549	183,162	11,170	404,881	13,748	-	1,405	**420,034**	304,273
	1,566,808	1,152,454	119,833	2,839,095	231,166	12,429	10,404	**3,093,094**	2,784,214
In kind support	16,583	436	8	17,027	8,603	9,080	24,935	**59,645**	33,631
Support costs	-	-	-	-	35,339	-	(35,339)	**-**	-
Governance costs	9,652	9,521	185	19,358	2,151	(21,509)	-	**-**	-
Total expenditure	**1,593,043**	**1,162,411**	**120,026**	**2,875,480**	**277,259**	**-**	**-**	**3,152,739**	2,817,845
2020 expenditure analysis	1,567,465	885,869	69,808	2,523,142	294,703	-	-	-	2,817,845



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5 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2020 £	MLF Zambia 2020 £	MLF Zimbabwe 2020 £	Subtotal 2020 £	Cost of raising funds 2020 £	Governance costs 2020 £	Support costs 2020 £	Total 2020 £
Staff costs	748,503	415,048	26,917	1,190,468	203,717	-	12,324	**1,406,509**
Travel and subsistence	111,783	72,487	12,967	197,237	131	99	50	**197,517**
Premises costs	84,683	33,654	3,045	121,382	27,294	-	-	**148,676**
Legal and professional fees	29,445	58,136	8,029	95,610	-	11,400	876	**107,886**
Interest costs	55,987	40,213	-	96,200	-	-	-	**96,200**
Depreciation	81,791	41,647	483	123,921	-	-	-	**123,921**
Exchange (gains) / losses	31,555	96,935	2,948	131,438	-	-	933	**132,371**
Loan provisions and write-off	169,225	28,282	485	197,992	-	-	-	**197,992**
IT and telecommunications	40,462	10,281	10,914	61,657	7,215	-	(3)	**68,869**
Other costs	204,671	81,909	3,965	290,545	13,035	-	693	**304,273**
	1,558,105	878,592	69,753	2,506,450	251,392	11,499	14,873	**2,784,214**
In kind support	498	387	3	888	7,802	6,061	18,880	**33,631**
Support costs	-	-	-	-	33,753	-	(33,753)	**-**
Governance costs	8,862	6,890	52	15,804	1,756	(17,560)	-	**-**
Total expenditure	**1,567,465**	**885,869**	**69,808**	**2,523,142**	**294,703**	**-**	**-**	**2,817,845**

6 Staff costs

	2021 £	2020 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,469,568**	1,235,212
Social security costs	**28,319**	32,126
Pension costs	**86,851**	77,453
	1,584,738	1,344,791

The number of employees receiving emoluments of more than £60,000 was as follows:

	2021 £.	2020 £.
£90,000 - £99,999	1	-
£80,000 - £89,999	2	2
£70,000 - £79,999	-	1
	3	3

Pension contributions made on behalf of these employees totalled £6,311 (2020: £6,068).

The trustees consider key management personnel during 2021 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £416,284 (2020: £385,177) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

	2021 No.	2020 No.
Malawi	**115**	110
Zambia	**93**	82
Zimbabwe	**15**	15
Raising funds	**6**	6
Governance and administration	**3**	3
	232	216

Notes to the Financial Statements for the year ended 31 December 2021

7 Trustee remuneration and expenses

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. No expenses were reimbursed to trustees during the current or prior year.



8 Tangible Fixed Assets

	The group					
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Website costs £	Total £
Cost						
At 1 January 2021	128,327	149,365	231,319	422,611	22,645	**954,267**
Forex adjustment	(5,613)	10,583	(4,953)	19,186	-	**19,203**
Additions	-	57,714	-	199,252	-	**256,966**
Disposals	-	(972)	(118,430)	(53,334)	(22,645)	**(195,381)**
At 31 December 2021	122,714	216,690	107,936	587,715	-	**1,035,055**
Depreciation						
At 1 January 2021	(14,990)	(73,511)	(191,851)	(263,315)	(22,645)	**(566,312)**
Forex adjustment	655	(4,285)	3,227	(6,977)	-	**(7,380)**
Charge for the year	(1,527)	(20,220)	(14,533)	(83,196)	-	**(119,476)**
On disposals	-	48	118,126	25,748	22,645	**166,567**
At 31 December 2021	(15,862)	(97,968)	(85,031)	(327,740)	-	**(526,601)**
Net book value						
At 31 December 2021	106,852	118,722	22,905	259,975	-	**508,454**
At 31 December 2020	113,337	75,854	39,468	159,296	-	**387,955**

Notes to the Financial Statements for the year ended 31 December 2021

	The charity		
	Computer equipment £	Website costs £	Total £
Cost			
At 1 January 2021	118,066	22,645	**140,711**
Additions	-	-	**-**
Disposals	(118,066)	(22,645)	**(140,711)**
At 31 December 2021	-	-	**-**
Depreciation			
At 1 January 2021	(118,066)	(22,645)	**(140,711)**
Charge for the year	-	-	**-**
On disposals	118,066	22,645	**140,711**
At 31 December 2021	-	-	**-**
Net book value			
At 31 December 2021	-	-	**-**
At 31 December 2020	-	-	**-**

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2021	1,458,601
Additions	332,052
At 31 December 2021	1,790,653
Provision	
At 1 January 2021	(57,360)
Charge for the year	-
At 31 December 2021	(57,360)
Net book value	
At 31 December 2021	1,733,293
At 31 December 2020	1,401,241

Additions to investments represent new capital injected into the three wholly owned subsidiaries through a combination of cash advances and conversion of intercompany debt. This was done as part of the strategy to fund their expansion.

A summary of the results and the aggregate of share capital and reserves of the subsidiaries, converted into Pound Sterling, is shown below.

	Income	Expenditure	Result for the year	Aggregate of share capital and reserves
	£	£	£	£
MLF Malawi	1,397,314	(1,367,543)	29,771	1,249,202
MLF Zambia	1,271,095	(1,140,103)	130,992	1,002,382
MLF Zimbabwe	44,300	(88,702)	(44,402)	26,327
	2,712,709	(2,596,348)	116,361	2,277,911

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

10 Stock

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Consumables held	**6,246**	12,458	-	-

11 Debtors

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Trade debtors	**600**	-	**600**	-
Amounts due from group undertakings	**-**	-	**-**	67,359
Microcredit loans	**3,629,149**	2,181,259	**-**	-
Other debtors and prepayments	**131,623**	287,179	**9,063**	7,331
	3,761,372	2,468,438	**9,663**	74,690

12 Creditors: amounts falling due within one year

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Trade creditors	**13,683**	8,074	**3,003**	1,107
Taxation and social security	**71,457**	27,960	**3,354**	4,096
Amounts due to group undertakings	**19,473**	-	**19,473**	-
Other creditors and accruals	**217,314**	102,663	**20,069**	14,993
Loans	**1,110,959**	769,623	**-**	-
	1,432,886	908,320	**45,899**	20,196

Further information in respect of loans outstanding is provided at note 13.

13 Creditors: amounts falling due after one year

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Loan repayments due:				
In 1 - 2 years	**670,623**	262,897	**-**	-
In 2 - 5 years	**1,150,000**	1,291,429	**1,150,000**	1,150,000
	1,820,623	1,554,326	**1,150,000**	1,150,000

Loans represent amounts borrowed by various MLF entities to fund activities. Details of the loan providers, the entity the loan is with, the currency in which the loan is denominated and the applicable interest rate are set out below:

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,150,000	UK	GBP	Nil
KIVA Microfunds	154,290	Malawi	USD	Nil
Grameen Credit Agricole Microfinance Foundation	181,802	Malawi	MWK	18.5%
Grameen Credit Agricole Microfinance Foundation	221,343	Zambia	ZMW	32.2%
FDH	113,195	Malawi	MWK	18.0%
Lend with Care	154,110	Malawi	MWK	Nil
Lend with Care	171,277	Zambia	ZMW	Nil
Paul Foundation	187,913	Zambia	USD	3.5%
ADA Microfinance	319,364	Zambia	ZMW	30.0%
Global Partnerships	278,288	Malawi	MWK	16.8%
	2,931,582			

The FDH loan provided to Malawi is secured over a property owned by MLF Malawi in Kasungu.

14 Provisions for liabilities

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Deferred Tax				
Amounts payable to the Malawi Revenue Authorities	**31,507**	14,322	-	-
Amounts payable to the Zambian Revenue Authorities	**13,349**	-	-	-
	44,856	14,322	-	-

At 31 December 2021, the group also had unrecognised deferred tax assets of £nil (2020: £16,077) in respect of Zambia, and £100 (2020: £43) in respect of Zimbabwe.

15 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £86,851 (2020: £77,453).

16 Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
In less than one year	**23,843**	22,190	**-**	-
In one to five years	**2,777**	8,827	**-**	-
More than five years	**-**	-	**-**	-
	26,620	31,016	**-**	-

17 Analysis of group net assets between funds

	Unrestricted	Restricted		Unrestricted	Restricted	
	2021	2021	Total 2021	2020	2020	Total 2020
	£	£	£	£	£	£
Tangible fixed assets	**508,454**	**-**	**508,454**	387,955	-	387,955
Net current assets	**2,976,557**	**32,180**	**3,008,737**	2,028,170	67,947	2,096,117
Long term liabilities	**(1,820,623)**	**-**	**(1,820,623)**	(1,554,326)	-	(1,554,326)
Deferred tax liability	**(44,856)**	**-**	**(44,856)**	(14,322)	-	(14,322)
	1,619,532	**32,180**	**1,651,712**	847,477	67,947	915,424

18 Funds

	Balance at 1 January 2021	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2021
	£	£	£	£	£	£
Unrestricted funds						
General fund	274,529	3,312,829	(2,641,914)	101,140	(732,010)	**314,574**
Designated funds:: - Africa Investment	572,948	-	-	-	582,010	**1,154,958**
- Zimbabwe Growth	-				150,000	150,000
	847,477	**3,312,829**	**(2,641,914)**	**101,140**	**-**	**1,619,532**
Restricted funds						
Malawi	36,900	187,003	(197,103)	-	-	**26,800**
Zambia	6,040	126,511	(132,551)	-	-	**-**
Zimbabwe	4,257	108,489	(107,366)	-	-	**5,380**
Africa general	20,750	41,594	(62,344)			**-**
UK infrastructure	-	11,461	(11,461)	-	-	**-**
	67,947	**475,058**	**(510,825)**	**-**	**-**	**32,180**
Total funds	**915,424**	**3,787,887**	**(3,152,739)**	**101,140**	**-**	**1,651,712**

2020 movements

	Balance at 1 January 2020	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2020
	£	£	£	£	£	£
Unrestricted funds						
General fund	969,104	2,538,719	(2,361,107)	(299,239)	(572,948)	**274,529**
Designated funds - Africa investment	-	-	-	-	572,948	572,948
	969,104	**2,538,719**	**(2,361,107)**	**(299,239)**		**847,477**
Restricted funds						
Malawi	11,299	259,575	(233,974)	-	-	**36,900**
Zambia	3,293	148,951	(146,204)	-	-	**6,040**
Zimbabwe	-	67,212	(62,955)	-	-	**4,257**
Africa general	-	20,750	-			**20,750**
UK infrastructure	3,605	10,000	(13,605)	-	-	**-**
	18,197	**506,488**	**(456,738)**	**-**	**-**	**67,947**
Total funds	**987,301**	**3,045,207**	**(2,817,845)**	**(299,239)**	**-**	**915,424**

The designated 'Africa Investment' fund reflects the book value of assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans, It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £101,284 (2020: £105,917) in respect of a revaluation reserve created in respect of land and buildings owned in Malawi.

The designated 'Zimbabwe Growth' fund represents unrestricted funds that have been ringfenced to faciltate the recapitalistion of Zimbabwe in 2022 . Subject to the economic conditions being sufficiently stable, the intention is to advance approximately $300,000 into the country in 2022 through a combination of unrestricted funds and restricted grants in order to regrow the loan book and support operating costs.

Restricted funds represent the total of individual fund balances received for activities within the charity's countries of operation, as indicated by the fund name. The 'Africa general' fund comprises of amounts where the donors have stipulated that the funds should be applied directly to our projects within Africa but have not specified a particular country. The trustees do not consider there to be any individually material amounts within each aggregated fund balance that would require separate disclosure.

19 Financial Instruments

	2021 £	2020 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	4,435,377	2,991,979
	4,435,377	**2,991,979**
Financial liabilities measured at amortised cost	230,997	110,737
Loan commitments measured at cost less impairment	2,931,582	2,323,949
	3,162,579	**2,434,686**

Financial assets measured at fair value

There are no financial assets measured at fair value.

Financial assets that are debt instruments measured at amortised cost

This comprises of microcredit loans, trade debtors, other debtors, cash and cash equivalents (as applicable).

Financial liabilities measured at historic cost

This comprises of trade creditors, other creditors and accruals.

Loan commitments measured at cost less impairment

This comprises of loans

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2021				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,687,763		-	-
	2,687,763	**-**	**-**	**-**
2020				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,081,775	-	-	-
	2,081,775	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £2,687,763 (2020: £2,081,775).

Impairment

Microcredit loans

The amount of the impairment loss during the year is £178,785 (2020: £197,992). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £178,785 (2020: £197,992).

Fair Value Hedges

Currency forwards - contracts to buy

The group is exposed to foreign currency risk when it borrows in currencies other than the functional currency. The Charity's policy is to hedge this risk wherever it is practical and affordable using forward foreign currency contracts.

Interest rate swaps

From time to time, the group may also enter into interest rate swaps in respect of foreign currency borrowings in order to reduce exposure to foreign currency risk in respect of scheduled interest payments.

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2020: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2020: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2021 £	Cash flows £	Other non-cash changes £	At 31 December 2021 £
Cash at bank and in hand	523,541	174,705	(24,241)	**674,005**
Total cash and cash equivalents	**523,541**	**174,705**	**(24,241)**	**674,005**
Loans falling due within one year	(769,623)	674,911	(1,016,247)	**(1,110,959)**
Loans falling due after more than one year	(1,554,326)	(1,163,188)	896,891	**(1,820,623)**
Total	**(1,800,408)**	**(313,572)**	**(143,597)**	**(2,257,577)**

21 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. The member is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation..

22 Ultimate controlling party

The charity's ultimate parent undertaking and controlling party is WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665). Copies of its consolidated financial statements are available from Companies House.



MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

MicroLoan Foundation UK
Registered Office
1-2 Paris Garden
London
SE1 8ND

MicroLoan Foundation Malawi
Registered Office
P.O. Box 2292, Area 6
Lilongwe

MicroLoan Foundation Zambia
Registered Office
P.O. Box 310082
Plot 346, 4th Street Chelstone Green
Salama Park
Lusaka

MicroLoan Foundation Zimbabwe
Registered Office
c/o Scanlen & Holderness,
13th Floor
Cabs Centre
74 Jason Moyo Avenue
Harare

MicroLoan Foundation USA
237 Bonad Road
Chestnut Hill
MA 02467

MicroLoan Foundation Australia
101 John Lund Drive
Hope Island
Queensland 4212

Group Auditors

Sayer Vincent
Invicta House
108-114 Golden Lane
London
EC1Y 0TL

UK Bankers

Barclays
Barclays Bank Plc
Leicester
LE87 2BB

microloan foundation

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MICROLOAN FOUNDATION

England & Wales - Charity number 1104287

Accounts

microloan foundation



Annual Report and Financial Statements 2020

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Registered charity number: 1104287 (England and Wales); SC041941 (Scotland).
Company limited by guarantee registered company number: 04828558 (England and Wales)

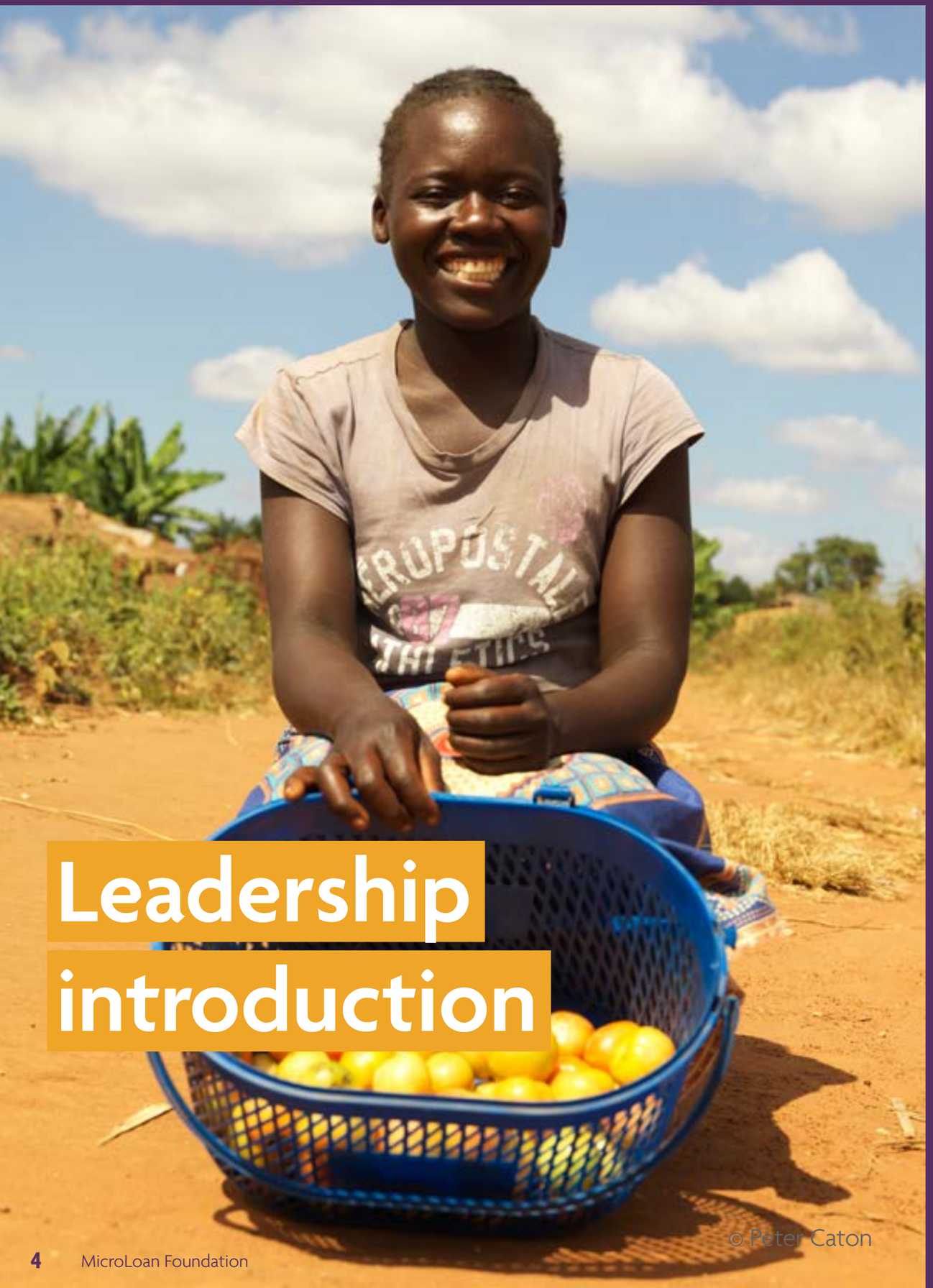
To date over 280,000 women have joined MicroLoan Foundation to start their own small businesses and begin their journey out of poverty. As a result, their children have increased access to food, healthcare and education, taking the total lives impacted to 1.4 million.

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Leadership introduction

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It is our pleasure to introduce the 2020 Annual Report for MicroLoan Foundation. Our social microfinance model is specifically developed for poor, rural women with low levels of literacy. This demographic has been severely impacted by the COVID-19 pandemic.

Yet, even in the face of these unprecedented challenges, the MicroLoan team have continued to deliver our mission on the ground. We are immensely proud of our team who persevered with adaptability, passion, determination and innovation. MicroLoan provides pro-poor financial services and business support to women in Malawi, Zambia and Zimbabwe. When the pandemic hit, we took swift action to protect our clients and their families. Their lives and livelihoods were threatened by food shortages, economic turmoil and restrictions on movement, preventing them from generating income. MicroLoan offered additional mentoring, health information, top-up credit, rescheduled loans and, for the hardest hit families, loans were written off. Our high-touch approach has been adapted to ensure the health and wellbeing of our staff, clients and wider communities whilst we continue deliver our much-needed livelihoods programme to benefit more women than ever before. Over 85,000 women were able to access pro-poor financial services and training in 2020. This is more individual clients than any previous year and an outstanding achievement.

MicroLoan Malawi continues to strive for Operational Self Sufficiency, with this key milestone within reach in 2021. MicroLoan Zambia recorded strong performance and saw record growth in active client numbers in the year. Due to the macroeconomic climate, MicroLoan Zimbabwe is now one of very few microfinance providers operating in the country and we are well positioned for growth.

To achieve our goal to impact 1 million lives every year, five-year strategic plans have been drawn up, incorporating smart technologies and product diversification.

Over the coming years we will see new agricultural products and services for smallholder farmers, higher value loans for the most successful and ambitious entrepreneurs, and improved savings options through digital channels.

To date, over 280,000 women have joined our programme to start their own small businesses and begin their journey out of poverty. As a result, their children have increased access to food, healthcare and education, taking the total lives impacted to 1.4 million. We would not have been able to achieve this without the support from our donors, investors, partner organisations, Board members and the wider MicroLoan community. We are humbled by and truly grateful for your generosity and continued belief in our mission.

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer



How we work

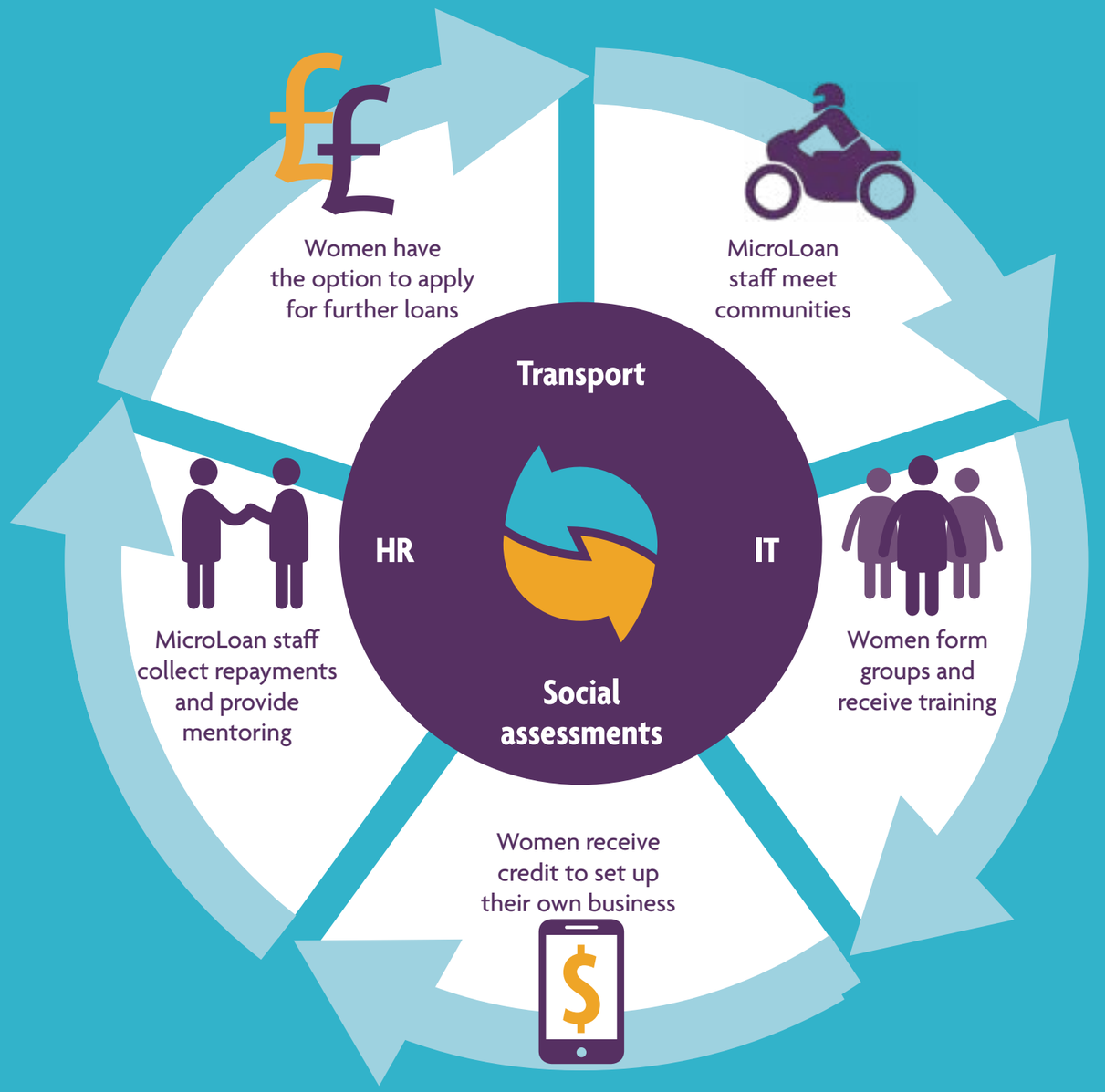
MicroLoan gives women living in poverty the opportunity to kickstart their own income generating activities by providing small loans, training, and ongoing business support.

Our Loan & Training Officers travel long distances into rural communities to meet with traditional leaders and introduce our work. The leaders then invite MicroLoan to attend a village meeting where we inform women about the opportunity to join a loan group and start a business. Focusing our operations in rural areas means that we reach women with little access to finance, therefore the most in need of our services.

Before accessing a loan, the loan group completes seven training modules to develop their financial literacy skills. Delivered through song, dance and role play, our training methodology is specifically designed for rural women with low literacy levels. Each group of five women have a collective responsibility for their loan repayments. Learning together ensures they can support each other both socially and financially.

In Zambia and Zimbabwe, women receive their loans via mobile money. In Malawi, loans are disbursed in cash but we plan to roll out mobile money services during 2021. Once women have received their loans, they put their training into practice by setting up small businesses such as farms, grocery stores or hairdressing salons. Our Loan & Training Officers continue to visit every two weeks to provide mentoring, and once a month they bring together a cluster of loan groups for advanced business training. These sessions are a great opportunity for women to meet other female entrepreneurs in their area and share their experiences. Due to COVID-19 restrictions on large gatherings, we adjusted our model and delivered the monthly business training to only group leaders who then trained their peers.

MicroLoan is different to traditional charities and operates through a model that aims to reach Operational Self Sufficiency where interest income from the loan book covers direct operational costs (excluding loan book growth and capital expenditure). This is to create a sustainable institution that is not reliant on charitable donations for its day to day running costs. With a repayment rate consistently above 96%, the revolving loan book combined with operational interest income enables us to grow and expand our reach, supporting more women year on year. This means every donation to MicroLoan is a gift that keeps on giving.



Our training methodology is designed for women with low literacy levels and is delivered through dance, song, and role play.

Social impact

MicroLoan's social mission is to alleviate poverty and we measure our impact carefully. Social Performance Management is a range of processes and activities used to ensure we are achieving our aim of helping the poorest women to transform their lives. Our Social Performance Management model is often cited as an example of best practice and was recognised by TrueLift, a global initiative striving for accountability and learning in pro-poor programmes.



COVID-19 Impact

The COVID-19 pandemic has reversed decades of progress towards reducing poverty and gender inequality worldwide. According to the United Nations, the pandemic will push 47 million more women and girls below the poverty line.

Women make up the majority of the labour force in the informal sector. Many of MicroLoan's clients are street vendors, smallholder farmers or engage in cross border trade. These women have seen their livelihoods collapse as a result of lockdowns and travel restrictions. As schools closed, pressure mounted as women, who often bear the brunt of caring responsibilities, had to make sacrifices in order to assume their caregiving role. Many families were facing food shortages and female-led households were at particularly high risk.



To better understand the impact of COVID-19 and how MicroLoan can help, we conducted client surveys in Malawi and Zambia in June and July 2020.

In a time of crisis like the COVID-19 pandemic, clients are forced to use coping strategies to survive. Over 55% of clients were able to use positive coping mechanisms such as relying on savings or finding ways to earn additional income. 19% resorted to negative coping mechanisms such as taking on additional debt or selling household assets. 25% used a combination of negative and positive coping strategies.

When asked how MicroLoan can support them during the pandemic, 92% of women in Malawi and 76% of women in Zambia suggested rescheduling loan repayments or providing access to further loans. We listened and responded by rescheduling loans, providing emergency capital, and in some cases we wrote-off loans.

The financial situation of households has been severely impacted. All of the women surveyed in Malawi said they are a lot worse off. In Zambia, 63% said they are a lot worse off, and 28% said they were a little worse off.

100% of women interviewed in Malawi and 57% in Zambia said they were experiencing hunger at a time of the year when they would otherwise not.

The findings from these client surveys are deeply concerning but reinforce the importance of MicroLoan's savings training and facilities which encourage savings behaviour and build resilience. 97% of clients are able to make savings compared to 11% before joining MicroLoan, giving them a positive coping mechanism to fall back on in times of crisis.

Long-term Impact

Poverty is extremely complex, and it is crucial that we understand and measure poverty from a long-term perspective.

MicroLoan collects data using the Poverty Probability Index®, an innovative measurement tool that determines the likelihood of a household living below the poverty line. We have been collecting Poverty Probability Data since 2012 which helps us to assess if we are reaching the poorest segment of the population and if their poverty status is improving over time.

In 2020, MicroLoan provided financial literacy, business training and small affordable loans to over 85,173 women in Malawi, Zambia and Zimbabwe.

340,692 children and vulnerable adults in their care have improved access to healthcare and are able to go to school.

Moving out of poverty takes time and is a long-term goal for our clients. Before reaching this crucial milestone, MicroLoan is able to measure and report on a range of positive changes for women who build their own businesses and increase their household income.



In 2020, 77% of all new clients were living below the global $2.50 per day poverty line and 46% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.



Over 17% of our clients who have been with us for more than one year are moving out of extreme poverty. This is a significant achievement considering many of these families have been living in poverty for generations..

16%
of women have increased asset ownership (such as livestock, a bicycle or land)

97%
of families have food security compared to **85%** before joining MicroLoan

7%
of women have one or more paid employees

96%
of women can afford to seek medical treatment compared to only **89%** previously

Women report a
218%
average increase in business profits after joining MicroLoan

75%
of women can send all of their female children to school compared to **58%** previously

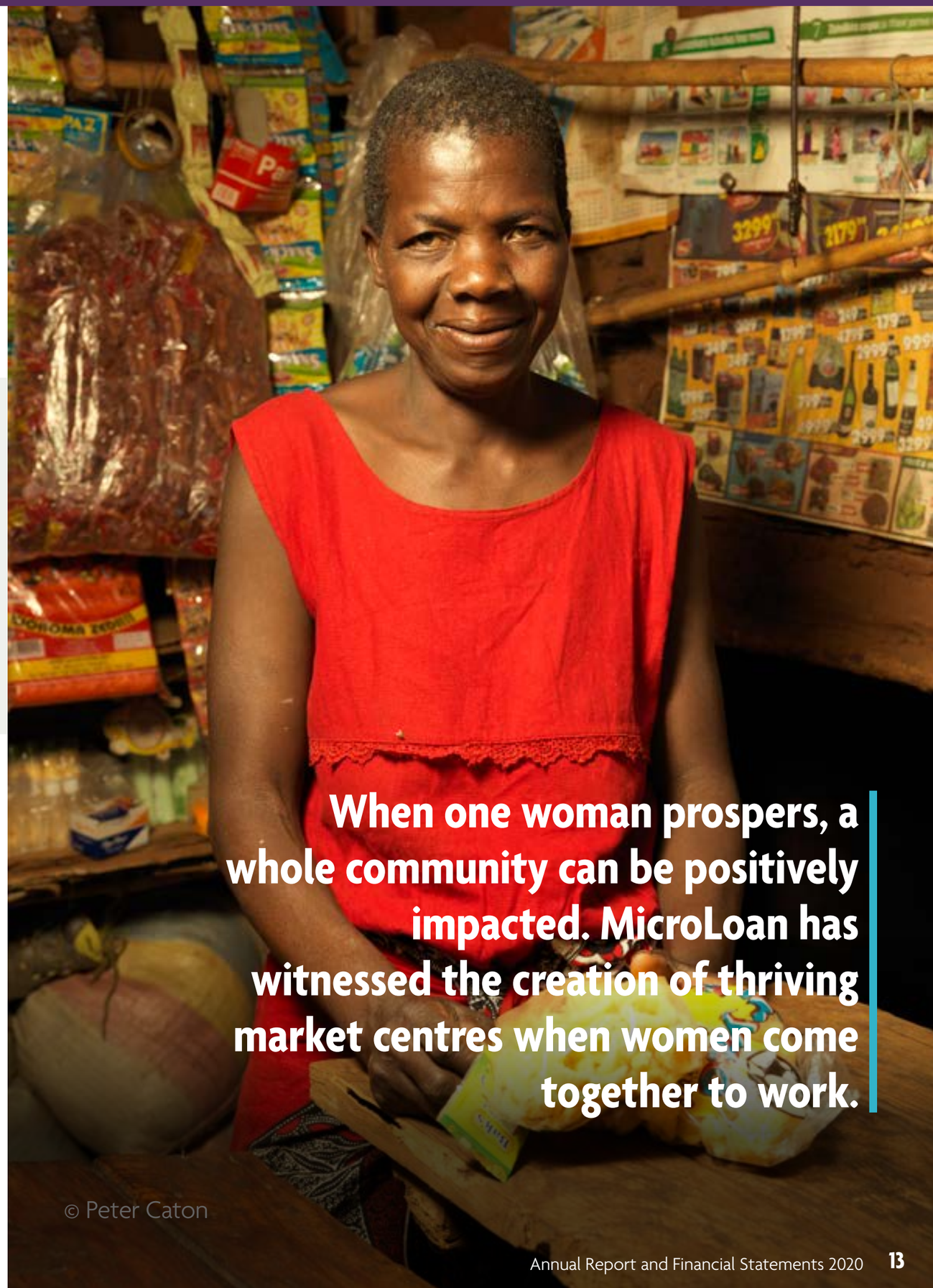
Evidence shows that a woman prioritises her family's welfare when spending her income, improving their health, education and living situation. When one woman prospers, a whole community can be positively impacted. As her business grows, often with support from her husband or adult children, the local economy benefits, and employment opportunities are created for others. MicroLoan has witnessed the creation of thriving market centres when women come together to work.

The United Nations Sustainable Development Goals are the blueprint for achieving a better and more sustainable future for all. Our work contributes directly to the goals No Poverty, Zero Hunger and Gender Equality.

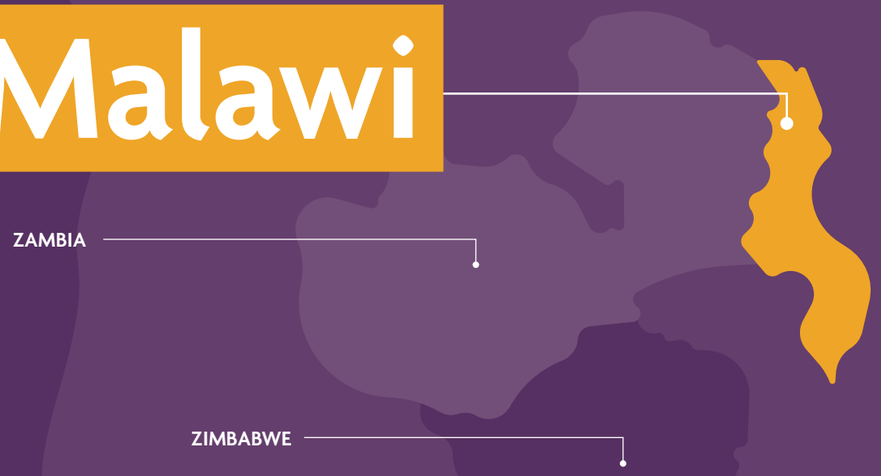
The impact of our work also addresses the goals on Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land and Partnerships for the Goals.

SUSTAINABLE DEVELOPMENT GOALS

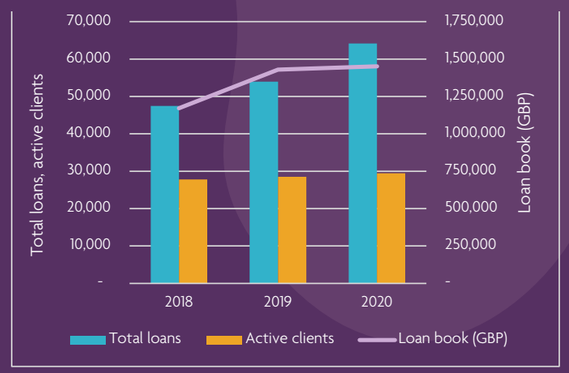




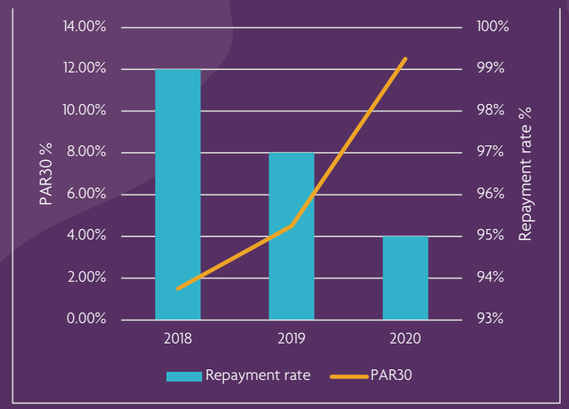
Operations in Malawi



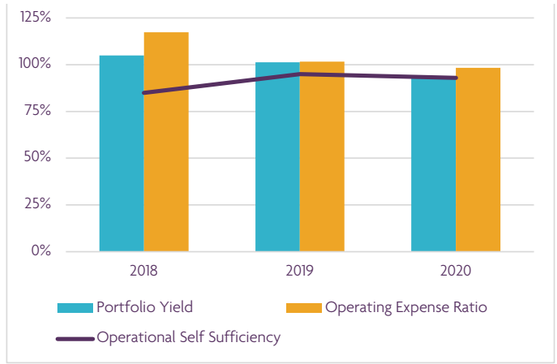
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency

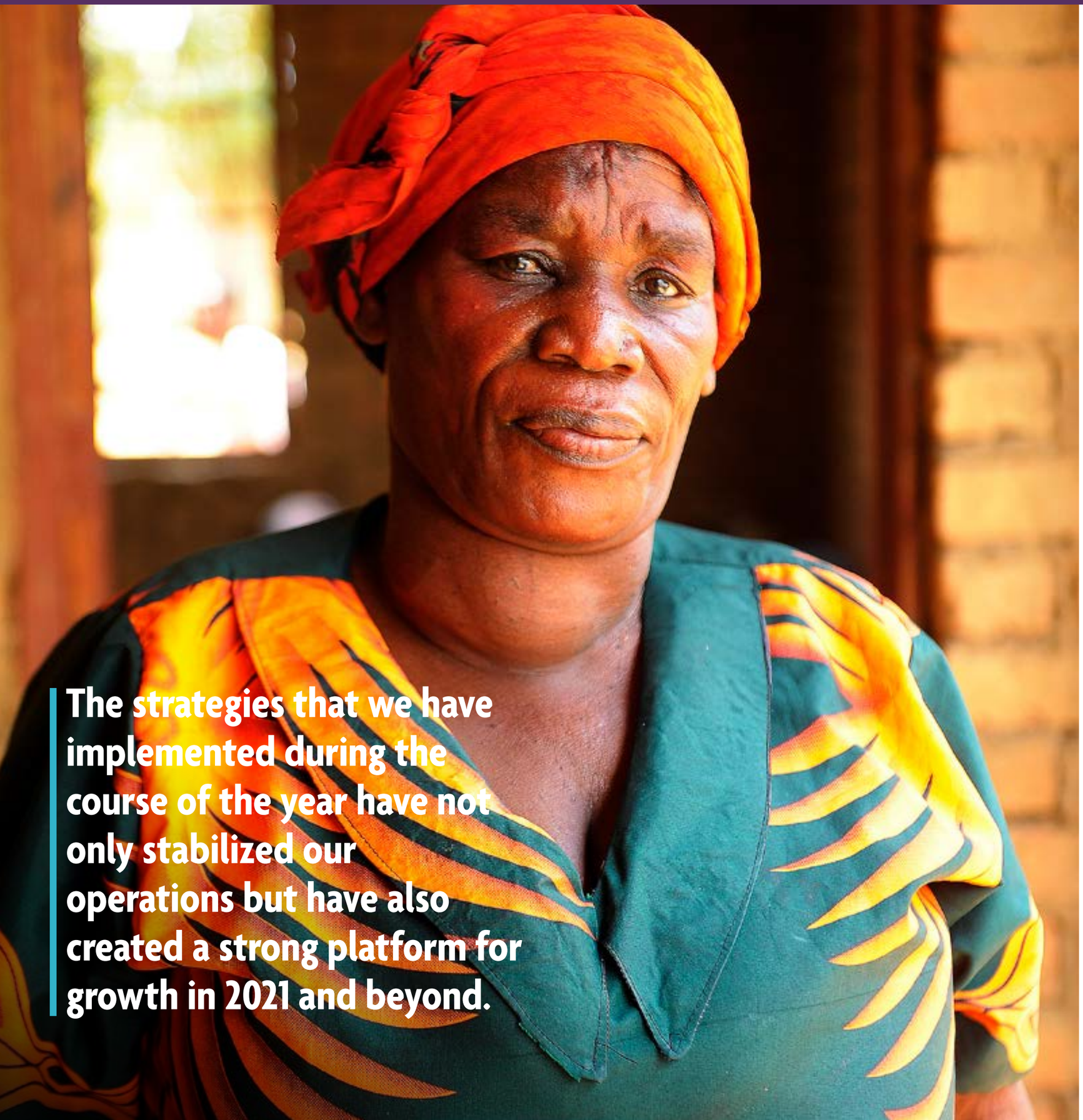


	2018	2019	2020
Total loans made	47,487	53,985	64,169
Active clients	27,820	28,480	29,454
Loan book (GBP)	1,171,001	1,428,932	1,451,858
Average loan size (GBP)	62	77	78
PAR30	1.50%	4.50%	12.50%
Repayment rate	99%	97%	95%
Operational Self Sufficiency	85%	95%	93%
Portfolio Yield	105%	101%	94%

MicroLoan Malawi continues to strive for Operational Self Sufficiency, with this key milestone within reach in 2021.

With the impact of the COVID-19 pandemic, coupled with some of the lag effects of the tropical cyclone Idai and drought from the previous year, Malawi experienced a sluggish Gross Domestic Product (GDP) growth of 0.6% in 2020, compared to the 4.5% growth seen in 2019. Headline inflation was largely kept in check and fell from low double digits a year earlier to 8.6% at the close of 2020. A mid-year presidential election brought some stability to the fragmented political landscape that arose out of the disputed 2019 elections, which had resulted in ongoing country-wide demonstrations that disrupted economic activities.

The COVID-19 pandemic adversely affected MicroLoan Malawi's operations and the livelihoods of many of our clients. Nevertheless, we were able to record favourable outcomes in several of our key performance indicators. During the financial year 2020, MicroLoan Malawi registered a modest growth in active clients of 3%, largely reflecting the challenges of client retention in the face of the pandemic. We witnessed a 7.5% growth in interest income as a result of initiating a strategy of rationalising unprofitable product lines to complement our efforts in cost containment. Deliberate efforts to closely monitor our cost drivers whilst driving operational efficiency slowed the growth of our operational expenses to only 11.6% for the year. We also yielded an Operational Self Sufficiency rate of 93% on account of the smaller revenue growth.



The strategies that we have implemented during the course of the year have not only stabilized our operations but have also created a strong platform for growth in 2021 and beyond.

Portfolio at Risk (PAR) is an indicator of loan portfolio quality and PAR30 indicates the ratio of loan book overdue by more than 30 days. PAR30 closed the year at 12.5%, up from the 4.5% registered in 2019, and the decline in loan portfolio quality closely tracked the evolution of the pandemic. With almost a third of our clients living below the poverty line, it will take time for these vulnerable households to reverse the negative impact of the pandemic. We continue to pay close attention to this metric and have implemented specific measures such as enhanced monitoring and support for loan restructuring (where necessary), to rapidly improve the quality of our portfolio for the 2021 financial year.

On assuming his role in April 2020, the new Chief Executive Officer initiated a comprehensive digital transformation strategy aimed at making the institution more agile and primed for accelerated growth. During the year, we commenced a pilot in a few branches to test the roll out of mobile money to our clients. This is particularly relevant in the current context of the pandemic, where group meetings and travel restrictions severely disrupt our operations and our ability to disburse and collect loans.

In 2021, we aim to step up our efforts to roll out mobile money across all branches and to integrate the mobile money platform into our core management information system, Musoni.

As part of our expansion strategy, we look to open three new branches and develop additional loan products in the Small and Medium Enterprise (SME) and agricultural space to closely match specific clients' needs.



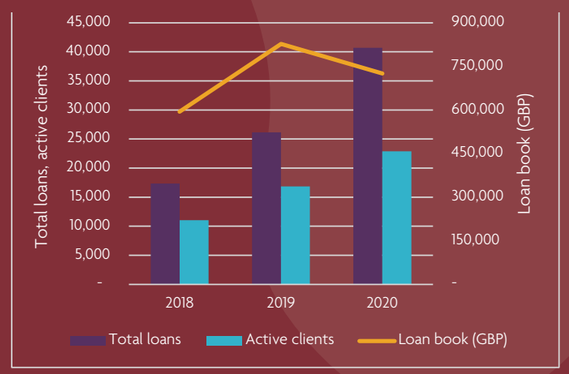
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Our high-touch approach has been adapted to ensure the health and wellbeing of our staff, clients and wider communities whilst we continue deliver our much-needed livelihoods programme to benefit more women than ever before.

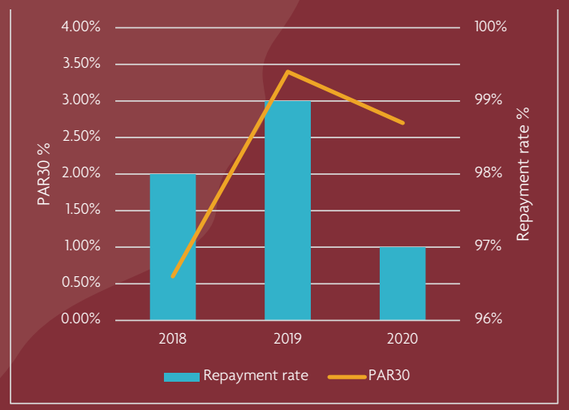
Operations in Zambia



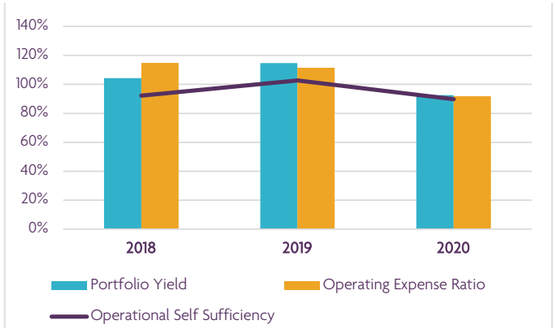
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2018	2019	2020
Total loans made	17,336	26,144	40,679
Active clients	11,023	16,862	22,900
Loan book (GBP)	593,832	827,106	725,760
Average loan size (GBP)	83	81	59
PAR30	0.60%	3.40%	2.70%
Repayment rate	98%	99%	97%
Operational Self Sufficiency	92%	103%	90%
Portfolio Yield	104%	115%	93%
Operating Expense Ratio	115%	112%	92%

MicroLoan Zambia recorded strong performance and saw record growth in active client numbers in the year.

The COVID-19 pandemic pushed the Zambian economy further into contraction by 1.2% in 2020, having already witnessed a weakened position in previous years as a result of persistent droughts, falling copper prices and unsustainable fiscal policies. In 2020, the Zambian Kwacha witnessed over a 50% depreciation against the US Dollar and the British Pound, with inflation remaining in double digits and averaging about 15.7% during the year, up from 9.3% in the previous year.

It is notable that despite the pandemic and the macroeconomic instability, our operations in Zambia have remained resilient. MicroLoan Zambia's active clients grew by 36%, up from 16,845 in 2019 to 22,900 in 2020, as we continued to see growth across our branches in the Eastern, Southern and Northern provinces. The loan book demonstrated an impressive 37% growth in Zambian Kwacha terms between 2019 and 2020, however in British Pound terms the loan book shrunk by 13% because of the significant devaluation of the Zambian Kwacha. MicroLoan Zambia was able to maintain the quality of its loan portfolio, recording a PAR30 of 2.7% at the end of the year.

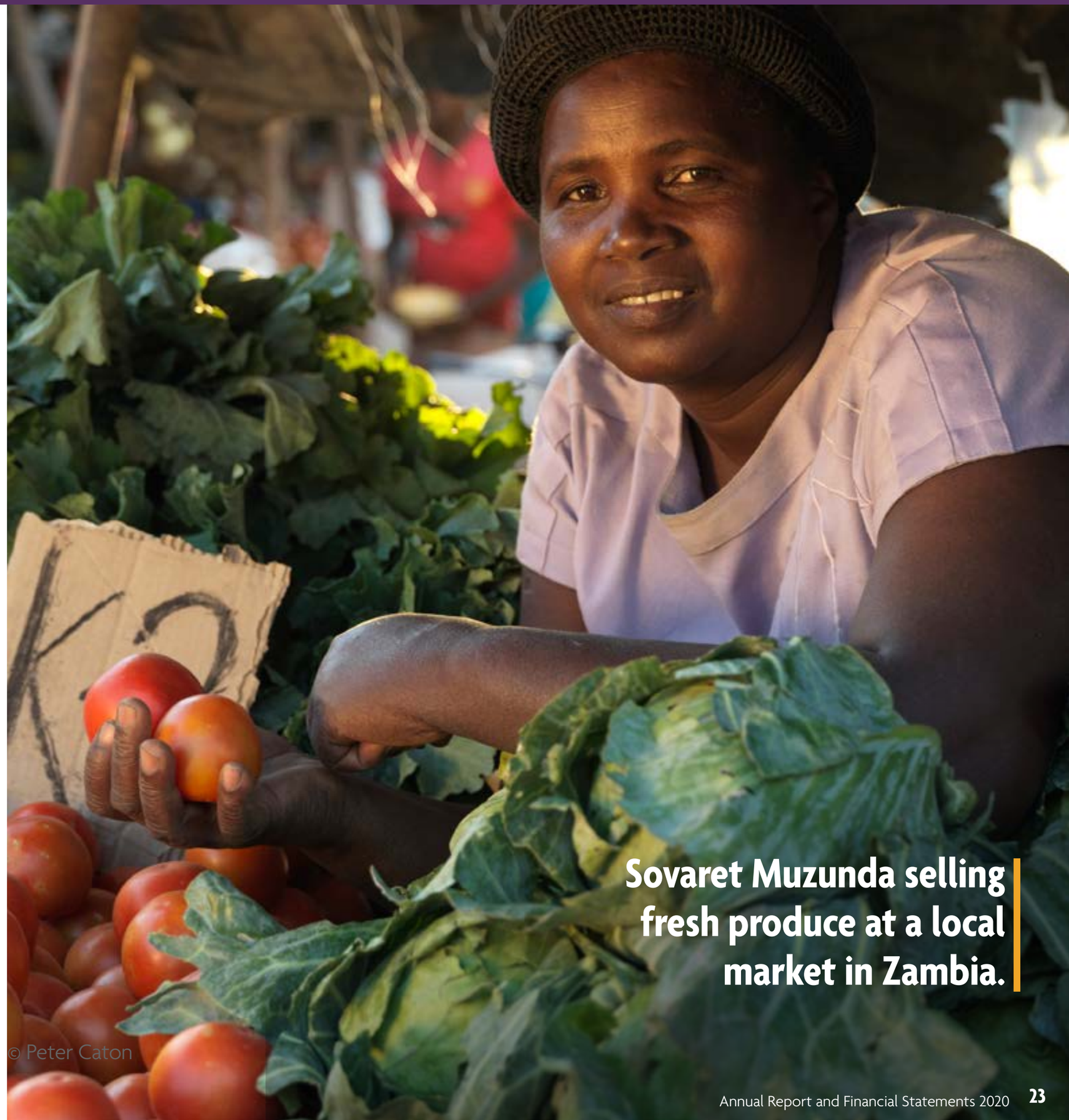
Operating expenses rose by 24% during the year, largely on account of the inflationary pressure that affected most lines, as well as the strengthening of the Senior Management Team with the key hires of the Chief Financial Officer and the Head of Human Resources.

MicroLoan Zambia also initiated external borrowings during the year, which saw an increase in finance costs. One of the external loans accessed was denominated in US Dollar and represented an unhedged open currency position at the end of the year. The unprecedented depreciation of the Zambian Kwacha against the US Dollar further drove up the forex costs associated with this loan and impacted the bottom line, with MicroLoan Zambia recording an Operational Self Sufficiency of 90%.

During the last quarter of 2020, MicroLoan Zambia initiated a pilot in the Eastern Province with a leading conservation farming organisation to develop a new agricultural loan product and increase our reach to smallholder farmers.

The results of the pilot are expected in the second quarter of 2021, which if successful, would pave the way for a full roll out across other regions. Furthermore, the advancement of this partnership aligns with our strategic goal to introduce a credit scoring loan evaluation system and microinsurance products in the coming years. These will enable MicroLoan to drive essential growth in the agricultural and food sectors while benefitting low-income households and building their resilience against future shocks.

Aside from the external impact of forex, MicroLoan Zambia has recorded favourable outcomes across most key performance indicators during 2020. In 2021, MicroLoan Zambia will address the exposure to foreign currency risks by engaging with existing and new lenders to eliminate our open currency position, potentially through a replacement of the outstanding US Dollar loan with a loan in local currency. This measure, when implemented, will significantly improve the bottom line, and ensure that MicroLoan Zambia records an operational surplus once again in 2021. We will look to further increase efficiency by rationalising our operating model through increased use of mobile money. We will also reduce fixed costs by turning a number of branches into satellites. It is expected that these efforts and strategies will ensure that MicroLoan Zambia is well poised for significant growth in active clients and loan book in 2021 and beyond.



Sovaret Muzunda selling fresh produce at a local market in Zambia.

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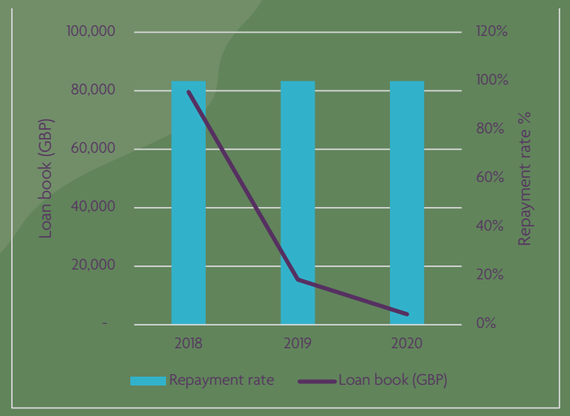
Operations in Zimbabwe



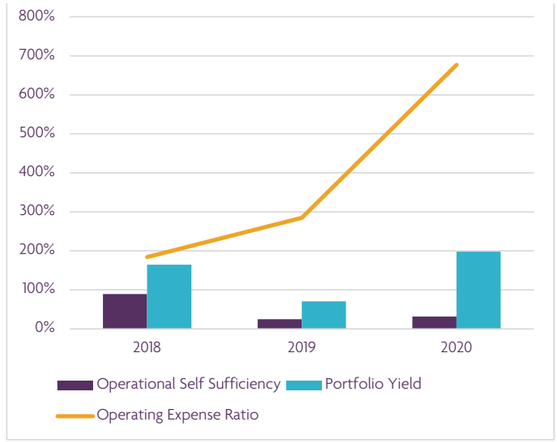
Total loans made, active clients and outstanding loan book



Repayment rate and loan book



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2018	2019	2020
Total loans made	1,593	2,155	1,051
Active clients	980	1,612	102
Loan book (GBP)	79,646	15,466	3,583
Average loan size (GBP)	143	19	12
PAR30	0.00%	0.00%	3.00%
Repayment rate	100%	100%	100%
Operational Self Sufficiency	89%	25%	31%
Portfolio Yield	165%	71%	198%
Operating Expense Ratio	184%	285%	677%

Due to the macroeconomic climate, MicroLoan Zimbabwe is now one of very few microfinance providers operating in the country and we are well positioned for growth.

The Zimbabwean economy prior to COVID-19 was already in recession contracting by 6.0% in 2019. With the onset of the pandemic and continued drought, real GDP contracted by 10% in 2020. Inflation continued to soar, with an average annual inflation rate of 622.8% in 2020, up from 226.9% in the previous year. In June 2020, the Reserve Bank of Zimbabwe introduced measures to help stabilise the parallel market exchange rate and parallel market premium. These measures included the floating of the exchange rate and the introduction of a foreign currency auction, which saw some general price stability across the economy and the official exchange rate settling at 81.79 Zimbabwean Dollars to a US Dollar at the end of the year.

For several months during 2020, the government of Zimbabwe imposed very stringent lockdown restrictions that led to a complete closure of economic activity. In its attempt to curb rising inflation and rapid devaluation of the local currency, the Reserve Bank of Zimbabwe also announced restrictions on the use of EcoCash, a mobile-based payment platform widely used by microfinance providers and clients for financial transactions.

By providing ongoing training and support we give women the greatest chance of success.



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Both measures have had dire consequences for MicroLoan Zimbabwe's operations, hampering our ability to conduct group meetings with clients, disburse loans and follow up on repayments. Consequently, the outstanding loan book shrunk to £3,583 and active clients to 102 at the end of the year. PAR30 crept up to 3.0%, with many of our clients facing economic hardships.

As a solution to the restrictions on disbursements via EcoCash, MicroLoan Zimbabwe identified an avenue to facilitate disbursement of loans to our clients through MyCash Financial Services, a payment service provider registered with the Reserve Bank of Zimbabwe. In November 2020, MicroLoan Zimbabwe conducted a pilot to test disbursements to 15 existing MicroLoan groups. Following the successful roll out of the pilot, we aim to continue to use this channel for loan disbursements in 2021 and beyond.

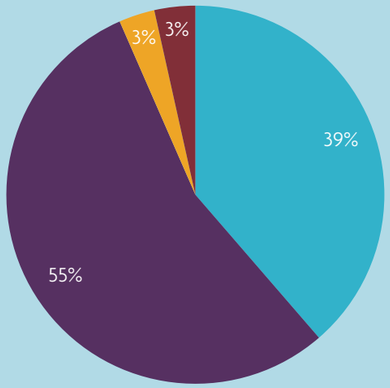
Demand for financial services in poor communities remains high and by the end of 2020, MicroLoan Zimbabwe was one of very few, if not the only, truly social microfinance institutions operating in the country.

Our strategy for 2021 is to work closely with new and existing partners to re-build our portfolio and grow our client base within our existing regions of operations.

Fundraising overview

In 2020 MicroLoan raised £963,432 in voluntary income (2019: £1,047,584). This includes donated resources and gifts in kind to a total value of £33,631 (2019: £157,044). Our supporters include trusts, foundations and corporate partners, as well as individuals who support us through personal donations or through fundraising events, challenges and community engagements. The fundraising climate was challenging in 2020 and we are deeply grateful for the generous gifts from our many donors. It is thanks to your support that we can continue our life-changing work, helping more women and their families to move out of poverty.

Fundraising income 2020



Our top donors in 2020 include WildHearts Group and Foundation, Whole Planet Foundation, Ian & Clare Mattioli Charitable Trust, The Paul Foundation, Halcrow Foundation, Bliss Family Charity, The Oso Foundation, Rita and David Slowe Charitable Trust, Lendwithcare, The MacDaibhidh Charitable Trust, The Language Factory as well as a number of private individuals and organisations that wish to remain anonymous. See to the left a breakdown of voluntary income for 2020. MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2020 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 48 to 53. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia and Zimbabwe.

Results in overview

The Board considers the financial performance during 2020 to be satisfactory in the context of the numerous challenges that the year presented. COVID-19 impacted both charitable and voluntary income, with restrictions on movement and gatherings hampering our ability to lend in Malawi, Zambia and Zimbabwe, as well as to run our normal events programme in the UK. Furthermore, the hyperinflationary environment in Zimbabwe continued throughout 2020 with the value of local currency declining by an additional 500% against the British Pound. In Zambia too, we witnessed a 57% drop in the currency value, whilst in Malawi it fell by a more modest 8%. In combination, all these movements contributed to a significant devaluation of our brought forward reserves in British Pound terms.

Group net income in 2020 was £227,362 compared to £252,792 in 2019. In addition to this, there was also a gain of £25,385 (2019: £nil) relating to the revaluation of land and buildings held in Malawi. Nevertheless, significant offsetting exchange losses of £324,624 (2019: £130,313) on retranslation of brought forward reserves resulted in an overall net decrease in group funds of £71,877 (2019: £122,479 increase).

At the year-end, total group funds amounted to £915,424 (2019: £987,301) of which £67,947 (2019: £18,197) were restricted and £847,477 (2019: £969,104) were unrestricted. Of these, £661,076 (2019: £418,281) related to MicroLoan Foundation as the charitable parent, with £67,947 (2019: £18,197) restricted and £593,129 (2019: £400,084) unrestricted.

Income and expenditure

2020 group income totalled £3,045,207 (2019: £3,234,859), representing a 6% decline on the previous year. The majority of this comprised of interest income in respect of our microloan portfolio which fell just under 5% to £2,076,929 (2019: £2,178,680). Voluntary income generated during the year totalled £963,432 (2019: £1,047,584), a reduction of 8% compared to 2019. Investment income, comprising of bank interest received, fell to £4,846 (2019: £8,595).

Total expenditure fell 6% to £2,817,845 (2019: £2,982,067). In the UK, investment made in our IT infrastructure in 2019 allowed a seamless switch to a homeworking model when lockdown restrictions were imposed, and we took the opportunity to exit our leased office midway through the year and migrate to a flexible hot desking arrangement. This, alongside other cost reduction measures and savings arising from a switch to an online events programme, reduced the charity's UK cost base by approximately £50,000 compared to 2019. Across our operations in Africa, expenditure denominated in local currency increased due to the full year impact of 2019 growth and investment made in additional headcount. Currency depreciation offset this however in British Pound terms.

Use of funds

In total, the UK charity advanced £469,009 to Africa during 2020 to support expansion of our mission and impact. This comprised of £316,229 in the form of equity investment and £143,780 in the form of revenue grants. In addition, our UK fundraising team secured a further £82,991 of grants received directly in Malawi. All of these amounts were supplemented by additional social investment from external lenders.

Although the British Pound value of the year-end loan book declined by £90,236 (4%) to £2,181,259, this should be viewed in the context of exchange rate movements over the course of 2020. These reduced the British Pound value of the brought forward loan book by approximately £408,000 (18%).

The total value of all loans disbursed during 2020 declined by 14% to £6,752,019 (2019: £7,842,772) due to the combination of the significant currency depreciation and COVID-19 restrictions. Despite this, a corresponding 15% reduction in our average loan size to £74 allowed the number of clients we supported in 2020 to grow by 3.5% to 85,173.

Key Financial Performance Indicators

The key financial performance indicators that are monitored by management are principally as set out in the reviews of operations above. In addition, the efficiency of our fundraising function and the proportion of total income that the charity reinvests in fundraising activities are also closely monitored:

Fundraising efficiency ratio

	2018	2019	2020
Donations and legacies received	£986,080	£1,047,584	£963,432
Cost of fundraising function	£359,057	£348,184	£294,703
Ratio	2.7	3.0	3.3



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Fundraising expenditure

	2018	2019	2020
Total expenditure	£2,775,307	£2,982,067	£2,817,845
Expenditure on fundraising	£359,057	£348,184	£294,703
Percentage	12.9%	11.7%	10.5%

Reserves policy and management

In the UK

Reserves are maintained at a level that enables the charity to manage financial risk and ensure the charity can sustain its activities over the long term. As a fundraising charity, we are subject to the effects of short-term volatility in income whereas our cost base is relatively fixed and the demand for funds to support our loan book growth is ongoing.

We use a single reserves measure in respect of our UK operations. This measure mandates that MicroLoan Foundation should hold a minimum level of free reserves to ensure that the charity is able to meet its financial commitments as they fall due, with any excess then available to grow loan book.

'Free reserves' is defined by the Board as unrestricted and undesignated net current assets. It excludes tangible fixed assets (which are not readily convertible to cash), long term borrowings and any funds that have already been committed or advanced to our projects in Africa through grants, investment or lending. Such advances do not represent an available source of funds to meet UK financial commitments.

As explained in more detail elsewhere in this report, the COVID-19 pandemic has made the charity's operating environment significantly more challenging. It is the view of the Board that there will be increased volatility in our income levels and that it will become more difficult to access social investment in the short-term to support and scale our activities in Africa. In this context, the reserves policy was reviewed during 2020 and revised slightly to adopt a more prudent approach.

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2020, the free reserves position was £274,529, equivalent to 7.8 months.

In Africa

As regulated microfinance institutions, our subsidiaries in Malawi, Zambia and Zimbabwe must meet stringent capital adequacy rules mandated by the local Reserve Banks. In addition, the environments that they operate in make these entities more susceptible to macroeconomic shocks caused by natural disasters such as floods, famine or changes in government policy. Accordingly, reserves policy is delegated to local Boards which each include Senior Management representation from MicroLoan Foundation in the UK. Generally, a prudent approach is taken to reserves management and gearing within our microfinance subsidiaries, with all of them operating well within the mandated capital requirements set out by local statute.

Investment policy and objectives

The charity's investment policy is to seek to maximise the number of lives positively impacted whilst managing risk. The Board is very conscious of its responsibility to utilise charitable funds in a highly effective and efficient way and the need to ensure that this same ethos cascades across the wider group and local Boards. All investment decisions are therefore made with these considerations in mind.

Each subsidiary is expected to work towards a position of Operational Self Sufficiency where it is able to independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.

As the parent charitable organisation, MicroLoan Foundation makes targeted advances of funds to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served.

The impact of COVID-19 on our operations

The COVID-19 pandemic has resulted in severe economic and societal disruption across all our countries of operation.

> **In 2020, we responded swiftly, taking several precautionary measures to minimise financial and operational risk and following all government and medical advice to ensure our staff and beneficiaries were safeguarded.**

In Africa, restrictions on movement and gatherings have a major impact on our high touch operating model, making it more challenging to disburse and collect loans and slowing our efforts to responsibly grow our loan book. Our in-country management teams have been progressively adapting policies and refining our approach to cope with the changing circumstances and specific local requirements. We have been able to continue our lending activities in a safe and effective manner, ensuring an ongoing income stream to fund operational costs.

In the UK, our programme of fundraising events and activities has been significantly impacted by the restrictions put in place and the consensus across the third sector is that the fundraising environment will be extremely challenging in the coming years. We are already starting to see individuals and institutions adjust to a 'new normal' and re-evaluate the funds they can commit to supporting charitable causes. Nevertheless, as at the date of this report, we have been able to maintain income levels in line with our original budget for 2021 and our donor pipeline remains healthy. The charity in the UK has no external debt commitments to service and has continued to rigorously challenge its cost base to ensure it is operating as leanly as possible. It has also built additional reserves coverage to ensure it will be resilient to the effects of short-term fluctuations in income levels.

After having reviewed forward projections and making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.



Risk Management

The trustees have assessed the principal risks across the group:

- Fundraising risk
- Sustainability risk
- Liquidity and funding risk
- Credit risk
- Foreign exchange risk
- Operational risk (including fraud)
- Reputational risk

The measures taken by the charity to mitigate these risks are as follows:

Fundraising risk

This is the risk that the level or mix of unrestricted and restricted income and social investment is insufficient to maintain or expand our social mission. Donor funding presently remains a key part of MicroLoan Foundation's income stream, however the Board is very conscious of the shifting fundraising landscape and the changing needs of our microfinance operations as they mature and seek to scale.

In recent years the charity has sought to diversify income streams and explore strategic partnerships, such as that entered into with WildHearts Foundation at the start of 2019. This blended approach alongside attracting additional mission-aligned social investment is anticipated to be the most effective way to maximise the potential and impact that can be delivered through our microfinance operations in Malawi, Zambia and Zimbabwe. Accordingly, the Board is presently exploring ways that this can be achieved over the medium term.

Sustainability risk

This is the risk that the expenses from our charitable activities in respect of microfinance exceed the associated income and therefore reduces our ability to provide services and maintain or grow our impact.

Our strategy is to continue to responsibly increase investment into each country through a combination of donations and social investment so as to reach more beneficiaries whilst at the same time benefitting from the economies of scale associated with growth. The group also continues to critically evaluate the cost base and working practices to identify more efficient ways to operate. Examples of this include our ongoing mobile money project in Malawi and our switch to remote working in the UK. The objective is that all three operations in Africa reach Operational Self Sufficiency because achieving this milestone will provide a robust platform from which to expand our reach and enhance the social impact that our microfinance operations deliver.

Liquidity and funding risk

Gross income streams can be volatile whereas the underlying UK cost base, which is principally staff and associated costs, is relatively stable and recurring.

The Board seeks to maintain a prudent level of free reserve cover to cope with fluctuations in income and thereby ensure running costs can be met and that charitable activities can continue to be delivered without disruption. The partnership between MicroLoan Foundation and WildHearts Foundation is also a key part of the strategy to manage volatility in income streams since it provides cost synergies as well as complimentary income streams within the wider group.

Credit risk

This is the risk of significant levels of default across our microfinance portfolio.

Although we operate in some of the poorest areas of sub-Saharan Africa, our credit risk history shows that our methodology works. Loan repayment rates typically average at 96% and our sector-leading Management Information System allows us to identify problems early and work with clients to resolve them.

Operational risk

The charitable group has more than 200 staff working across five countries and therefore we have the logistical risks associated with operating over large distances, and in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

The evolving COVID-19 pandemic in 2020 proved a specific and stern test of our operational ability to deal with the challenges of a significant external event. In Africa, restrictions on movement impacted our ability to run loan groups, meet with clients and to arrange disbursement and collection of loans. In the UK, our traditional fundraising events programme was significantly curtailed by lockdown restrictions and these activities had to be completely reimagined for an online world. The trustees are incredibly proud of the determination, resilience and ingenuity displayed by our teams across the Group throughout the year and into 2021. Their incredible efforts alongside past investments made by the Group in developing our infrastructure and operating procedures meant that we were able to maintain our focus on our mission and effectively manage the impact on the charity's income levels and cost base. At all times, the Group followed government and medical advice to safeguard our staff and beneficiaries.

We will continue to monitor and improve our operational framework, including upskilling our teams and local Boards and investing in strengthening our internal audit function. We also review and upgrade our IT infrastructure and computer equipment on an ongoing basis.

Reputational risk

This is the risk of an event or allegation adversely impacting the reputation of the charity and consequently jeopardising its ability to fulfil its charitable objectives.

There are a variety of measures imbedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. The group has a zero-tolerance approach to instances of harassment and bullying, fraud, bribery or corruption. Within our microfinance operations, we have strong client protection and safeguarding policies.



Governance

Nature of governing document

The charity is governed by its Memorandum and Articles of Association (last amended 10 December 2018).

Organisation structure

WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665), is the sole member of MicroLoan Foundation following a strategic alliance entered into in 2018. MicroLoan Foundation therefore operates as a subsidiary of WildHearts Foundation.

The directors of the UK charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The appointment, removal, power and duties of the trustees are set out in the charity's Memorandum and Articles of Association.

The Board of Trustees meets at least quarterly and presently consists of four individuals, all of whom act in a non-executive capacity. The trustees that served during the year and since the year-end were as follows:

- Bernice Dunsmuir
- Michael Jackson
- Colin Milne
- Karen Scholes

Day to day running of the Foundation in the UK is delegated to a Senior Management Team, which comprises the Group Chief Executive Officer, the Chief Financial Officer and the Director of Fundraising.

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country. These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries. Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

> **The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country.**

Each local Board has directors with a variety of local and international experience and include both executive and non-executive members.

The organisational structure and Board composition is reviewed on an ongoing basis as part of normal risk management processes.

Recruitment and appointment of trustees

MicroLoan Foundation's Memorandum and Articles of Association permit any person who is willing to act to be appointed as a trustee by an ordinary resolution. There are no provisions that require or permit any external body to appoint a member to the Board. In practice, trustees are appointed based on their backgrounds, professional networks and passion for the group's vision.

Board members are provided with a detailed management information pack on appointment and in advance of each scheduled meeting to ensure that their knowledge of the charity's activities and regulatory environment remains current.

Induction and training of trustees

It is expected that all trustees and other senior personnel, both in the UK and in Africa, undertake appropriate personal and professional development activities relevant to their position. Opportunities for formal training, including seminars and conferences, are offered periodically. The charity is also fortunate to have attracted several experienced professionals from a variety of backgrounds who provide ongoing support, advice and mentoring. This network enables the charity and the trustees to harness the best and most creative minds in their respective disciplines to support our social mission.

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible. Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). Key Performance Indicators are closely monitored to assess the value added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2020.

Statement of Trustees' responsibilities

Public benefit

The trustees are responsible for confirming that the activities of the UK charity are consistent with its charitable objectives as set out in this annual report and financial statement.

Financial statements

The trustees (who are also Directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report 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 group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or 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 (FRS 102).
- 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 and the group will continue in operation.

The trustees are responsible for keeping adequate 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 group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they 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.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. 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.

The annual report was approved by the Board on 14 July 2021.

Dr Mick Jackson
Chairman


Photo credit - Peter Caton



Independent auditor's report

Opinion

We have audited the financial statements of Microloan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 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.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Microloan Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact..

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report:

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:



- We enquired of management and the board of trustees, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor
21 July 2021

For and on behalf of:
Sayer Vincent LLP, Statutory Auditor
Invicta House,
108-114 Golden Lane,
London, EC1Y 0TL

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

Financial statements

MicroLoan Foundation (MLF)

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2020

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 54 to 80 form part of these financial statements.



	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £ (As restated)	Restricted funds 2019 £	Total 2019 £
Income from:							
Donations and legacies	2	**456,944**	**506,488**	**963,432**	574,569	473,015	1,047,584
Charitable activities							
• MLF Malawi		**1,350,010**	-	**1,350,010**	1,316,816	-	1,316,816
• MLF Zambia		**708,481**	-	**708,481**	828,215	-	828,215
• MLF Zimbabwe		**18,438**	-	**18,438**	33,649	-	33,649
Investment income	3	**4,846**	-	**4,846**	8,595	-	8,595
Total income		**2,538,719**	**506,488**	**3,045,207**	2,761,844	473,015	3,234,859
Expenditure on:							
Raising funds	4	**(281,098)**	**(13,605)**	**(294,703)**	(301,849)	(46,335)	(348,184)
Charitable activities							
• MLF Malawi	4	**(1,333,491)**	**(233,974)**	**(1,567,465)**	(1,268,336)	(202,513)	(1,470,849)
• MLF Zambia	4	**(739,665)**	**(146,204)**	**(885,869)**	(662,231)	(280,633)	(942,864)
• MLF Zimbabwe	4	**(6,853)**	**(62,955)**	**(69,808)**	(119,373)	(100,797)	(220,170)
Total expenditure		**(2,361,107)**	**(456,738)**	**(2,817,845)**	(2,351,789)	(630,278)	(2,982,067)
Net income		**177,612**	**49,750**	**227,362**	410,055	(157,263)	252,792
Other recognised gains / (losses):							
Gain on revalued fixed assets		**25,385**	-	**25,385**	-	-	-
Exchange losses		**(324,624)**	-	**(324,624)**	(130,313)	-	(130,313)
Net movement in funds		**(121,627)**	**49,750**	**(71,877)**	279,742	(157,263)	122,479
Reconciliation of funds:							
Total funds brought forward	18	**969,104**	**18,197**	**987,301**	689,362	175,460	864,822
Total funds carried forward	18	**847,477**	**67,947**	**915,424**	969,104	18,197	987,301

Charity Statement of Financial Activities (including Income and Expenditure Account)
for the year ended 31 December 2020

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
Income from:							
Donations and legacies		**456,944**	**423,497**	**880,441**	574,569	434,809	1,009,378
Investment income		**-**	-	-	-	-	-
Total income		**456,944**	**423,497**	**880,441**	574,569	434,809	1,009,378
Expenditure on:							
Raising funds		**(281,098)**	**(13,605)**	**(294,703)**	(301,849)	(46,335)	(348,184)
Charitable activities		**(202,916)**	**(140,027)**	**(342,943)**	(318,111)	(129,255)	(447,366)
Total expenditure		**(484,014)**	**(153,632)**	**(637,646)**	(619,960)	(175,590)	(795,550)
Net income		**(27,070)**	**269,865**	**242,795**	(45,391)	259,219	213,828
Transfers between funds		**220,115**	**(220,115)**	**-**	365,383	(365,383)	-
Net movement in funds		**193,045**	**49,750**	**242,795**	319,992	(106,164)	213,828
Reconciliation of funds:							
Total funds brought forward		**400,084**	**18,197**	**418,281**	80,092	124,361	204,453
Total funds carried forward		**593,129**	**67,947**	**661,076**	400,084	18,197	418,281

The Statement of Financial Activities includes all recognised gains and losses in both the current and prior year.
All amounts related to continuing operations.

The notes on pages 54 to 80 form part of these financial statements.



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Balance sheets as at 31 December 2020

Company registration number: 04828558

	Note	The group 2020 £	The group 2019 £	The charity 2020 £	The charity 2019 £
Fixed assets					
Tangible assets	8	**387,955**	455,862	**-**	31,179
Investments	9	**-**	-	**1,401,241**	1,085,012
		387,955	455,862	**1,401,241**	1,116,191
Current assets					
Stock	10	**12,458**	13,299	**-**	-
Debtors	11	**2,468,438**	2,544,504	**74,690**	220,454
Cash at bank and in hand		**523,541**	505,029	**355,341**	255,089
		3,004,437	3,062,832	**430,031**	475,543
Creditors: Amounts falling due within one year	12	**(908,320)**	(996,051)	**(20,196)**	(23,453)
Net current assets / (liabilities)		**2,096,117**	2,066,781	**409,835**	452,090
Total assets less current liabilities		**2,484,072**	2,522,643	**1,811,076**	1,568,281
Creditors: Amounts falling due after one year	13	**(1,554,326)**	(1,529,026)	**(1,150,000)**	(1,150,000)
Provisions for liabilities	14	**(14,322)**	(6,316)	**-**	-
Total net assets		**915,424**	987,301	**661,076**	418,281
Funds of the charity:					
Unrestricted funds	18	**274,529**	969,104	**274,529**	400,084
Designated funds	18	**572,948**	-	**318,600**	-
Restricted funds	18	**67,947**	18,197	**67,947**	18,197
Total funds		**915,424**	987,301	**661,076**	418,281

The financial statements were approved by the Board and authorised for issue on 14 July 2021 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 54 to 80 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2020

	The group 2020 £	2020 £	The group 2019 £	2019 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**227,362**		252,793	
Depreciation charges	**123,921**		126,615	
Investment income receivable	**(4,846)**		(8,595)	
Interest on borrowings	**96,200**		63,764	
Gain on disposal of tangible fixed assets	**(1,338)**		-	
(Increase) / decrease in stock	**(188)**		3,069	
Increase in debtors	**(177,678)**		(610,547)	
(Decrease) / increase in creditors	**(158,168)**		309,046	
Increase in deferred tax provision	**8,066**		1,469	
Net cash flows from operating activities		**113,331**		137,614
Cash flows from investing activities				
Interest receivable and similar income	**4,846**		8,595	
Purchase of tangible fixed assets	**(88,371)**		(106,172)	
Proceeds from sale of tangible fixed assets	**1,552**		-	
Net cash flows from investing activities		**(81,973)**		(97,577)
Cash flows from financing activities				
New loans obtained during the period	**891,517**		1,571,583	
Loans repaid during the period	**(757,976)**		(1,250,225)	
Interest paid on borrowings	**(96,200)**		(63,764)	
Net cash flows from financing activities		**37,341**		257,594
Net increase in cash and cash equivalents		**68,699**		(297,631)
Cash and cash equivalents at 1 January 2020		**505,029**		229,237
Exchange loss on cash and cash equivalents		**(50,187)**		(21,839)
Cash and cash equivalents at 31 December 2020		**523,541**		**505,029**

All of the cash flows are derived from continuing operations during the current and prior year.

The notes on pages 54 to 80 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation and statement of compliance

MicroLoan Foundation is a private company limited by guarantee (incorporated in England under the Companies Act) and a charity registered with the Charity Commission for England & Wales and the Office of the Scottish Charity Regulator. The charitable company's registered office address is 1-2 Paris Garden, London, SE1 8ND.

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

MicroLoan Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries on a line by line basis. The subsidiaries are MicroLoan Foundation Malawi (Registration Number 12509), MicroLoan Foundation Zambia (Registration Number 70587), and, in Zimbabwe, MicroLoan Trust Zimbabwe (Registration Number MA0000738/2016) and MicroLoan Foundation (Private) Limited (Registration Number 851/2016). All are incorporated locally in their respective country of operation.

Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes to the charitable company's balance sheet.

The presentational currency used in these financial statements is Pound Sterling. Amounts have been rounded to the nearest Pound.

Going concern

The financial statements have been prepared on a going concern basis.

As part of their assessment as to whether the use of the going concern basis is appropriate, the trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this asseement in respect of a period of at least one year from the date of approval of the financial statements..

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £2,181,259 (2019: £2,271,495).

Summary of disclosure exemptions

The charity has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to separately disclose transactions between members of the charitable group headed by WildHearts Foundation.

Income

Income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Income from donations and legacies is recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the donor specifies that the donation must be used in future accounting periods or imposes other conditions which must be fulfilled before the charity becomes entitiled to use such income, the income is deferred and not recognised until the pre-conditions have been met.

Grants receivable

Grant income is also recognised on an accruals basis at the point at which the requirements of entitlement, probability and reliability of measurement are fully satisfied.

Where the grant agreement contains performance or other pre-conditions which must be met before the charity becomes entitled to the funding, the grant income is deferred and released to income in the reporting period in which the conditions limiting recognition are met.

Donated resources and services

The activities of MicroLoan Foundation are supported by resources and services provided on a pro bono or discounted basis. In accordance with the Charities SORP (FRS 102), an amount is recognised within the Statement of Financial Activities as income when received, with a corresponding expense, where the benefit of these services is reasonably quantifiable and measurable.

Each year, the trustees undertake a comprehensive exercise in order to calculate on a consistent and systematic basis the value of in kind support received in the form of donated services and facilities. This value is determined by calculating the gross open market cost of undertaking each activity and then deducting amounts directly incurred by the charity. For the purposes of this calculation, no allowance has been made for irrecoverable VAT that could potentially have been incurred in respect of donated amounts in the open market. The trustees do not consider it practical to accurately determine the latter figure due to uncertainty over when VAT would or would not be applied.

Income from charitable activities

Income from charitable activities comprises of interest charged in respect of the microloans that we provide to our beneficiaries in order to make our lending activities sustainable. It is recognised on an accruals basis net of provision for bad debt.

Other trading activities

Income generated from fundraising events is recognised at the point of receipt.

Investment income

Investment income is included on an accruals basis and is stated gross of any taxation recoverable.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable that settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the use of the resources.

Raising funds

Costs of raising funds represent amounts incurred in undertaking fundraising events and in attracting other voluntary income.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature that are necessary to support them.

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient. In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as shown in Note 4.

Governance costs

Governance costs are those costs which are directly attributable to the governance arrangements of the charity and its strategic management.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Trading subsidiaries are subject to corporation tax in the countries that they operate in. Tax is recognised in the Statement of Financial Activities.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits of a trading subsidiary; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible fixed assets

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

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be included as a revaluation reserve within charitable funds.

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Website costs	33%

Investments

Programme related investments, which includes investments in the Charity's subsidiaries, are made in furtherance of the Charity's objectives and any investment return is secondary to the charitable purpose supported by the investment. Such investments are included at their cost less provision for impairment except for listed investments which are included at fair value (bid price). Any loss or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Stocks

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

Trade and other debtors

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings that are interest free or at a rate below prevailing market rates are treated as concessionary loans. Such loans are initially recorded at the amount received, with the carrying value subsequently adjusted to reflect repayments and any accrued interest.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method

Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension and other post retirement obligations

Contributions to defined contribution pension schemes are charged to the Statement of Financial Activities in the period in which they become payable.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date unless there is a matching forward currency contract in place. In such circumstances, the contracted rate of exchange is used.

Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

The Charity's overseas subsidiaries have different functional currencies from that of their parent. On consolidation, assets and liabilities of these subsidiaries are translated using the applicable exchange rate as at the balance sheet date. Transactions included within the Statement of Financial Activities are translated using the average exchange rate across the period. Foreign currency gains or losses arising in respect of the translation of overseas subsidiaries are reflected in the Statement of Financial Activities as other operating gains or losses.



Fund accounting

Reserves which can be used at the discretion of the trustees are classified as unrestricted funds. Designated funds, which are also unrestricted, represent amounts ringfenced or committed by the charity for specific charitable activities.

Restricted funds are to be used for specific purposes as laid down, either implicitly or explicitly, by the donor. Expenditure which meets the criteria is allocated to the appropriate fund, together with a fair allocation of overhead support cost.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities. These are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire or are settled

(b) the Charity transfers to another party substantially all the risks and rewards of ownership of the financial asset, or

(c) the Charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligation is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of concessionary loans and some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Statement of Financial Activities.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Derivative financial instruments

From time to time, the charity uses derivative financial instruments to reduce exposure to foreign exchange risk. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Financial Activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Charity designates certain derivatives as hedging instruments in fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the charity determines and documents causes for hedge ineffectiveness.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Financial Activities immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item.

Hedge accounting is discontinued when the charity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Financial activities from that date.

2 Income from donations and legacies

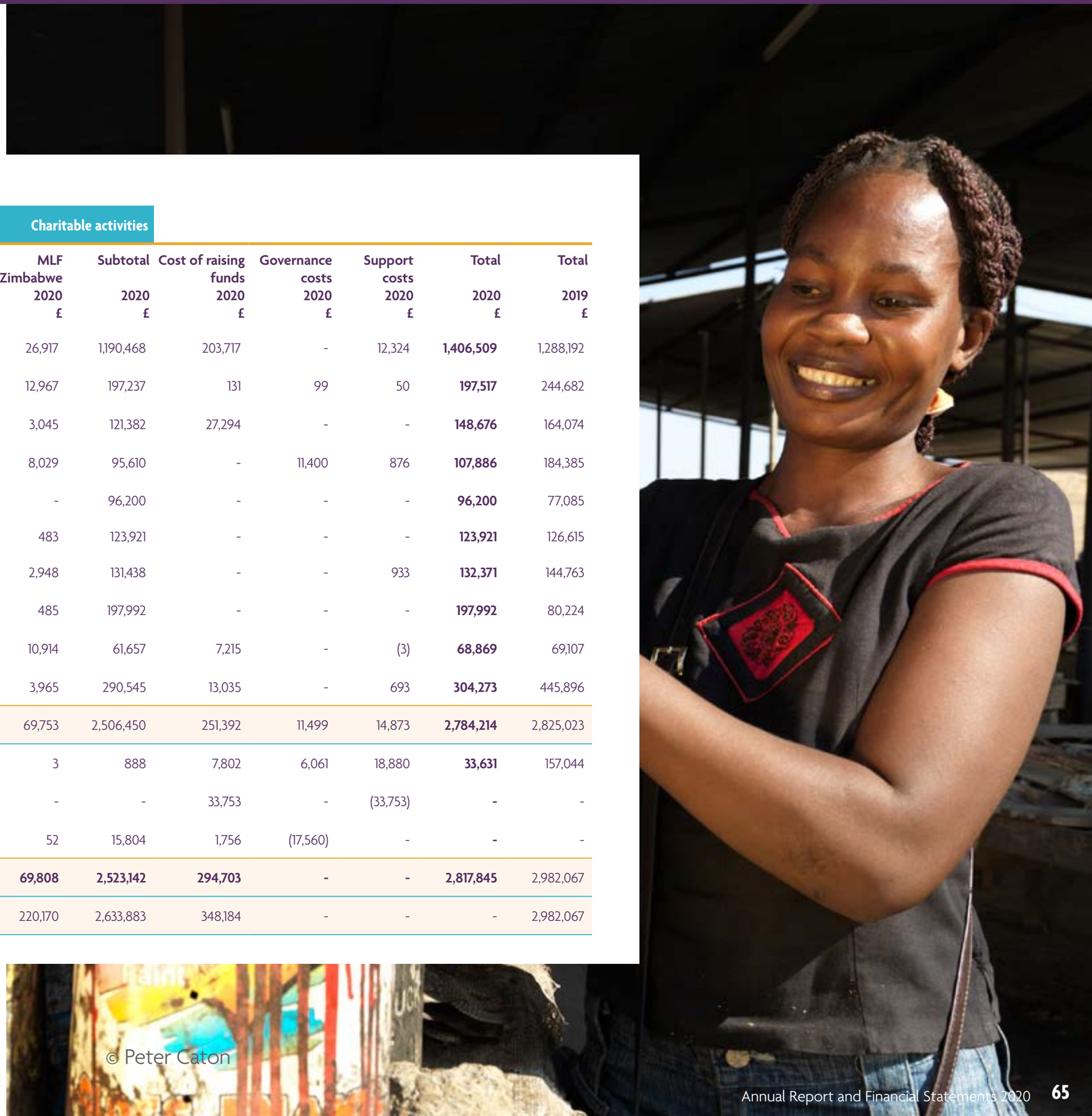
	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
Individuals and events	**298,427**	**73,962**	**372,389**	273,805	97,627	371,432
Trusts and institutions	**105,442**	**422,426**	**527,868**	115,556	373,448	489,004
Corporates	**19,444**	**10,100**	**29,544**	28,164	1,940	30,104
Donated services and facilities	**33,631**	-	**33,631**	157,044	-	157,044
	456,944	**506,488**	**963,432**	574,569	473,015	1,047,584

3 Investment income

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
Interest receivable	**4,846**	-	**4,846**	8,595	-	8,595

4 Expenditure analysis

	Charitable activities								
	MLF Malawi 2020 £	MLF Zambia 2020 £	MLF Zimbabwe 2020 £	Subtotal 2020 £	Cost of raising funds 2020 £	Governance costs 2020 £	Support costs 2020 £	Total 2020 £	Total 2019 £
Staff costs	748,503	415,048	26,917	1,190,468	203,717	-	12,324	**1,406,509**	1,288,192
Travel and subsistence	111,783	72,487	12,967	197,237	131	99	50	**197,517**	244,682
Premises costs	84,683	33,654	3,045	121,382	27,294	-	-	**148,676**	164,074
Legal and professional fees	29,445	58,136	8,029	95,610	-	11,400	876	**107,886**	184,385
Interest costs	55,987	40,213	-	96,200	-	-	-	**96,200**	77,085
Depreciation	81,791	41,647	483	123,921	-	-	-	**123,921**	126,615
Exchange (gains) / losses	31,555	96,935	2,948	131,438	-	-	933	**132,371**	144,763
Loan provisions and write-off	169,225	28,282	485	197,992	-	-	-	**197,992**	80,224
IT and telecommunications	40,462	10,281	10,914	61,657	7,215	-	(3)	**68,869**	69,107
Other costs	204,671	81,909	3,965	290,545	13,035	-	693	**304,273**	445,896
	1,558,105	878,592	69,753	2,506,450	251,392	11,499	14,873	**2,784,214**	2,825,023
In kind support	498	387	3	888	7,802	6,061	18,880	**33,631**	157,044
Support costs	-	-	-	-	33,753	-	(33,753)	**-**	-
Governance costs	8,862	6,890	52	15,804	1,756	(17,560)	-	**-**	-
Total expenditure	**1,567,465**	**885,869**	**69,808**	**2,523,142**	**294,703**	**-**	**-**	**2,817,845**	2,982,067
2019 expenditure analysis	1,470,849	942,864	220,170	2,633,883	348,184	-	-	-	2,982,067



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4 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2019 £	MLF Zambia 2019 £	MLF Zimbabwe 2019 £	Subtotal 2019 £	Cost of raising funds 2019 £	Governance costs 2019 £	Support costs 2020 £	Total 2019 £
Staff costs	645,044	385,753	46,079	1,076,876	195,148	-	16,168	**1,288,192**
Travel and subsistence	156,383	68,076	18,321	242,780	1,386	173	343	**244,682**
Premises costs	86,721	40,753	3,162	130,636	32,844	-	594	**164,074**
Legal and professional fees	27,350	87,935	53,841	169,126	-	11,400	3,859	**184,385**
Interest costs	61,877	13,321	-	75,198	-	-	1,887	**77,085**
Depreciation	81,110	44,053	1,452	126,615	-	-	-	**126,615**
Exchange (gains) / losses	3,836	60,898	76,135	140,869	-	-	3,894	**144,763**
Loan provisions and write-off	36,004	44,019	201	80,224	-	-	-	**80,224**
IT and telecommunications	37,655	12,535	9,880	60,070	8,122	49	866	**69,107**
Other costs	269,723	146,950	7,412	424,085	19,331	1,145	1,335	**445,896**
	1,405,703	904,293	216,483	2,526,479	256,831	12,767	28,946	**2,825,023**
In kind support	54,950	32,534	3,110	90,594	42,112	5,911	18,427	**157,044**
Support costs	-	-	-	-	47,373	-	(47,373)	**-**
Governance costs	10,196	6,037	577	16,810	1,868	(18,678)	-	**-**
Total expenditure	**1,470,849**	**942,864**	**220,170**	**2,633,883**	**348,184**	**-**	**-**	**2,982,067**

The above prior year cost analysis has been restated to disaggregate certain cost categories that were previously included under 'other' so as to enhance understanding of the cost base and also to correct a misallocation of prior year costs between MLF Malawi and MLF Zambia. The impact of this restatement is that prior year costs allocated to Malawi have been reduced by £95,603 and prior year costs allocated to Zambia have increased by £95,603. There has been no change to total prior year costs allocated to charitable activities or prior year total costs.

5 Staff costs

	2020 £	2019 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,235,212**	1,116,957
Social security costs	**32,126**	29,165
Pension costs	**77,453**	70,674
	1,344,791	1,216,796

The number of employees receiving emoluments of more than £60,000 was as follows:

	2020 £.	2019 £.
£80,000 - £89,999	2	1
£70,000 - £79,999	1	1
£60,000 - £69,999	-	-
	3	2

Pension contributions made on behalf of these employees totalled £6,068 (2019: £5,350).

The trustees consider key management personnel during 2020 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries and the UK Chief Financial Officer. Emoluments totalling £322,743 (2019: £289,760) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

The average number of persons employed by the charity during the year was as follows:

	2020 No.	2019 No.
Malawi	**110**	99
Zambia	**82**	71
Zimbabwe	**15**	15
Raising funds	**6**	6
Governance and administration	**3**	3
	216	194

6 Trustee remuneration and expenses

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. No expenses were reimbursed to trustees during the current or prior year.

7 Net income/ (expenditure) for the year

	2020 £	2019 £
This is stated after charging:		
Depreciation	**123,921**	126,615
Auditor's remuneration – audit	**11,400**	11,400
Operating lease expenses – property	**88,973**	99,547

8 Tangible Fixed Assets

	The group					
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Website costs £	Total £
Cost						
At 1 January 2020	99,726	166,315	229,367	442,127	22,645	**960,180**
Forex adjustment	(7,663)	(32,705)	(8,552)	(75,910)	-	**(124,830)**
Additions	-	16,422	11,024	60,925	-	**88,371**
Disposals	-	(667)	(520)	(4,531)	-	**(5,718)**
Revaluations	36,264	-	-	-	-	**36,264**
At 31 December 2020	128,327	149,365	231,319	422,611	22,645	**954,267**
Depreciation						
At 1 January 2020	(14,307)	(67,996)	(149,772)	(249,598)	(22,645)	**(504,318)**
Forex adjustment	1,100	11,927	4,832	38,564	-	**56,423**
Charge for the year	(1,783)	(18,109)	(47,431)	(56,598)	-	**(123,921)**
On disposals	-	667	520	4,317	-	**5,504**
Revaluations	-	-	-	-	-	**-**
At 31 December 2020	(14,990)	(73,511)	(191,851)	(263,315)	(22,645)	**(566,312)**
Net book value						
At 31 December 2020	113,337	75,854	39,468	159,296	-	**387,955**
At 31 December 2019	85,419	98,319	79,595	192,529	-	**455,862**

	The charity		
	Computer equipment £	Website costs £	Total £
Cost			
At 1 January 2020	118,066	22,645	**140,711**
Additions	-	-	**-**
Disposals	-	-	**-**
At 31 December 2020	118,066	22,645	**140,711**
Depreciation			
At 1 January 2020	(86,887)	(22,645)	**(109,532)**
Charge for the year	(31,179)	-	**(31,179)**
On disposals	-	-	**-**
At 31 December 2020	(118,066)	(22,645)	**(140,711)**
Net book value			
At 31 December 2020	-	-	**-**
At 31 December 2019	31,179	-	**31,179**

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2020	1,142,372
Additions	316,229
At 31 December 2020	1,458,601
Provision	
At 1 January 2020	(57,360)
Charge for the year	-
At 31 December 2020	(57,360)
Net book value	
At 31 December 2020	1,401,241
At 31 December 2019	1,085,012

Additions to investments represent new capital injected into the three wholly owned subsidiaries through a combination of cash advances and conversion of intercompany debt. This was done as part of the strategy to fund their expansion.

A summary of the results and the aggregate of share capital and reserves of the subsidiaries, converted into British Pound, is shown below.

	Income	Expenditure	Result for the year	Aggregate of share capital and reserves
	£	£	£	£
MLF Malawi	1,505,775	(1,490,398)	15,377	1,180,399
MLF Zambia	720,196	(794,530)	(74,334)	459,393
MLF Zimbabwe	62,762	(64,293)	(1,531)	1,206
	2,288,733	(2,349,221)	(60,488)	1,640,998

The activities of the above have been consolidated and therefore are included in the Group result. A description of their activities is included in the annual report.

10 Stock

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Consumables held	**12,458**	13,299	-	-

11 Debtors

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Amounts due from group undertakings	**-**	-	**67,359**	206,725
Microcredit loans	**2,181,259**	2,271,495	**-**	-
Other debtors and prepayments	**287,179**	273,009	**7,331**	13,729
	2,468,438	2,544,504	**74,690**	220,454

12 Creditors: amounts falling due within one year

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Trade creditors	**8,074**	22,200	**1,107**	5,167
Taxation and social security	**27,960**	36,584	**4,096**	3,897
Other creditors and accruals	**102,663**	275,885	**14,993**	14,389
Loans	**769,623**	661,382	**-**	-
	908,320	996,051	**20,196**	23,453

Further information in respect of loans outstanding is provided at note 13.

13 Creditors: amounts falling due after one year

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Loan repayments due:				
In 1 - 2 years	**262,897**	379,026	**-**	-
In 2 - 5 years	**1,291,429**	1,150,000	**1,150,000**	1,150,000
	1,554,326	1,529,026	**1,150,000**	1,150,000

Loans represent amounts borrowed by various MLF entities to fund activities. Details of the loan providers, the entity the loan is with, the currency in which the loan is denominated and the applicable interest rate are set out below:

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,150,000	UK	GBP	Nil
KIVA Microfunds	182,345	Malawi	USD	Nil
Grameen Credit Agricole Microfinance Foundation	41,825	Malawi	MWK	20.0%
Grameen Credit Agricole Microfinance Foundation	237,643	Malawi	MWK	18.0%
Grameen Credit Agricole Microfinance Foundation	211,559	Zambia	ZMW	32.2%
FDH	112,122	Malawi	MWK	18.0%
Lendwithcare	126,163	Malawi	USD	Nil
Lendwithcare	70,050	Zambia	ZMW	Nil
Paul Foundation	192,242	Zambia	USD	3.0%
	2,323,949			

14 Provisions for liabilities

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Deferred Tax				
Amounts payable to the Malawi Revenue Authorities	**14,322**	-	-	-
Amounts payable to the Zambian Revenue Authorities	**-**	6,316	-	-
	14,322	6,316	-	-

At 31 December 2020, the group also had unrecognised deferred tax assets of £Nil (2019: £31,474) in respect of Malawi, £16,077 (2019: £nil) in respect of Zambia, and £43 (2019: £21,485) in respect of Zimbabwe.

15 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £79,085 (2019: £70,674).

16 Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
In less than one year	**22,190**	20,726	**-**	20,726
In one to five years	**8,826**	-	**-**	-
More than five years	**-**	-	**-**	-
	31,016	20,726	**-**	20,726

17 Analysis of group net assets between funds

	Unrestricted	Restricted		Unrestricted	Restricted	
	2020	2020	Total 2020	2019	2019	Total 2019
	£	£	£	£	£	£
Tangible fixed assets	**387,955**	**-**	**387,955**	455,862	-	455,862
Net current assets	**2,028,170**	**67,947**	**2,096,117**	2,048,584	18,197	2,066,781
Long term liabilities	**(1,554,326)**	**-**	**(1,554,326)**	(1,529,026)	-	(1,529,026)
Deferred tax liability	**(14,322)**	**-**	**(14,322)**	(6,316)	-	(6,316)
	847,477	**67,947**	**915,424**	969,104	18,197	987,301

18 Funds

	Balance at 1 January 2020	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2020
	£	£	£	£	£	£
Unrestricted funds						
General fund	969,104	2,538,719	(2,361,107)	(299,239)	(572,948)	**274,529**
Designated funds:: Africa Investment	-	-	-	-	572,948	**572,948**
	969,104	**2,538,719**	**(2,361,107)**	**(299,239)**	**-**	**847,477**
Restricted funds						
Malawi	11,299	259,575	(233,974)	-	-	**36,900**
Zambia	3,293	148,951	(146,204)	-	-	**6,040**
Zimbabwe	-	67,212	(62,955)	-	-	**4,257**
Africa general		20,750				**20,750**
UK infrastructure	3,605	10,000	(13,605)	-	-	**-**
	18,197	**506,488**	**(456,738)**	**-**	**-**	**67,947**
Total funds	**987,301**	**3,045,207**	**(2,817,845)**	**(299,239)**	**-**	**915,424**

	Balance at 1 January 2019	Income	Expenditure	Other recognised gains/ (losses)	Transfers	Balance at 31 December 2019
	£	£	£	£	£	£
Unrestricted funds						
General fund	689,362	2,761,844	(2,351,789)	(130,313)	-	**969,104**
Restricted funds						
Malawi	-	213,810	(202,511)	-	-	**11,299**
Zambia	93,330	190,596	(280,633)	-	-	**3,293**
Zimbabwe	32,189	68,609	(100,798)	-	-	**-**
UK infrastructure	49,941	-	(46,336)	-	-	**3,605**
	175,460	**473,015**	**(630,278)**	**-**	**-**	**18,197**
Total funds	**864,822**	**3,234,859**	**(2,982,067)**	**(130,313)**	**-**	**987,301**

The designated 'Africa Investment' fund reflects the book value of assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans. It is calculated net of any long term borrowings that have been used to finance this investment. This fund is now shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £105,917 in respect of a revaluation reserve created in respect of land and buildings owned in Malawi.

Restricted funds represent the total of individual fund balances received for activities within the charity's countries of operation, as indicated by the fund name. The 'Africa general' fund comprises of amounts where the donors have stipulated that the funds should be applied directly to our projects within Africa but have not specified a particular country.

The trustees do not consider there to be any individually material amounts within each aggregated fund balance that would require separate disclosure.

19 Financial Instruments

	2020 £	2019 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	2,991,979	3,049,533
	2,991,979	**3,049,533**
Financial liabilities measured at amortised cost	110,737	298,085
Loan commitments measured at cost less impairment	2,323,949	2,190,408
	2,434,686	**2,488,493**

Financial assets measured at fair value
There are no financial assets measured at fair value.

Financial assets that are debt instruments measured at amortised cost
This comprises of microcredit loans, trade debtors, other debtors, cash and cash equivalents (as applicable).

Financial liabilities measured at historic cost
This comprises of trade creditors, other creditors and accruals.

Loan commitments measured at cost less impairment
This comprises of loans

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2020	-	-		
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,081,775		-	-
	2,081,775	**-**	**-**	**-**
2019				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,187,275	-	-	-
	2,187,275	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £2,081,775 (2019: £2,187,275).

Impairment
Microcredit loans
The amount of the impairment loss during the year is £197,992 (2019: £80,150). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £197,992 (2019: £80,150).

Fair Value Hedges
Currency forwards - contracts to buy
The group is exposed to foreign currency risk when it borrows in currencies other than the functional currency. The Charity's policy is to hedge this risk wherever it is practical and affordable using forward foreign currency contracts.

Interest rate swaps
From time to time, the group may also enter into interest rate swaps in respect of foreign currency borrowings in order to reduce exposure to foreign currency risk in respect of scheduled interest payments.

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2019: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2019: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2020 £	Cash flows £	Other non-cash changes £	At 31 December 2020 £
Cash at bank and in hand	505,029	68,699	(50,187)	523,541
Total cash and cash equivalents	**505,029**	**68,699**	**(50,187)**	**523,541**
Loans falling due within one year	(661,382)	(757,976)	649,735	(769,623)
Loans falling due after more than one year	(1,529,026)	891,517	(916,817)	(1,554,326)
Total	**(1,685,379)**	**202,240**	**(317,269)**	**(1,800,408)**

21 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. The member is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation..

22 Ultimate controlling party

The charity's ultimate parent undertaking and controlling party is WildHearts Foundation Limited, a registered Scottish charity (SC037072) and a company limited by guarantee (SC290665). Copies of its consolidated financial statements are available from Companies House.



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MicroLoan Foundation's companies and advisors

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