microloan foundation

Annual Report and Financial Statements 2022

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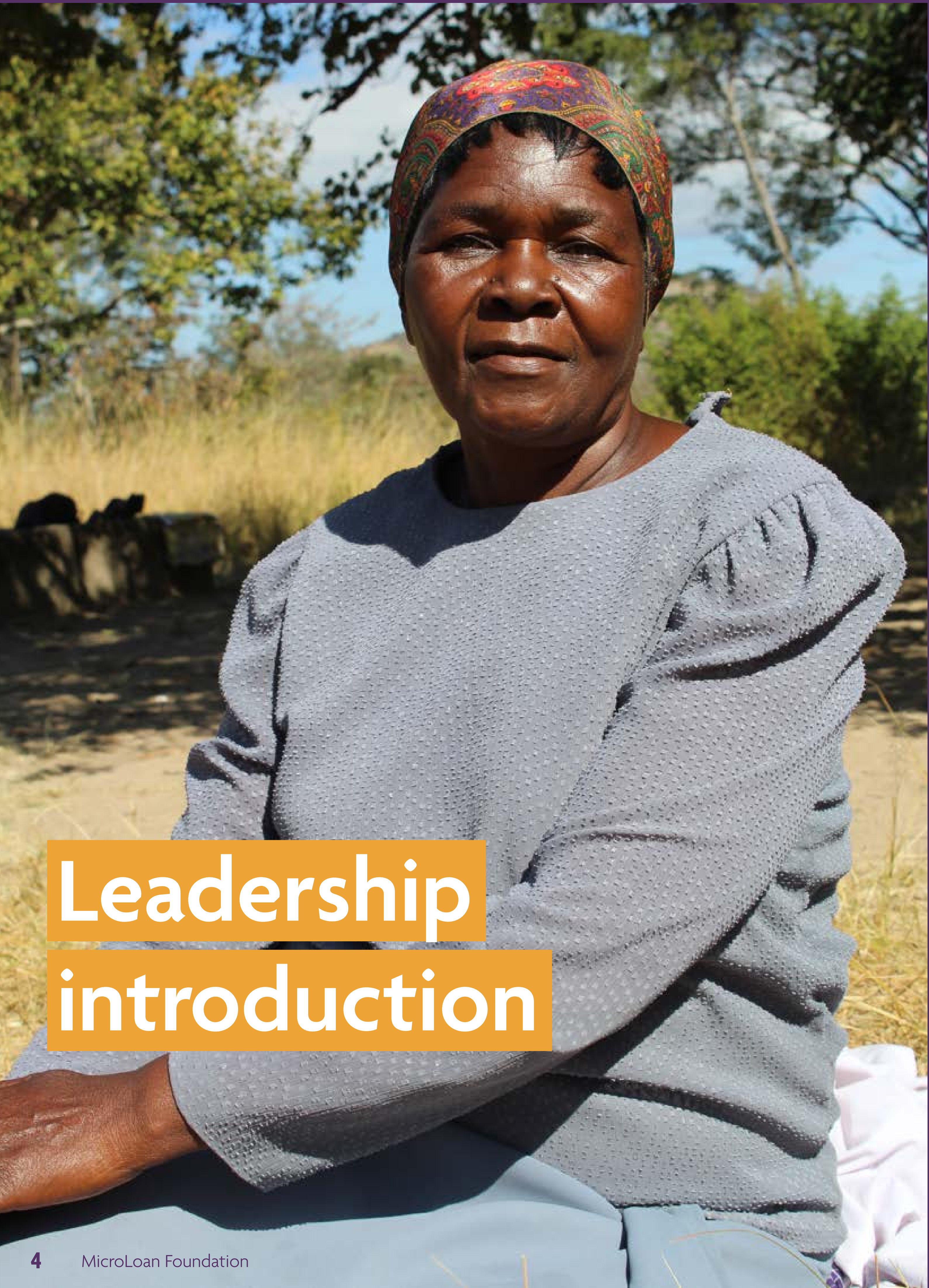
Registered charity number: 1104287 (England and Wales); SC041941 (Scotland)
Company limited by guarantee registered company number: 04828558 (England and Wales)

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

Contents



Leadership introduction

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

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

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

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

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

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

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

Dr Mick Jackson
Chairman

Medha Wilson
Group Chief Executive Officer

How we work

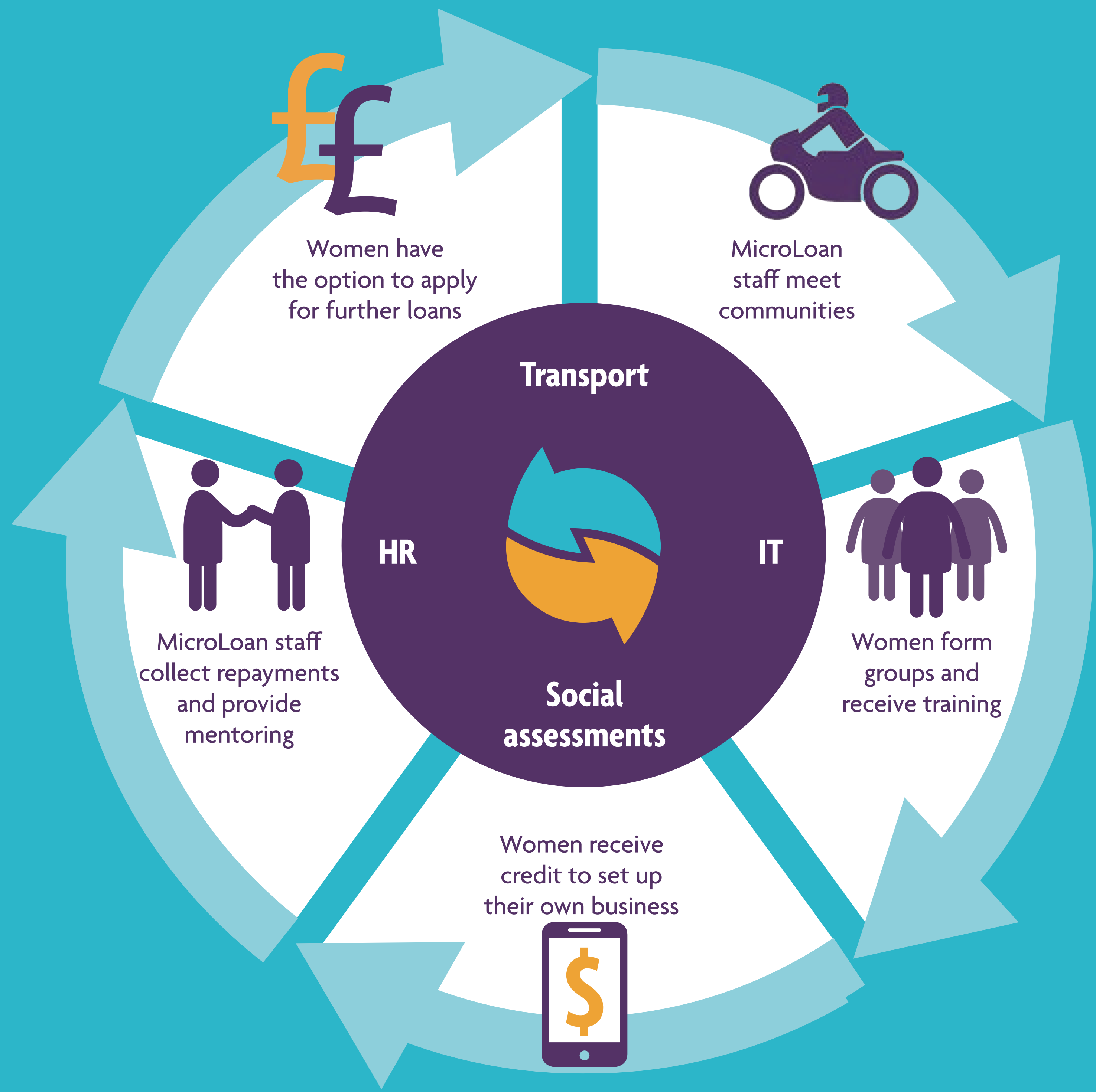
MicroLoan's vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families. We provide loans, training and ongoing business support to women in Malawi, Zambia and Zimbabwe, giving them the opportunity to kickstart their own income generating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

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

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

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

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



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

20 years of impact

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

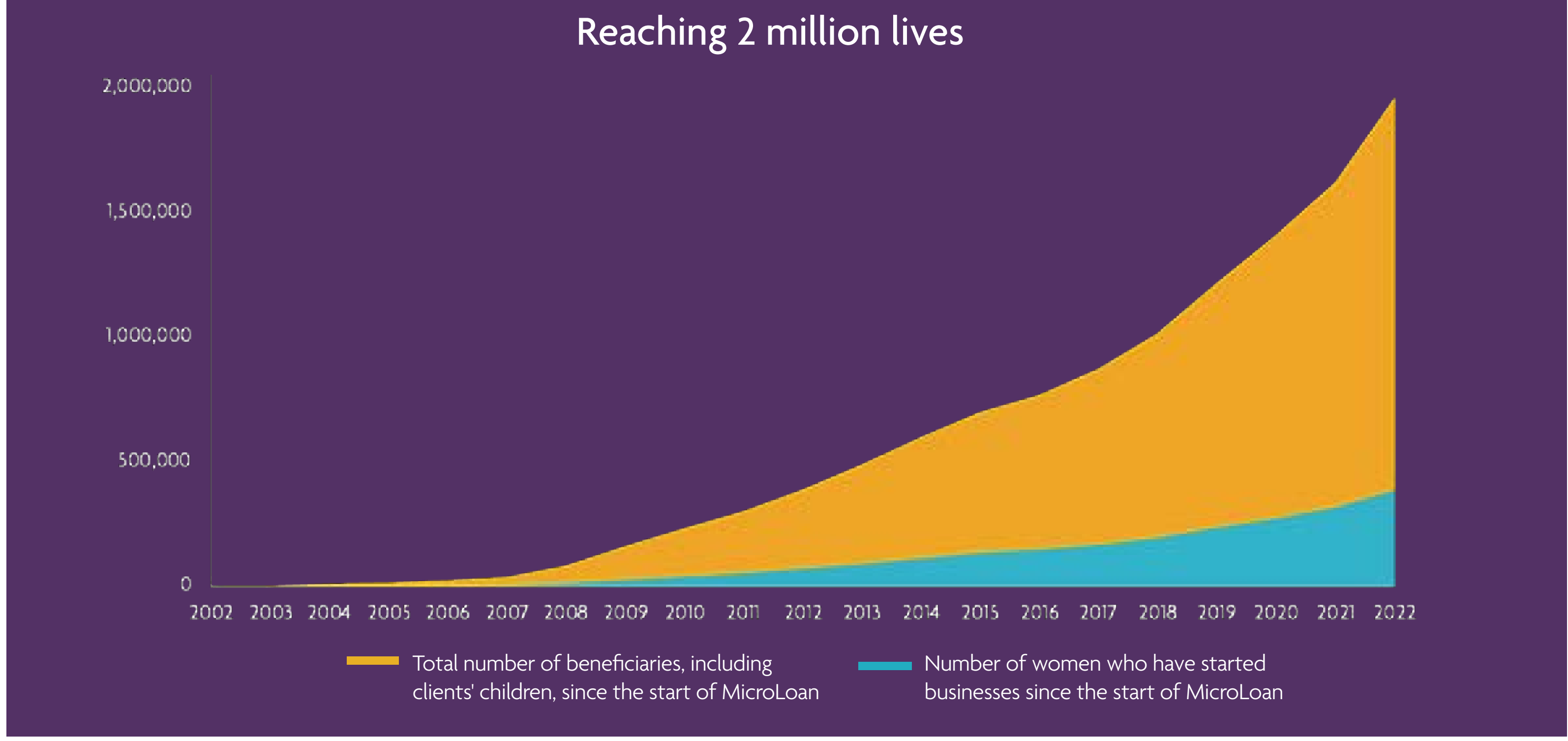
Through macroeconomic challenges, disease outbreaks, and natural disasters brought on by climate change, we continue to support hard-working women on their entrepreneurial journey.

Over

£98 million

has been disbursed through 1.4 million loans.

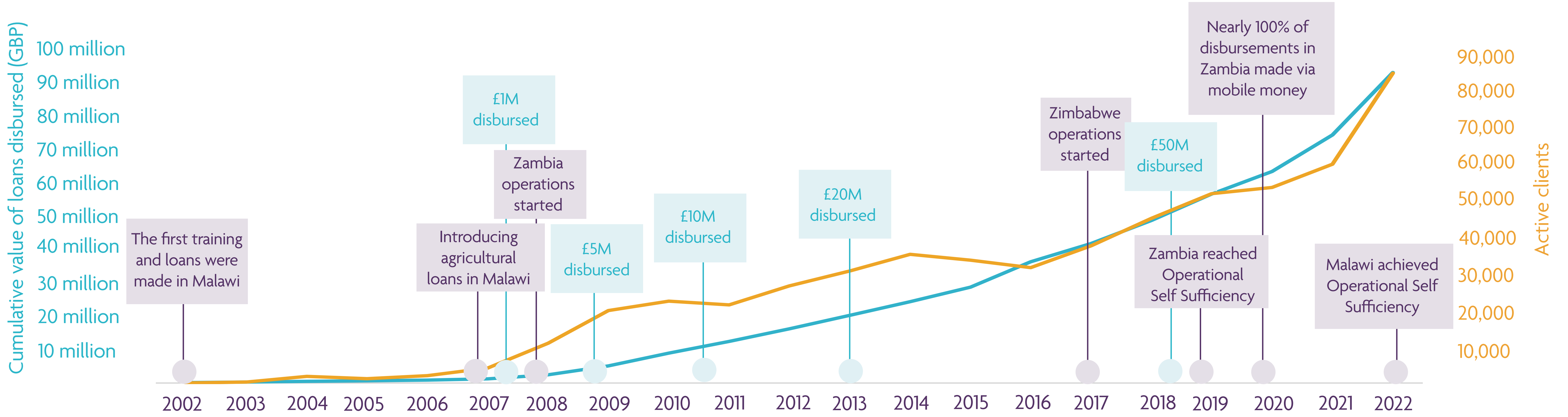
To date over 390,000 women have taken the opportunity to build a business. Their hard work has given more than 1.63 million children and vulnerable adults improved living conditions and access to food, healthcare and education.



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

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

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



Social impact

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

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

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

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

Building resilience

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

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

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

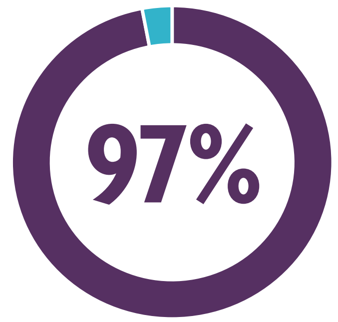
We have seen how the MicroLoan model is effective in creating a safety net for our clients. This comes in the form of having a diversified source of income beyond farming, access to savings, access to additional capital, and support from a loan group who will step up when crises hit.

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

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

% average increase in business profits after joining MicroLoan

% of clients in Zambia with improved resilience to face emergencies



% of clients reporting increased spending on housing and household assets

Tackling intergenerational poverty

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

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

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

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

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

84% of women have increased food security

8% of women have one or more paid employees

49% of women have increased access to healthcare

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

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

Striving for gender equity

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

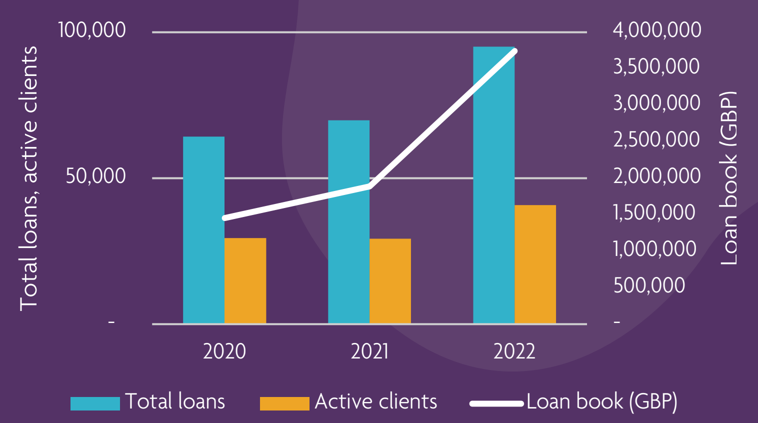
Women are more likely to prioritise the welfare of the family when spending income, improving their health, education and living situation. When one woman prospers, a whole community can be positively impacted. As her business grows, often with support from her husband or adult children, the local economy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

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

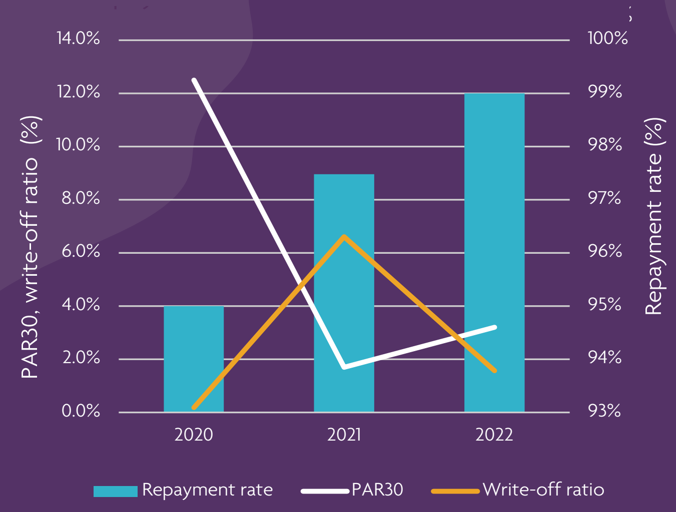
The impact of our work also addresses the goals on Quality Education, Decent Work and Economic Growth, Climate Action, Life on Land and Partnerships for the Goals.

Operations in Malawi

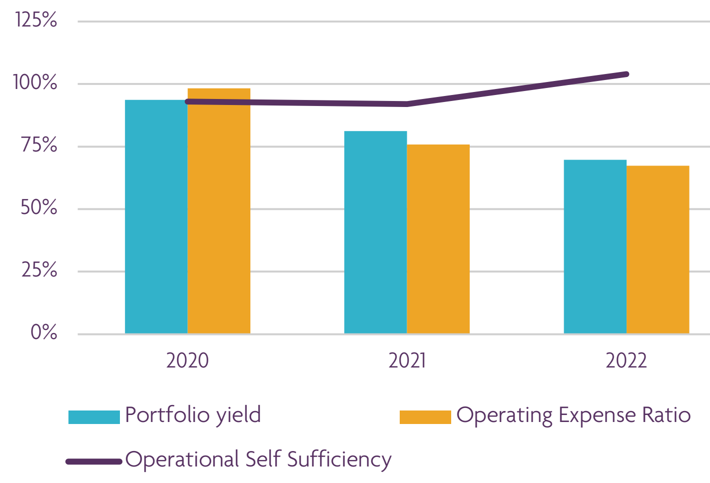
Total loans made, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



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

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

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

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

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

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

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

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

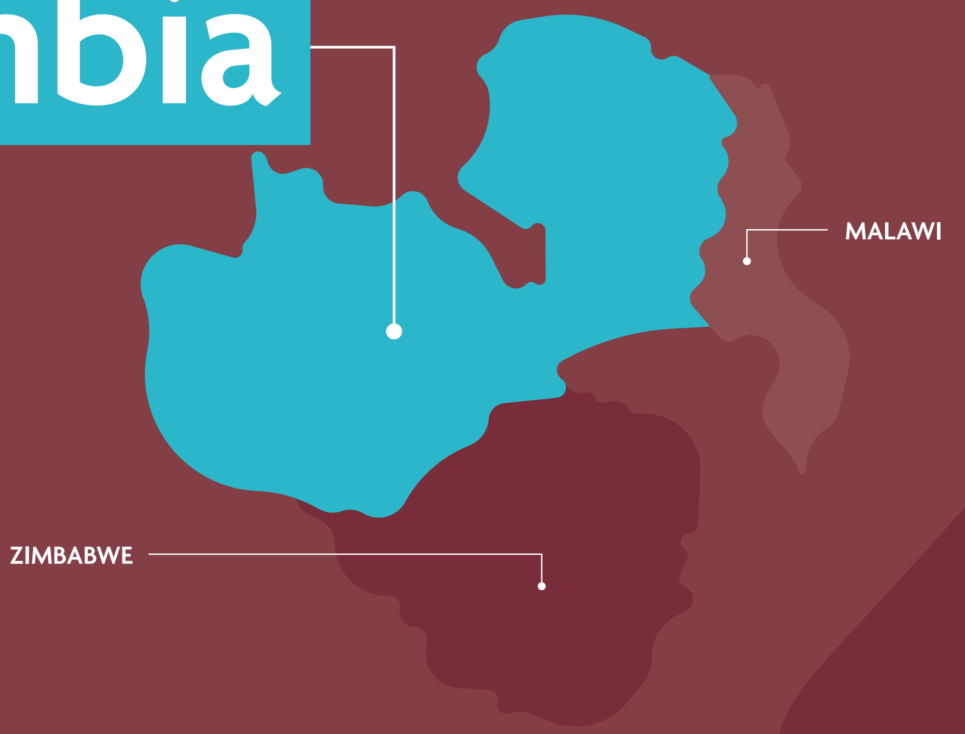
In 2023, we will look to build on the successes of 2022. Key focus areas will include the full roll out of mobile money across all branches of the country, the refinement of the centre model and development of additional products to better suit clients' needs. MicroLoan will also create additional branches,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

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

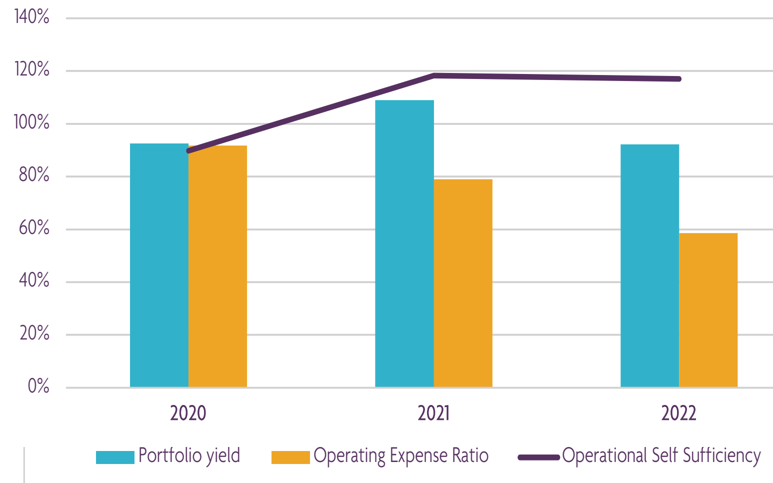
During the year, we appointed a new CEO, and welcomed four new members of the Board. The enhancement to the leadership and governance of the organisation, along with the registering of an operational surplus during the year, establish a strong foundation for a healthy growth trajectory and the realisation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

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

Operations in Zambia



Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



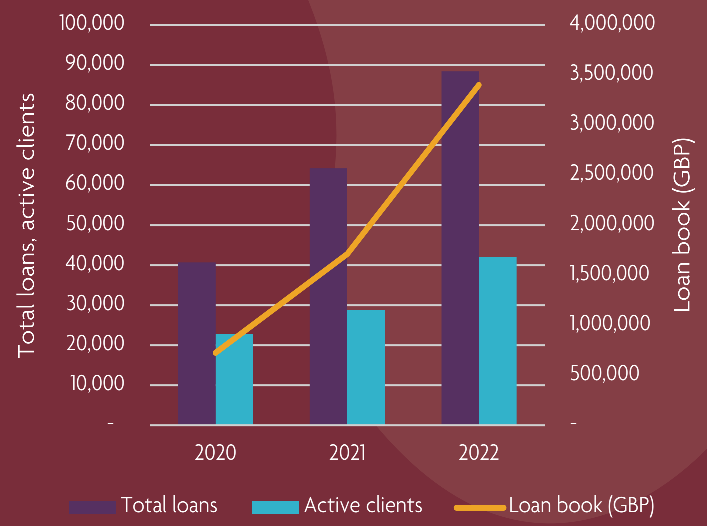
	2020	2021	2022
Total loans made	40,679	64,221	88,367
Active clients	22,900	28,877	42,063
Loan book (GBP)	725,760	1,713,968	3,401,247
Average loan size (GBP)	59	68	105
PAR30	2.70%	1.60%	1.55%
Repayment rate	97%	99%	99%
Operational Self Sufficiency	90%	118%	117%
Portfolio yield	93%	109%	92%

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

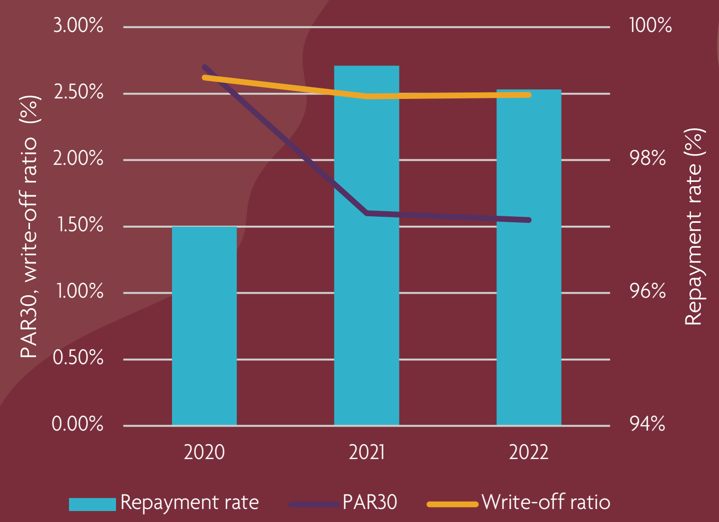
In 2022, challenges in agriculture, mining and construction led to a slowdown in the pace of the post-pandemic recovery of the Zambian economy. Real GDP grew by 3.7% year-on-year, largely driven by services. The impact of the war in Ukraine, coupled with falling copper prices and the uncertainty surrounding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

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

Total loans made, active clients & outstanding loan book



Repayment rate, PAR30 & write-offs



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

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

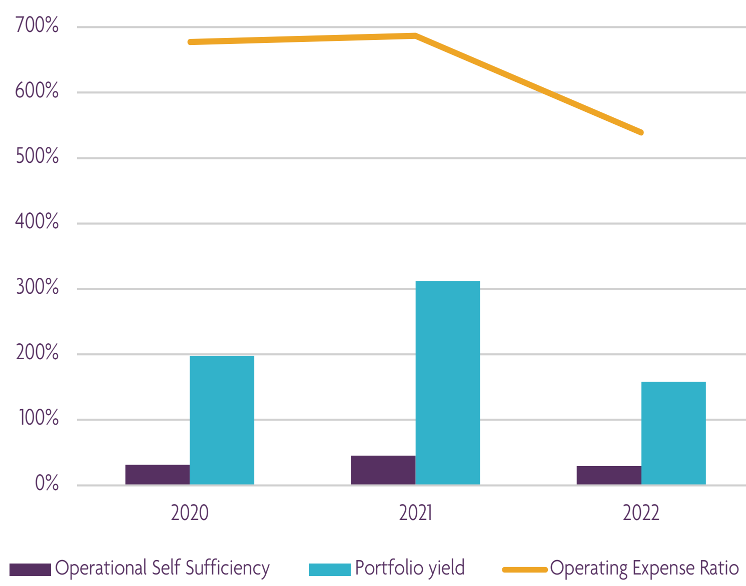
The loans are paired with conservation farming training, to ensure that their agricultural practices maximise yields and are sustainable for their families, communities, and the planet.

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

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

Operations in Zimbabwe

Portfolio yield, Operating Expense Ratio & Operational Self Sufficiency



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

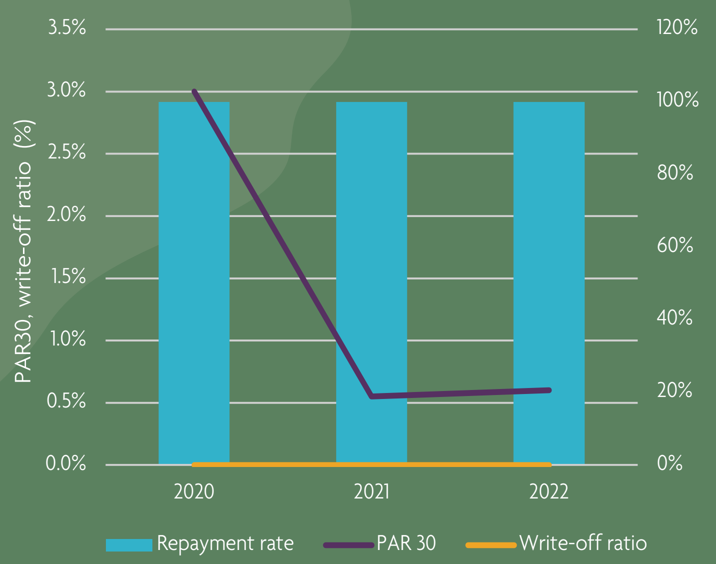
MicroLoan Zimbabwe continues to be one of the only truly social microfinance institutions operating in the country. Consequently, the demand for financial services in poor communities remains high. However, due to an extremely challenging macroeconomic climate, we have not been able to increase our outreach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

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

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

Total loans made, active clients & outstanding loan book

Repayment rate, PAR30 & write-offs



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

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

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

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

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

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

Fundraising overview

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

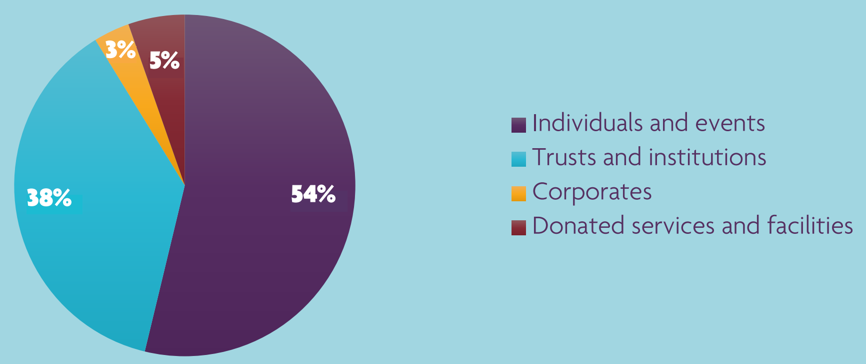
Our top donors in 2022 include WildHearts Group and Foundation, The Language Factory, The Paul Foundation, The Oso Foundation, The Headley Trust, Bliss Family Charity, ADA Microfinance, Rita and David Slowe Charitable Trust, and The MacDaibhidh Charitable Trust. GIZ (Deutsche Gesellschaft für Internationale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

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

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

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

Fundraising income 2022



Registered with FUNDRAISING REGULATOR

Group financial review

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

Results in overview

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

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

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

Income and expenditure

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

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

Use of funds

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

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

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

Key Financial Performance Indicators

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

Fundraising efficiency ratio

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

Fundraising expenditure

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

Reserves policy and management

In the UK

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

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

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

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2022, the free reserves position was £357,369, equivalent to 7.9 months.

MicroLoan Foundation has made significant investment over the last few years to strengthen its management team across all countries and to continue to build its reputation within the sector as a responsible, well-managed and mission-focussed microfinance organisation.

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

In Africa

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

Investment policy and objectives

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

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

As the parent charitable organisation, MicroLoan Foundation makes targeted advances of funds to our operations in Malawi, Zambia and Zimbabwe to fund sustainable, responsible growth in the loan books and thereby increase the number of clients served. The Board is also currently exploring opportunities to open an additional operation in a new country. To that end, the charity has started to ringfence funds to be applied towards the startup capital required for such a project. Seeking to diversify operations through geographical expansion is an important part of the Board's strategy to manage investment risk over the long term as the Group continues to scale.

Going concern

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

Our operations in Malawi and Zambia were Operationally Self Sufficient in 2022 and are expected to remain so in 2023 and beyond. Zimbabwe's business plan projects that it will also achieve Operational Self Sufficiency by the end of 2023, subject to further phased investment that the Group plans to fund primarily from reserves already held and ringfenced at the end of 2022.

In the UK, our donor pipeline remains healthy and 2022 saw the return of 'in person' and challenge events following two years of disruption caused by COVID-19 restrictions. This has presented us with exciting opportunities to reinvigorate our fundraising pipeline and engage new supporters. The parent charity has no external debt commitments to service and continues to rigorously challenge its cost base to ensure it is operating as leanly as possible. The Board also continues to adopt a prudent approach to reserves cover to ensure that short-term fluctuations in income levels can be adequately managed.

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

Risk Management

The trustees have assessed the principal risks across the group:

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

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

Fundraising risk

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

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

In recent years the charity has sought to diversify income streams and explore strategic partnerships, such as that entered into with WildHearts Foundation at the start of 2019. This blended approach alongside attracting other mission-aligned social investment is anticipated to be the most effective way to maximise the potential and impact that can be delivered through our microfinance operations in Malawi, Zambia and Zimbabwe. Accordingly, the Board continues to explore ways that this can be achieved over the medium term.

Sustainability risk

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

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

Our objective remains that all three operations in Africa reach Operational Self Sufficiency. Achieving this milestone makes each more resilient to the effects of short-term volatility and macro-economic shocks, as well as provide them with a robust platform from which to grow.

Liquidity and funding risk

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

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

Credit risk

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

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

Operational risk

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

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

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

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

Reputational risk

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

There are a variety of measures imbedded across our group to ensure that the charity operates to the highest professional standards and to safeguard future activities. Examples include a rigorous interview and assessment process prior to all staff appointments, robust HR procedures and whistleblowing hotlines. The group has a zero-tolerance approach to instances of harassment and bullying, fraud, bribery or corruption. Within our microfinance operations, we have strong client protection and safeguarding policies. Our effective Social Performance Management system ensures that we are achieving our social mission and balancing social and financial performance.

Governance

Nature of governing document

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

Organisation structure

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

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

- Bernice Dunsmuir
- Michael Jackson
- Colin Milne (resigned 3 October 2022)
- Karen Scholes (resigned 3 October 2022)
- Steve Stolliday (appointed 3 October 2022)
- Steven Marshall (appointed 3 October 2022)

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

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

These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries.

Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

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

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

Recruitment and appointment of trustees

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

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

Induction and training of trustees

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

Arrangements for setting remuneration of key management personnel

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

None of the trustees were remunerated by the charity during 2022.

Statement of Trustees' responsibilities

Public benefit

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

Financial statements

The trustees (who are also directors of MicroLoan Foundation for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and group, and of the incoming resources and application of resources, including income and expenditure, of the charitable company or group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Observe the methods and principles in the Charities SORP (FRS 102).
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on a going concern basis unless it is inappropriate to assume that the charitable company and the group will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

They are also responsible for safeguarding the assets of the charitable company and group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware.
- They have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In the interests of transparency and accountability to our donors and supporters we publish the annual report on our website. The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board

Dr Mick Jackson
Chairman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Independent auditor’s report

Opinion

We have audited the financial statements of MicroLoan Foundation (the ‘parent charitable company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2022 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group’s and of the parent charitable company’s affairs as at 31 December 2022 and of the group’s incoming resources and application of resources, including its income and expenditure, for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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Auditor's responsibilities for the audit of the financial statements

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

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

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

Capability of the audit in detecting irregularities

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

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

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

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

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

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

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

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

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.

Sayer Vincent LLP

Jonathan Orchard
Senior Statutory Auditor
4 August 2023

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

Invicta House,
108-114 Golden Lane,
London, EC1Y 0TL

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

Financial statements

MicroLoan Foundation

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Income from:							
Charitable activities							
• Malawi		**1,998,072**	-	**1,998,072**	1,358,427	-	1,358,427
• Zambia		**2,346,229**	-	**2,346,229**	1,262,805	-	1,262,805
• Zimbabwe		**27,352**	-	**27,352**	44,300	-	44,300
		4,371,653	-	**4,371,653**	2,665,532	-	2,665,532
Donations and legacies	2	**597,845**	**348,240**	**946,085**	625,066	475,058	1,100,124
Investment income	3	**9,920**	-	**9,920**	22,231	-	22,231
Total income		**4,979,418**	**348,240**	**5,327,658**	3,312,829	475,058	3,787,887
Expenditure on:							
Charitable activities							
• Malawi	5	**(1,860,055)**	**(194,176)**	**(2,054,231)**	(1,395,940)	(197,103)	(1,593,043)
• Zambia	5	**(2,154,732)**	**(4,567)**	**(2,159,299)**	(969,524)	(192,887)	(1,162,411)
• Zimbabwe	5	**(84,976)**	**(142,194)**	**(227,170)**	(10,652)	(109,374)	(120,026)
		(4,099,763)	**(340,937)**	**(4,440,700)**	(2,376,116)	(499,364)	(2,875,480)
Raising funds	5	**(319,053)**	**(3,570)**	**(322,623)**	(265,798)	(11,461)	(277,259)
Total expenditure		**(4,418,816)**	**(344,507)**	**(4,763,323)**	(2,641,914)	(510,825)	(3,152,739)
Net income		**560,602**	**3,733**	**564,335**	670,915	(35,767)	635,148
Other recognised gains / (losses):							
Exchange gains / (losses)	18	**(68,007)**	-	**(68,007)**	101,140	-	101,140
Net movement in funds		**492,595**	**3,733**	**496,328**	772,055	(35,767)	736,288
Reconciliation of funds:							
Total funds brought forward	18	**1,619,532**	**32,180**	**1,651,712**	847,477	67,947	915,424
Total funds carried forward		**2,112,127**	**35,913**	**2,148,040**	1,619,532	32,180	1,651,712

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

The notes on pages 56 to 82 form part of these financial statements.

Charity Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 December 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £
Income from:							
Charitable activities		**93,531**	-	**93,531**	-	-	-
Donations and legacies		**597,845**	**274,908**	**872,753**	625,066	428,987	1,054,053
Total income		**691,376**	**274,908**	**966,284**	625,066	428,987	1,054,053
Expenditure on:							
Charitable activities		**(180,018)**	**(142,195)**	**(322,213)**	(68,398)	(302,112)	(370,510)
Raising funds		**(319,053)**	**(3,570)**	**(322,623)**	(265,798)	(11,461)	(277,259)
Total expenditure		**(499,071)**	**(145,765)**	**(644,836)**	(334,196)	(313,573)	(647,769)
Net income		**192,305**	**129,143**	**321,448**	290,870	115,414	406,284
Transfers between funds		**112,722**	**(112,722)**	**-**	163,870	(163,870)	-
Net movement in funds		**454,740**	**(48,456)**	**406,284**	454,740	(48,456)	406,284
Reconciliation of funds:							
Total funds brought forward		**1,047,869**	**19,491**	**1,067,360**	593,129	67,947	661,076
Total funds carried forward		**1,352,896**	**35,912**	**1,388,808**	1,047,869	19,491	1,067,360

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

The notes on pages 56 to 82 form part of these financial statements.

Balance sheets as at 31 December 2022

Company registration number: 04828558

	Note	The group 2022 £	The group 2021 £	The charity 2022 £	The charity 2021 £
Fixed assets					
Tangible assets	8	**738,649**	508,454	**-**	-
Investments	9	**-**	-	**1,845,527**	1,733,293
		738,649	508,454	**1,845,527**	1,733,293
Current assets					
Stock	10	**7,379**	6,246	**-**	-
Debtors	11	**7,382,467**	3,761,372	**217,465**	9,663
Cash at bank and in hand		**768,214**	674,005	**482,930**	520,303
		8,158,060	4,441,623	**700,395**	529,966
Creditors: Amounts falling due within one year	12	**(2,999,146)**	(1,432,886)	**(57,114)**	(45,899)
Net current assets		**5,158,914**	3,008,737	**643,281**	484,067
Total assets less current liabilities		**5,897,563**	3,517,191	**2,488,808**	2,217,360
Creditors: Amounts falling due after one year	13	**(3,713,512)**	(1,820,623)	**(1,100,000)**	(1,150,000)
Provisions for liabilities	14	**(36,011)**	(44,856)	**-**	-
Total net assets		**2,148,040**	1,651,712	**1,388,808**	1,067,360
Funds of the charity:					
Unrestricted funds	18	**369,519**	314,574	**620,886**	314,576
Designated funds	18	**1,742,608**	1,304,958	**732,010**	733,293
Restricted funds	18	**35,913**	32,180	**35,912**	19,491
Total funds		**2,148,040**	1,651,712	**1,388,808**	1,067,360

The financial statements were approved by the Board and authorised for issue on 21 June 2023 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 56 to 82 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2022

	The group 2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**564,335**		635,148	
Depreciation charges	**160,167**		119,476	
Investment income receivable	**(9,920)**		(22,231)	
Interest on borrowings	**652,149**		231,053	
Loss on disposal of tangible fixed assets	**649**		1,298	
(Increase) / decrease in stock	**(1,874)**		5,793	
Increase in debtors	**(3,839,324)**		(1,055,936)	
(Increase) in creditors	**293,606**		179,565	
(Decrease) / Increase in deferred tax provision	**(8,845)**		30,534	
Net cash flows from operating activities		**(2,189,057)**		124,700
Cash flows from investing activities				
Interest receivable and similar income	**9,920**		22,231	
Purchase of tangible fixed assets	**(435,439)**		(256,966)	
Proceeds from sale of tangible fixed assets	**16,992**		27,516	
Net cash flows from investing activities		**(408,527)**		(207,219)
Cash flows from financing activities				
New loans obtained during the period	**4,566,048**		1,163,188	
Loans repaid during the period	**(1,205,402)**		(674,911)	
Interest paid on borrowings	**(652,149)**		(231,053)	
Net cash flows from financing activities		**2,708,497**		257,224
Net increase in cash and cash equivalents		**110,913**		174,705
Cash and cash equivalents at 1 January 2022		**674,005**		523,541
Exchange loss on cash and cash equivalents		**(16,704)**		(24,241)
Cash and cash equivalents at 31 December 2022		**768,214**		674,005

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

The notes on pages 56 to 82 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation and statement of compliance

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

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

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

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

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

Going concern

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

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

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £7,230,813 (2021: £3,629,149).

Summary of disclosure exemptions

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

Income

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

Donations and legacies

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

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

Grants receivable

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

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

Donated resources and services

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

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

Income from charitable activities

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

Other trading activities

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 31 December 2022

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

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

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

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

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

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

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

Buildings	2-8%
Office equipment	10-25%
Computer equipment	20-25%
Motor Vehicles	20%
Website costs	33%

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

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

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

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

Microcredit loans

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

Trade and other debtors

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

Trade creditors

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

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

Borrowings

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

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

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

Holiday pay accrual

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

Pension and other post retirement obligations

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

Foreign exchange

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

In such circumstances, the contracted rate of exchange is used.

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

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

Fund accounting

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

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

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

Financial instruments

Classification

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

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

Recognition and measurement

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

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

Financial assets are derecognised when, and only when:

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

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

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

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

Debt instruments

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

Fair value measurement

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

Hedge accounting

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

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

Fair value hedges

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

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

Notes to the Financial Statements for the year ended 31 December 2022

2 Income from donations and legacies

	Unrestricted	Restricted		Unrestricted	Restricted	
	funds 2022 £	**funds 2022 £**	**Total 2022 £**	funds 2021 £	funds 2021 £	Total 2021 £
Individuals and events	**403,072**	**105,647**	**508,719**	423,831	85,586	509,417
Trusts and institutions	**111,709**	**242,593**	**354,302**	127,271	389,472	516,743
Corporates	**32,342**	**-**	**32,342**	14,319	-	14,319
Donated services and facilities	**50,722**	-	**50,722**	59,645	-	59,645
	597,845	**348,240**	**946,085**	625,066	475,058	1,100,124

3 Investment income

	Unrestricted	Restricted		Unrestricted	Restricted	
	funds 2022 £	**funds 2022 £**	**Total 2022 £**	funds 2021 £	funds 2021 £	Total 2021 £
Interest receivable	**3,487**	**-**	**3,487**	4,524	-	4,524
Other investment income	**6,433**	**-**	**6,433**	17,707	-	17,707
	9,920	-	**9,920**	22,231	-	22,231

4 Net income / (expenditure) for the year

	2022 £	2021 £
This is stated after charging:		
Depreciation	**160,167**	119,476
Auditor's remuneration - audit	**15,000**	11,700
Operating lease expenses - property	**121,518**	78,890

5 Expenditure analysis

	Charitable activities								
	Malawi 2022 £	**Zambia 2022 £**	**Zimbabwe 2022 £**	**Subtotal 2022 £**	**Cost of raising funds 2022 £**	**Governance costs 2022 £**	**Support costs 2022 £**	**Total 2022 £**	Total 2021 £
Staff costs	863,337	858,822	52,517	1,774,676	203,410	474	7,822	**1,986,382**	1,679,439
Travel and subsistence	161,829	138,564	14,026	314,419	5,052	1,385	1,395	**322,251**	190,883
Premises costs	107,297	46,225	5,894	159,416	25,324	-	-	**184,740**	120,071
Legal and professional fees	112,718	38,917	12,026	163,661	-	16,613	35	**180,309**	107,951
Interest costs	162,882	489,267	-	652,149	-	-	-	**652,149**	231,053
Bank charges	64,549	78,920	5,494	148,963	4,870	-	605	**154,438**	55,735
Depreciation	74,882	84,833	452	160,167	-	-	-	**160,167**	119,476
Exchange (gains) / losses	44,423	23,810	124,968	193,201	-	-	(504)	**192,697**	(35,227)
Loan provisions and write-off	83,867	100,434	260	184,561	-	-	-	**184,561**	178,785
IT and telecommunications	43,697	31,860	2,073	77,630	9,946	-	539	**88,115**	80,629
Other costs	322,936	255,470	9,392	587,798	17,972	-	1,022	**606,792**	364,299
	2,042,417	2,147,122	227,102	4,416,641	266,574	18,472	10,914	**4,712,601**	3,093,094
In kind support	448	462	3	913	20,080	7,246	22,483	**50,722**	59,645
Support costs	-	-	-	-	33,397	-	(33,397)	**-**	-
Governance costs	11,366	11,715	65	23,146	2,572	(25,718)	-	**-**	-
Total expenditure	**2,054,231**	**2,159,299**	**227,170**	**4,440,700**	**322,623**	**-**	**-**	**4,763,323**	3,152,739
2021 expenditure analysis	1,593,043	1,162,411	120,026	2,875,480	277,259	-	-	-	3,152,739

Notes to the Financial Statements for the year ended 31 December 2022

5 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2021 £	MLF Zambia 2021 £	MLF Zimbabwe 2021 £	Subtotal 2021 £	Cost of raising funds 2021 £	Governance costs 2021 £	Support costs 2021 £	Total 2021 £
Staff costs	786,920	640,922	48,863	1,476,705	194,310	-	8,424	**1,679,439**
Travel and subsistence	104,490	67,713	18,139	190,342	541	-	-	**190,883**
Premises costs	71,427	36,994	2,667	111,088	8,935	-	48	**120,071**
Legal and professional fees	51,329	20,567	21,072	92,968	2,200	12,429	354	**107,951**
Interest costs	91,504	139,549	-	231,053	-	-	-	**231,053**
Bank charges	12,517	35,273	4,517	52,307	2,580	-	848	**55,735**
Depreciation	65,509	53,053	914	119,476	-	-	-	**119,476**
Exchange (gains) / losses	(1,217)	(43,541)	9,618	(35,140)	-	-	(87)	**(35,227)**
Loan provisions and write-off	144,614	33,624	547	178,785	-	-	-	**178,785**
IT and telecommunications	41,683	20,411	6,843	68,937	11,432	-	260	**80,629**
Other costs	198,032	147,889	6,653	352,574	11,168	-	557	**364,299**
	1,566,808	1,152,454	119,833	2,839,095	231,166	12,429	10,404	**3,093,094**
In kind support	16,583	436	8	17,027	8,603	9,080	24,935	**59,645**
Support costs	-	-	-	-	35,339	-	(35,339)	**-**
Governance costs	9,652	9,521	185	19,358	2,151	(21,509)	-	**-**
Total expenditure	**1,593,043**	**1,162,411**	**120,026**	**2,875,480**	**277,259**	**-**	**-**	**3,152,739**

6 Staff costs

	2022 £	2021 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,777,108**	1,469,568
Social security costs	**28,936**	28,319
Pension costs	**102,442**	86,851
	1,908,486	1,584,738

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

	2022 £	2021 £
£90,000 - £99,999	2	1
£80,000 - £89,999	-	2
£70,000 - £79,999	-	-
£60,000 - £69,999	1	-
	3	3

Pension contributions made on behalf of these employees totalled £7,400 (2021: £6,311).

The trustees consider key management personnel during 2022 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £423,827 (2021: £416,284) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

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

	2022 No.	2021 No.
Malawi	**134**	115
Zambia	**99**	93
Zimbabwe	**14**	15
Raising funds	**6**	6
Governance and administration	**2**	3
	255	232

7 Trustee remuneration and expenses

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. Expenses totalling £18 (2021: £nil) were reimbursed to one (2021: nil) trustees during the year.

8 Tangible Fixed Assets

	The group				
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2022	122,714	216,690	107,936	587,715	**1,035,055**
Forex adjustment	(12,654)	(38,143)	15,389	(28,982)	**(64,390)**
Additions	-	82,164	44,515	308,760	**435,439**
Disposals	-	-	(1,225)	(21,569)	**(22,794)**
At 31 December 2022	110,060	260,711	166,615	845,924	**1,383,310**
Depreciation					
At 1 January 2022	(15,862)	(97,968)	(85,031)	(327,740)	**(526,601)**
Forex adjustment	1,636	4,706	8,769	21,843	**36,954**
Charge for the year	(1,370)	(29,760)	(22,082)	(106,955)	**(160,167)**
On disposals	-		753	4,400	**5,153**
At 31 December 2022	(15,596)	(123,022)	(97,591)	(408,452)	**(644,661)**
Net book value					
At 31 December 2022	94,464	137,689	69,024	437,472	**738,649**
At 31 December 2021	106,852	118,722	22,905	259,975	**508,454**

Notes to the Financial Statements for the year ended 31 December 2022

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2022	1,790,653
Additions	112,234
At 31 December 2022	1,902,887
Provision	
At 1 January 2022	(57,360)
At 31 December 2022	(57,360)
Net book value	
At 31 December 2022	1,845,527
At 31 December 2021	1,733,293

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

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

	Income £	Expenditure £	Result for the year £	Aggregate of share capital and reserves £
MLF Malawi	2,034,884	(1,968,364)	66,520	1,300,038
MLF Zambia	2,354,399	(2,120,286)	234,113	1,274,773
MLF Zimbabwe	113,993	(157,923)	(43,930)	31,583
	4,503,276	(4,246,573)	256,703	2,606,394

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

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

10 Stock

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Consumables held	**7,379**	6,246	-	-

11 Debtors

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Trade debtors	**1,750**	600	**1,750**	600
Amounts due from group undertakings	-	-	**194,213**	
Microcredit loans	**7,230,813**	3,629,149	-	-
Other debtors and prepayments	**149,904**	131,623	**21,502**	9,063
	7,382,467	3,761,372	**217,465**	9,663

12 Creditors: amounts falling due within one year

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Trade creditors	**15,645**	13,683	**2,944**	3,003
Taxation and social security	**161,618**	71,457	**7,664**	3,354
Amounts due to group undertakings	-	19,473	-	19,473
Other creditors and accruals	**373,371**	217,314	**46,506**	20,069
Loans	**2,448,512**	1,110,959	-	-
	2,999,146	1,432,886	**57,114**	45,899

Further information in respect of loans outstanding is provided at note 13.

13 Creditors: amounts falling due after one year

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Loan repayments due:				
In 1 - 2 years	**2,050,663**	670,623	-	-
In 2 - 5 years	**1,662,849**	1,150,000	**1,100,000**	1,150,000
	3,713,512	1,820,623	**1,100,000**	1,150,000

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

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,100,000	UK	GBP	Nil
KIVA Microfunds	30,961	Malawi	USD	Nil
Grameen Credit Agricole Microfinance Foundation	81,526	Malawi	MWK	18.50%
Grameen Credit Agricole Microfinance Foundation	112,610	Zambia	ZMW	32.15%
Grameen Credit Agricole Microfinance Foundation	370,258	Zambia	ZMW	25.81%
FDH	105,672	Malawi	MWK	18.00%
Lend with Care	38,318	Malawi	MWK	Nil
Lend with Care	172,926	Zambia	ZMW	Nil
Paul Foundation	42,179	Zambia	USD	3.50%
ADA Microfinance	485,788	Zambia	ZMW	30.00%
Global Partnerships	149,952	Malawi	MWK	16.83%
Global Partnerships	283,506	Zambia	ZMW	24.69%
Global Partnerships	264,743	Zambia	ZMW	28.35%
Oikocredit	510,724	Zambia	ZMW	26.00%
FEFISOL II	257,676	Zambia	ZMW	28.63%
SIDI	175,280	Malawi	MWK	22.00%
Reserve Bank of Malawi FinES	1,979,905	Malawi	MWK	3.00%
	6,162,024			

The FDH loan provided to Malawi is secured over a property owned by MLF Malawi in Kasungu.

14 Provisions for liabilities

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
Deferred Tax	-	-	-	-
Amounts payable to the Malawi Revenue Authorities	**36,011**	31,507	-	-
Amounts payable to the Zambian Revenue Authorities	-	13,349	-	-
	36,011	44,856	-	-

At 31 December 2022, the group also had unrecognised deferred tax assets of £7,260 (2021: £nil) in respect of Zambia, and £7,768 (2021: £100) in respect of Zimbabwe.

15 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £102,442 (2021: £86,851).

16 Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	The group		The charity	
	2022 £	2021 £	2022 £	2021 £
In less than one year		23,843	-	-
In one to five years		2,777	-	-
More than five years	-	-	-	-
		26,620	-	-

17 Analysis of group net assets between funds

	Unrestricted 2022 £	Restricted 2022 £	Total 2022 £	Unrestricted 2021 £	Restricted 2021 £	Total 2021 £
Tangible fixed assets	**738,649**	**-**	**738,649**	508,454	-	508,454
Net current assets	**5,123,001**	**35,913**	**5,158,914**	2,976,557	32,180	3,008,737
Long term liabilities	**(3,713,512)**	**-**	**(3,713,512)**	(1,820,623)	-	(1,820,623)
Deferred tax liability	**(36,011)**	**-**	**(36,011)**	(44,856)	-	(44,856)
	2,112,127	**35,913**	**2,148,040**	1,619,532	32,180	1,651,712

18 Funds

	Balance at 1 January 2022 £	Income £	Expenditure £	Other recognised gains/ (losses) £	Transfers £	Balance at 31 December 2022 £
Unrestricted funds						
General fund	314,574	4,979,418	(4,406,666)	(68,007)	(449,800)	**369,519**
Designated funds: - Africa Investment	1,154,958	-	-	-	337,650	**1,492,608**
- Africa Expansion	-	-	-	-	100,000	**100,000**
- Zimbabwe Growth	150,000	-	(12,150)	-	12,150	**150,000**
	1,619,532	**4,979,418**	**(4,418,816)**	**(68,007)**	**-**	**2,112,127**
Restricted funds						
Malawi	26,800	134,598	(161,398)	-	-	**-**
Zambia	-	27,967	(4,567)	-	-	**23,400**
Zimbabwe	5,380	108,275	(101,142)	-	-	**12,513**
Africa general	-	73,830	(73,830)	-	-	**-**
UK infrastructure	-	3,570	(3,570)	-	-	**-**
	32,180	**348,240**	**(344,507)**	**-**	**-**	**35,913**
Total funds	**1,651,712**	**5,327,658**	**(4,763,323)**	**(68,007)**	**-**	**2,148,040**

2021 movements

	Balance at 1 January 2021 £	Income £	Expenditure £	Other recognised gains/ (losses) £	Transfers £	Balance at 31 December 2021 £
Unrestricted funds						
General fund	274,529	3,312,829	(2,641,914)	101,140	(732,010)	**314,574**
Designated funds - Africa Investment	572,948	-	-	-	582,010	**1,154,958**
-Zimbabwe Growth	-	-	-	-	150,000	**150,000**
	847,477	**3,312,829**	**(2,641,914)**	**101,140**	**-**	**1,619,532**
Restricted funds						
Malawi	36,900	187,003	(197,103)	-	-	**26,800**
Zambia	6,040	126,511	(132,551)	-	-	**-**
Zimbabwe	4,257	108,489	(107,366)	-	-	**5,380**
Africa general	20,750	41,594	(62,344)	-	-	**-**
UK infrastructure	-	11,461	(11,461)	-	-	**-**
	67,947	**475,058**	**(510,825)**	**-**	**-**	**32,180**
Total funds	**915,424**	**3,787,887**	**(3,152,739)**	**101,140**	**-**	**1,651,712**

The designated 'Africa Investment' fund reflects the book value of UK assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans. It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £101,284 (2021: £101,284) relating to a revaluation reserve created in respect of land and buildings owned in Malawi.

A key part of the charity's medium term strategy is to seek to expand its operations into a new African country by 2025. A significant amount of research and planning is ongoing in respect of this project. The designated 'Africa Expansion' fund represents unrestricted funds that have been ringfenced to provide part of the initial start up capital required to ensure such an expansion is viable.

The designated 'Zimbabwe Growth' fund represents unrestricted funds that have been ringfenced to faciltate the recapitalisation of Zimbabwe in 2023. Subject to the economic conditions being sufficiently stable, the intention is to advance approximately $280,000 into the country in 2023 through a combination of unrestricted funds and restricted grants in order to regrow the loan book and support operating costs.

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

19 Financial Instruments

	2022 £	2021 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	8,150,681	4,435,377
	8,150,681	**4,435,377**
Financial liabilities measured at amortised cost	389,016	230,997
Loan commitments measured at cost less impairment	6,162,024	2,931,582
	6,551,040	**3,162,579**

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

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

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

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

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2022				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	4,381,573	-	-	-
	4,381,573	**-**	**-**	**-**
2021				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,687,763	-	-	-
	2,687,763	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £4,381,573 (2021: £2,687,763)

Impairment
Microcredit loans
The amount of the impairment loss during the year is £184,561 (2021: £178,785). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £184,561 (2021: £178,785).

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

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

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2021: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2021: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2022 £	Cash flows £	Other non-cash changes £	At 31 December 2022 £
Cash at bank and in hand	674,005	110,913	(16,704)	**768,214**
Total cash and cash equivalents	**674,005**	**110,913**	**(16,704)**	**768,214**
Loans falling due within one year	(1,110,959)	(3,360,646)	2,023,093	**(2,448,512)**
Loans falling due after more than one year	(1,820,623)	-	(1,892,889)	**(3,713,512)**
Total	**(2,257,577)**	**(3,249,733)**	**113,500**	**(5,393,810)**

21 Charity status

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

22 Ultimate controlling party

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

Photo credit - Peter Caton

MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

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MicroLoan Foundation Zimbabwe
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