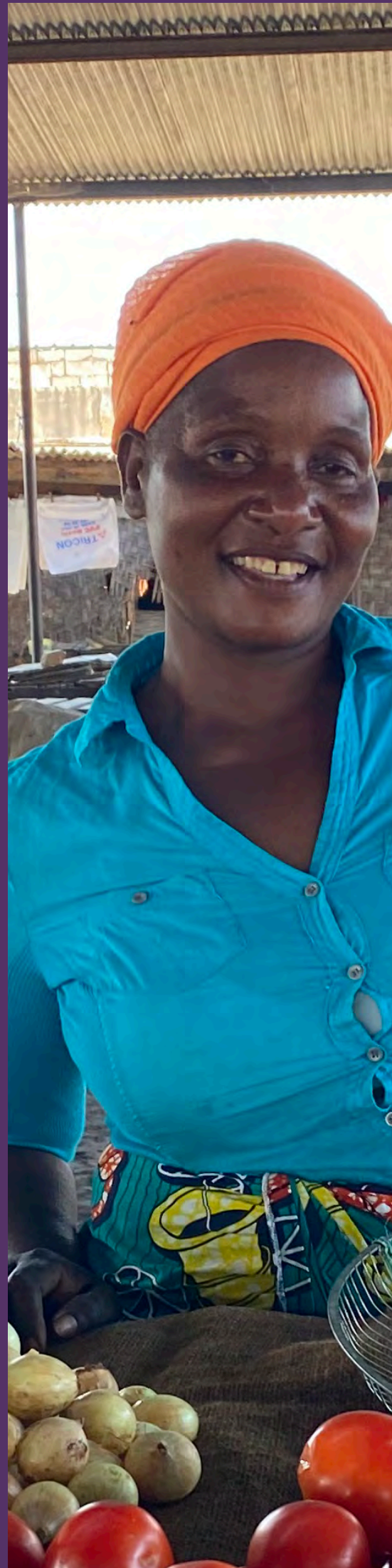


A vibrant photograph of a group of African women standing outdoors under a tree. They are all smiling and clapping their hands. The woman in the foreground on the left wears a red and gold patterned top and a blue skirt with white floral designs. The woman next to her wears a light green top with small floral patterns and a colorful patterned skirt. Other women are visible in the background, some wearing traditional headwraps and colorful clothing.

Annual Report and Financial Statements 2023

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.

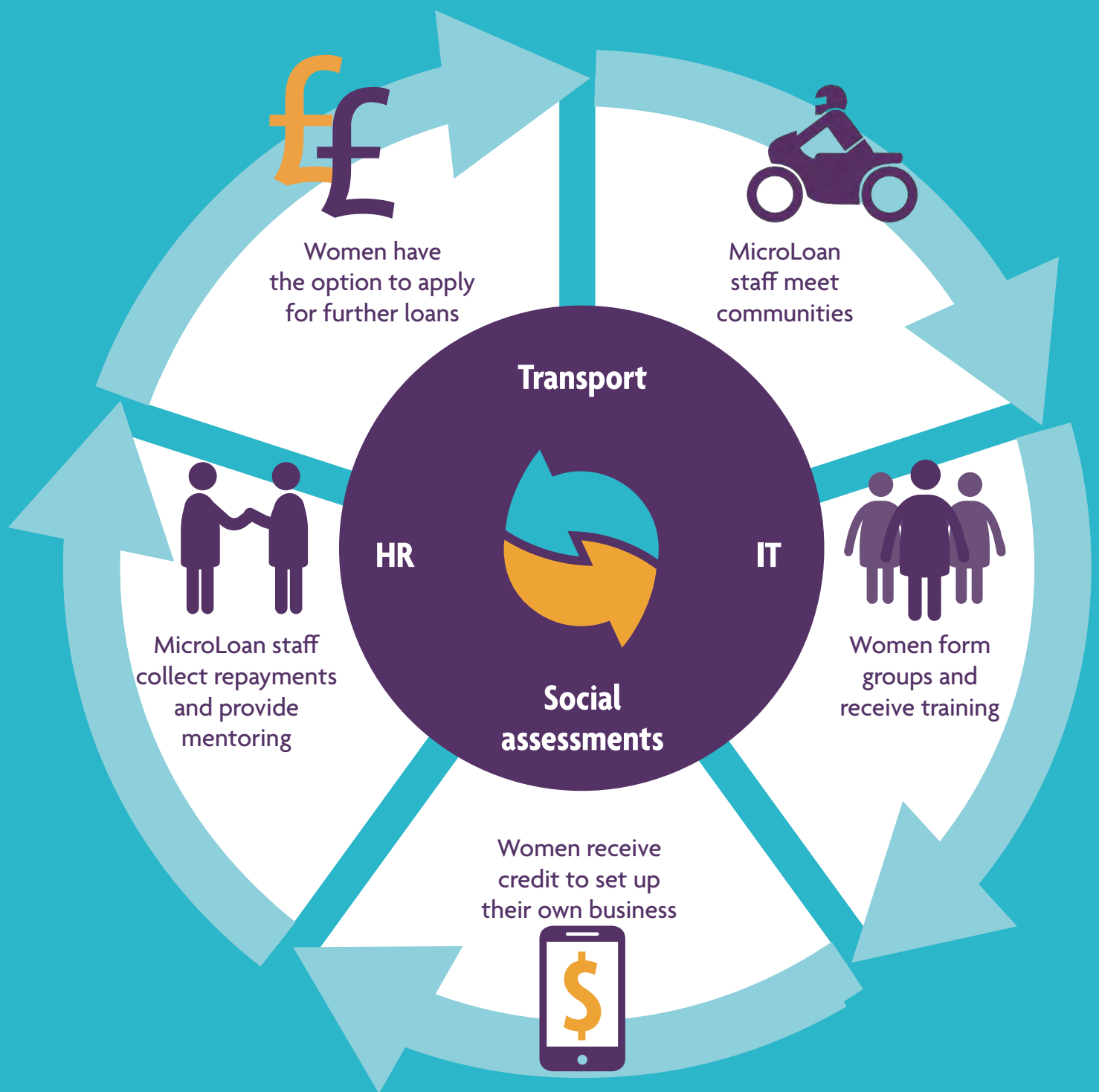
Before accessing their loans, the group completes seven training modules to develop financial literacy skills and learn about their rights and responsibilities.

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.



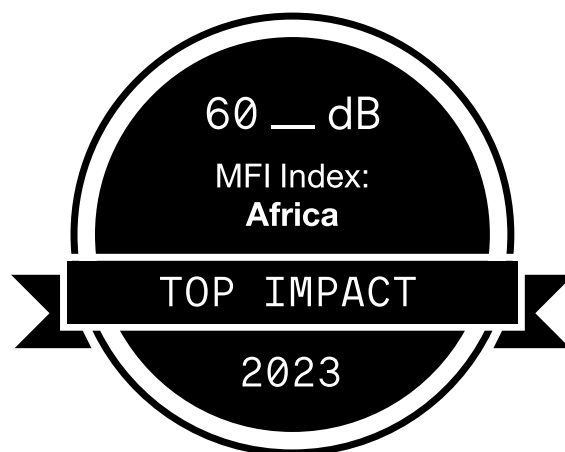
Social impact 2023

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.

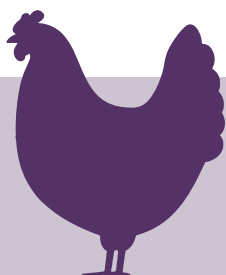


Over 17% of client who have been with MicroLoan for more than one year are moving out of extreme poverty. In addition to poverty reduction, the women report a range of positive changes in their lives. As they invest in income generating activities, their household income increases and their whole family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



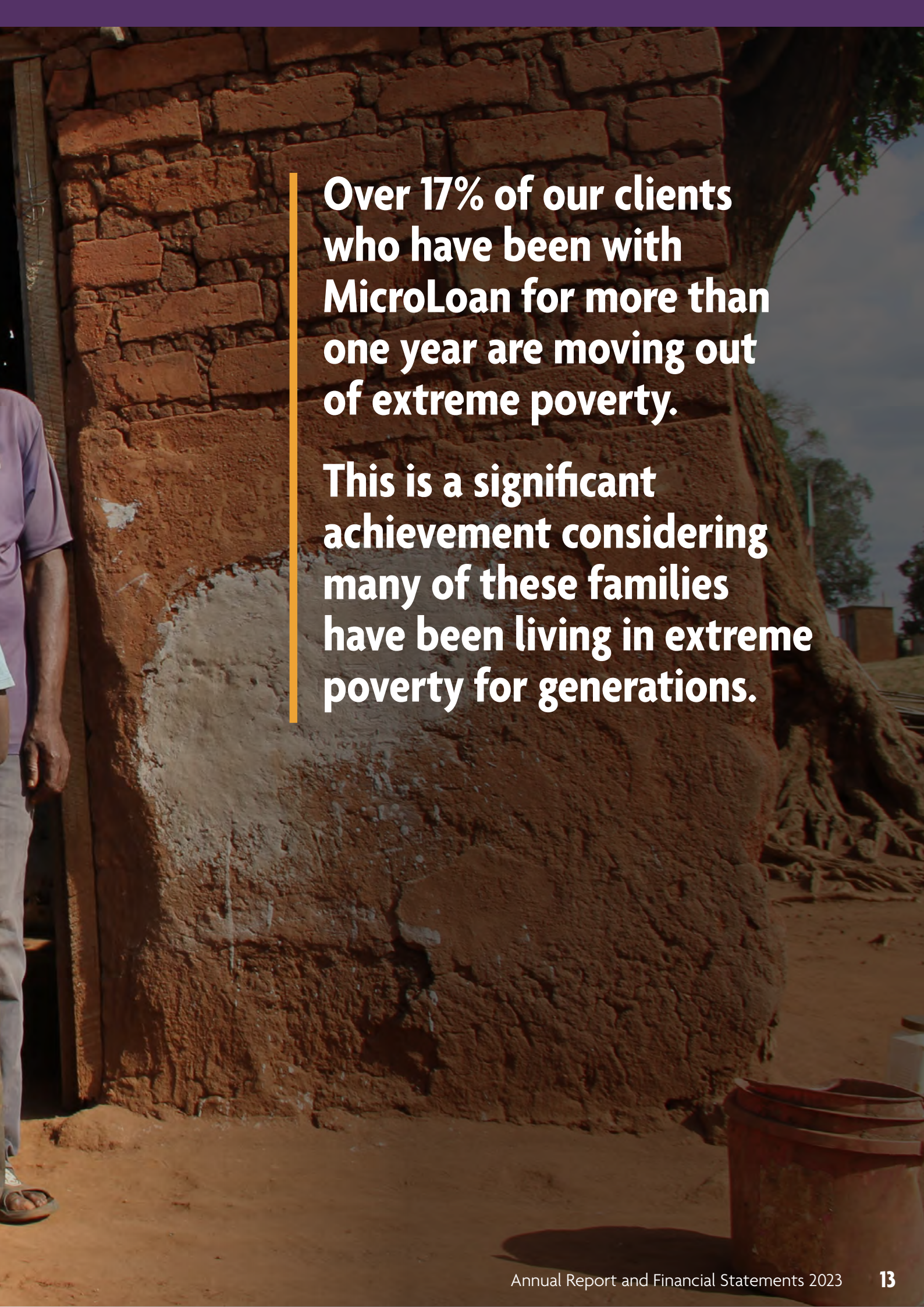
average increase in business profits after joining MicroLoan

77%



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



A photograph of a person standing next to a wall made of mud bricks. The wall is made of reddish-brown bricks, some of which are missing or crumbling, revealing a lighter-colored plaster underneath. To the right of the wall, a large, thick tree trunk is visible. The ground is dry and dusty. In the bottom right corner, there is a red plastic bucket. The overall scene suggests a rural or developing area.

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

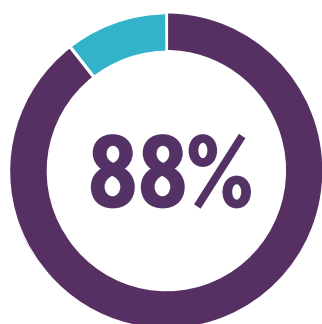
**This is a significant
achievement considering
many of these families
have been living in extreme
poverty for generations.**

Food security and the intersection with climate change

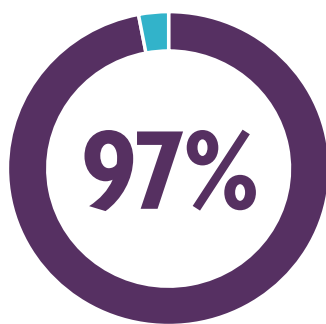
Women play a vital role in the food system on a national, local and household level. Our clients are market vendors, restaurateurs, bakers, traders, farmers and consumers.

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



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





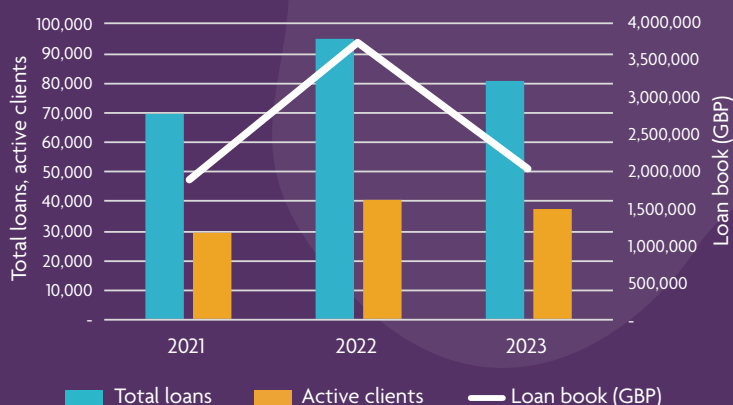
**98% of clients report
an improvement in
their quality of life.**

Operations in Malawi

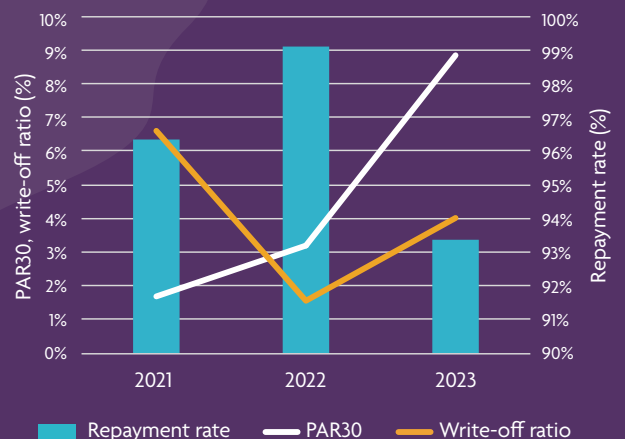
ZAMBIA

ZIMBABWE

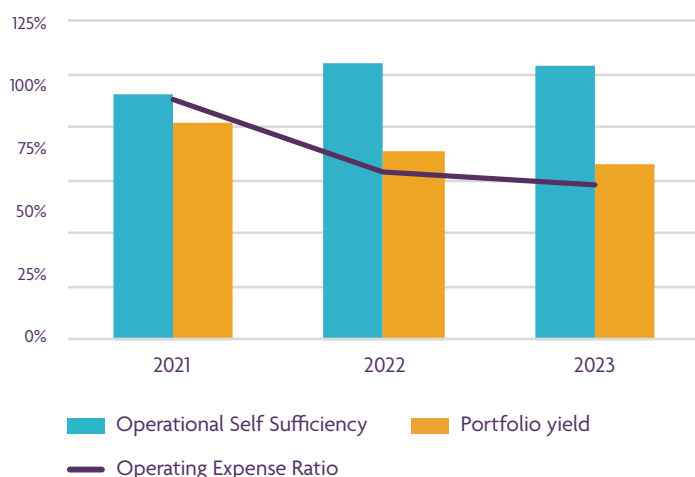
Total loans, active clients
& outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



	2021	2022	2023
Total loans made	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 Sufficiency 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.

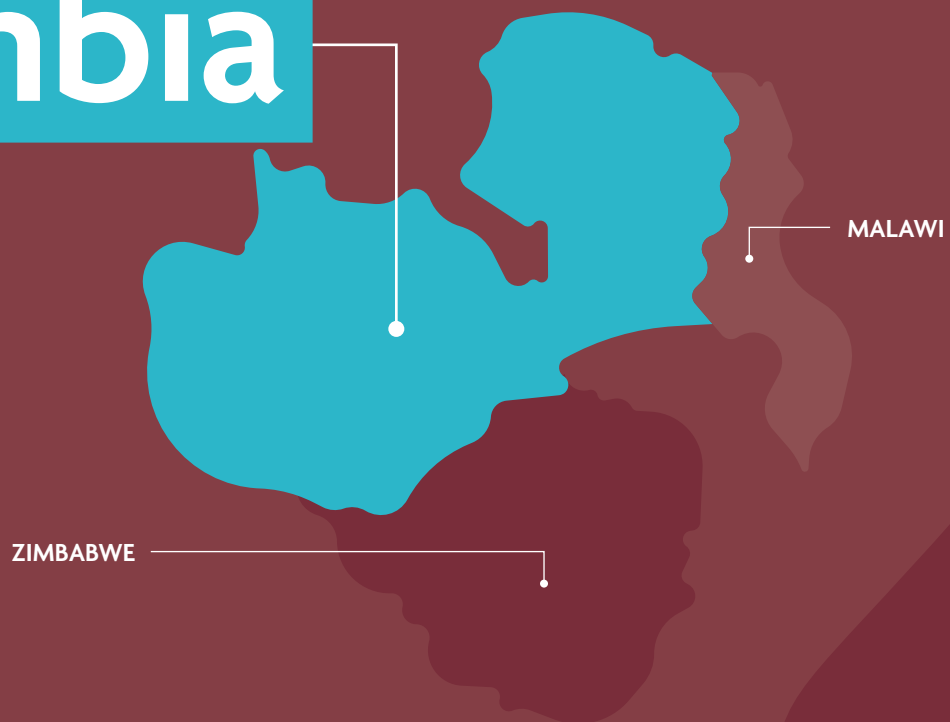
In 2024, MicroLoan Malawi's key focus will be on portfolio quality and fine-tuning the centre model methodology, which is already in operation across its branches.

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.

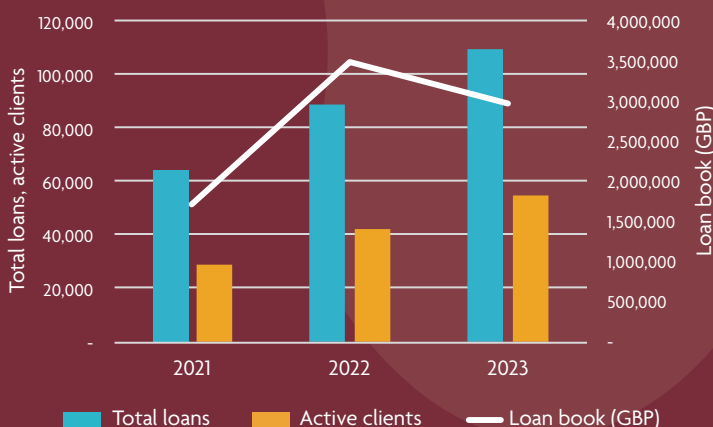
During the year, we welcomed a new Chief Financial Officer and appointed a new Chief Operations Officer. They bring extensive operational experience and skills, and this enhancement to the leadership team will enable the organisation to successfully deliver on its strategic goals in the years to come.



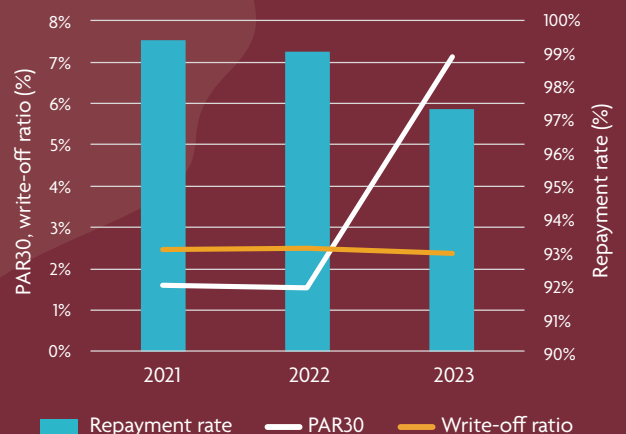
Operations in Zambia



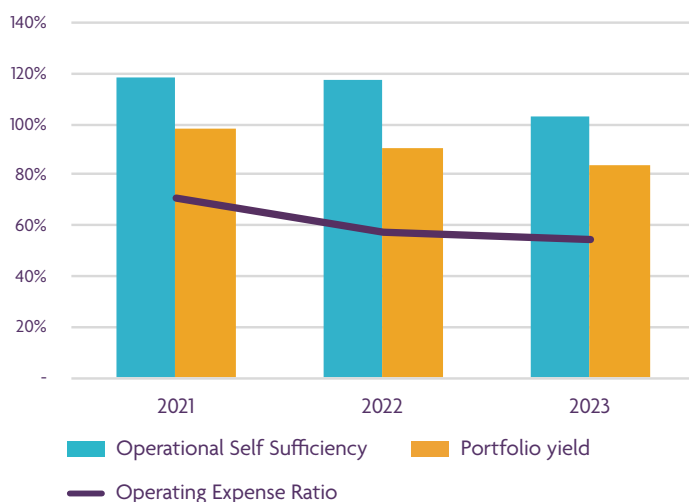
Total loans, active clients
& outstanding loan book



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 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

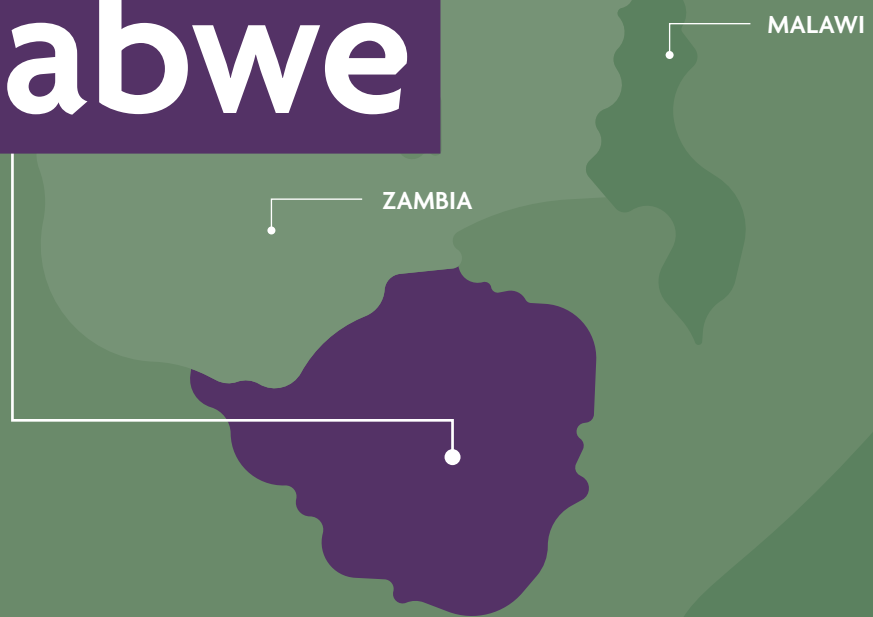
During the year we saw strong performance by the leadership team and Board of Directors. It is with great sadness we report on the passing of MicroLoan Zambia's Board member Mr Kennedy Kanenga. Kennedy joined MicroLoan Zambia in 2009 as one of the founding members of the Board and served previously as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

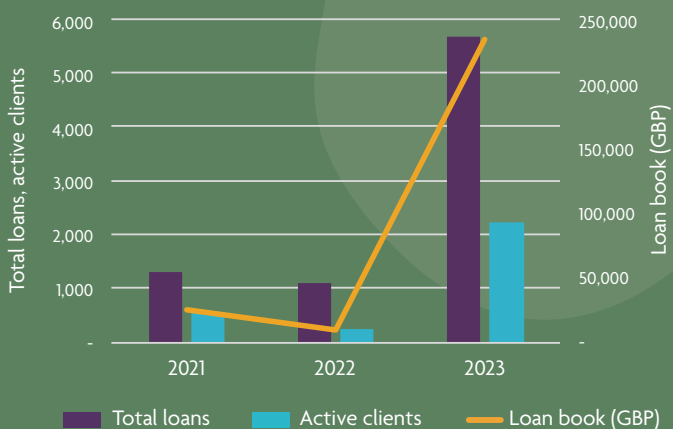
In 2024, MicroLoan Zambia will open two new branches to continue its expansion, continue its digital innovation and product development, and focus on maintaining a strong portfolio quality. MicroLoan Zambia is looking to build on existing partnerships and forge new ones to continue delivering its social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



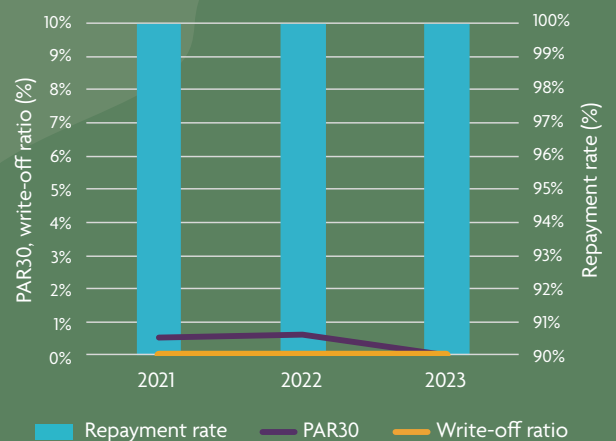
Operations in Zimbabwe



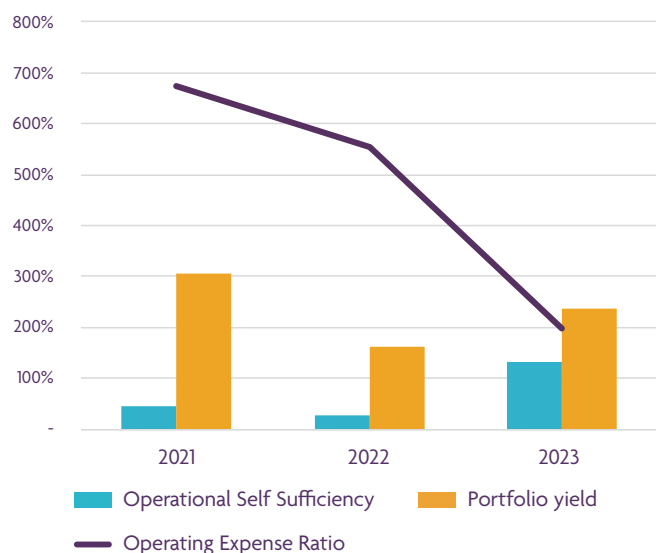
Total loans, active clients & outstanding loan book



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

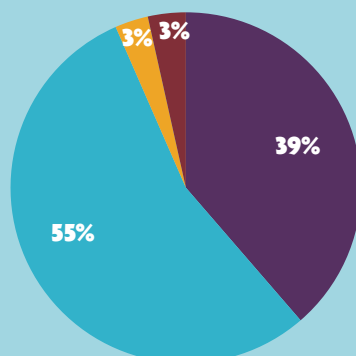
informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

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

- Individuals and events
- Trusts and institutions
- Corporates
- Donated services and facilities



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



		Unrestricted	Restricted		Unrestricted	Restricted	
	Note	funds 2023 £	funds 2023 £	Total 2023 £	funds 2022 £	funds 2022 £	Total 2022 £
<i>Income from:</i>							
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
<i>Expenditure on:</i>							
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
<i>Reconciliation of funds:</i>							
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

		Unrestricted	Restricted		Unrestricted	Restricted	
	Note	funds 2023 £	funds 2023 £	Total 2023 £	funds 2022 £	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.



		The group		The charity	
	Note	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 £
<i>Cash flows from operating activities</i>				
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)
<i>Cash flows from investing activities</i>				
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)
<i>Cash flows from financing activities</i>				
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.

Notes to the Financial Statements for the year ended 31 December 2023

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.



Notes to the Financial Statements for the year ended 31 December 2023

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	Restricted		Unrestricted	Restricted	
	funds 2023 £	funds 2023 £	Total 2023 £	funds 2022 £	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	Restricted		Unrestricted	Restricted	
	funds 2023 £	funds 2023 £	Total 2023 £	funds 2022 £	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	Zambia	Zimbabwe	Subtotal	Cost of raising funds	Governance costs	Support costs	Total	Total
	2023	2023	2023	2023	2023	2023	2023	2023	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





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 £
<i>Loan repayments due:</i>				
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.

Notes to the Financial Statements for the year ended 31 December 2023

<i>Loan provider</i>	<i>Outstanding £</i>	<i>Borrower</i>	<i>Currency</i>	<i>Interest rate</i>
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 £
<i>Deferred Tax</i>				
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 £
<i>Categorisation of financial instruments</i>		
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

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