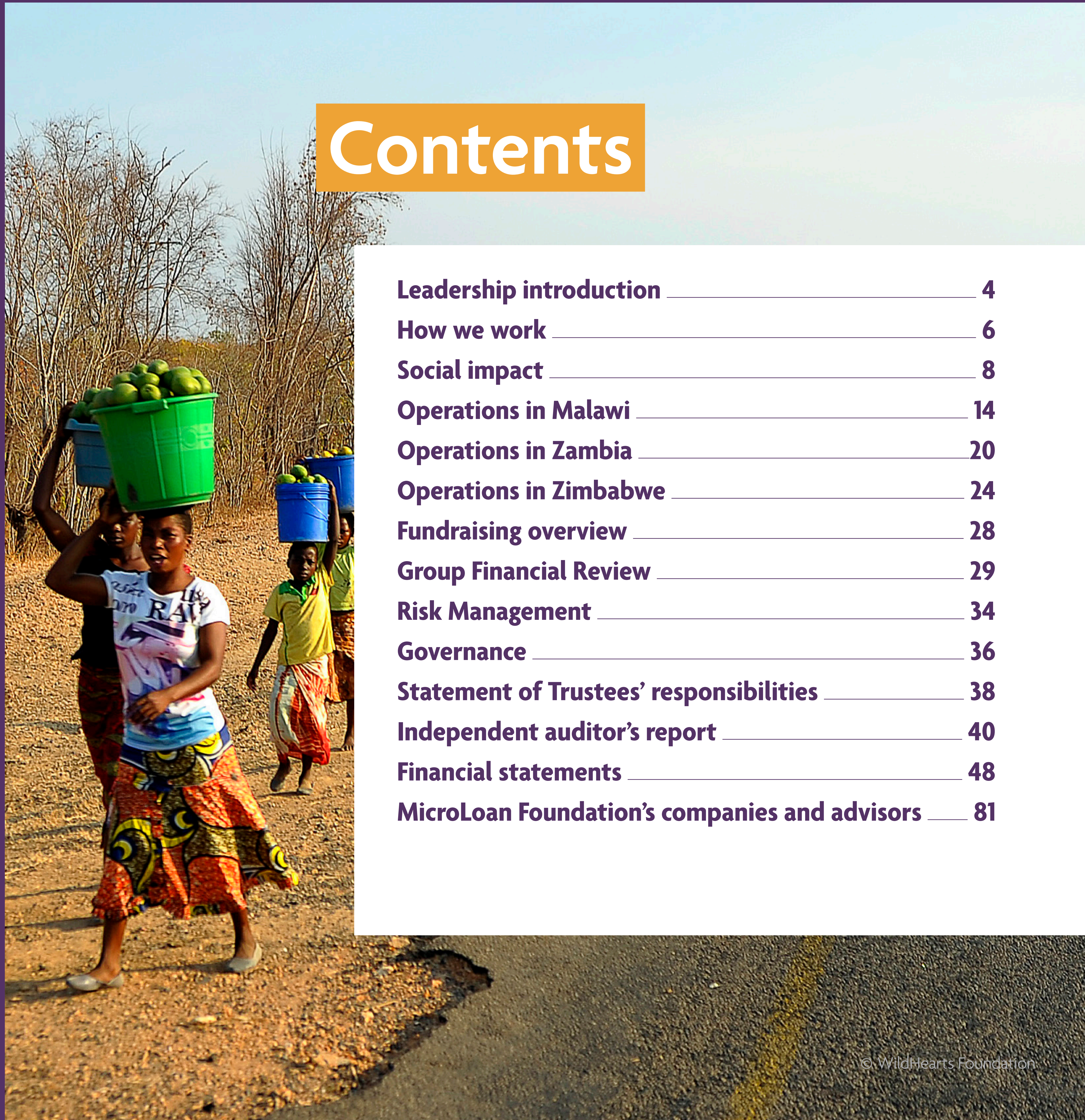
Annual Report and Financial Statements 2022

To date over 324,000 women have joined MicroLoan Foundation to start their own small businesses and begin their journey out of poverty. As a result, their children have increased access to food, healthcare and education, taking the total lives impacted to 1.6 million.



Contents

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This, our thirteenth year, has been one to reflect on our past and take some BIG steps forward. etc

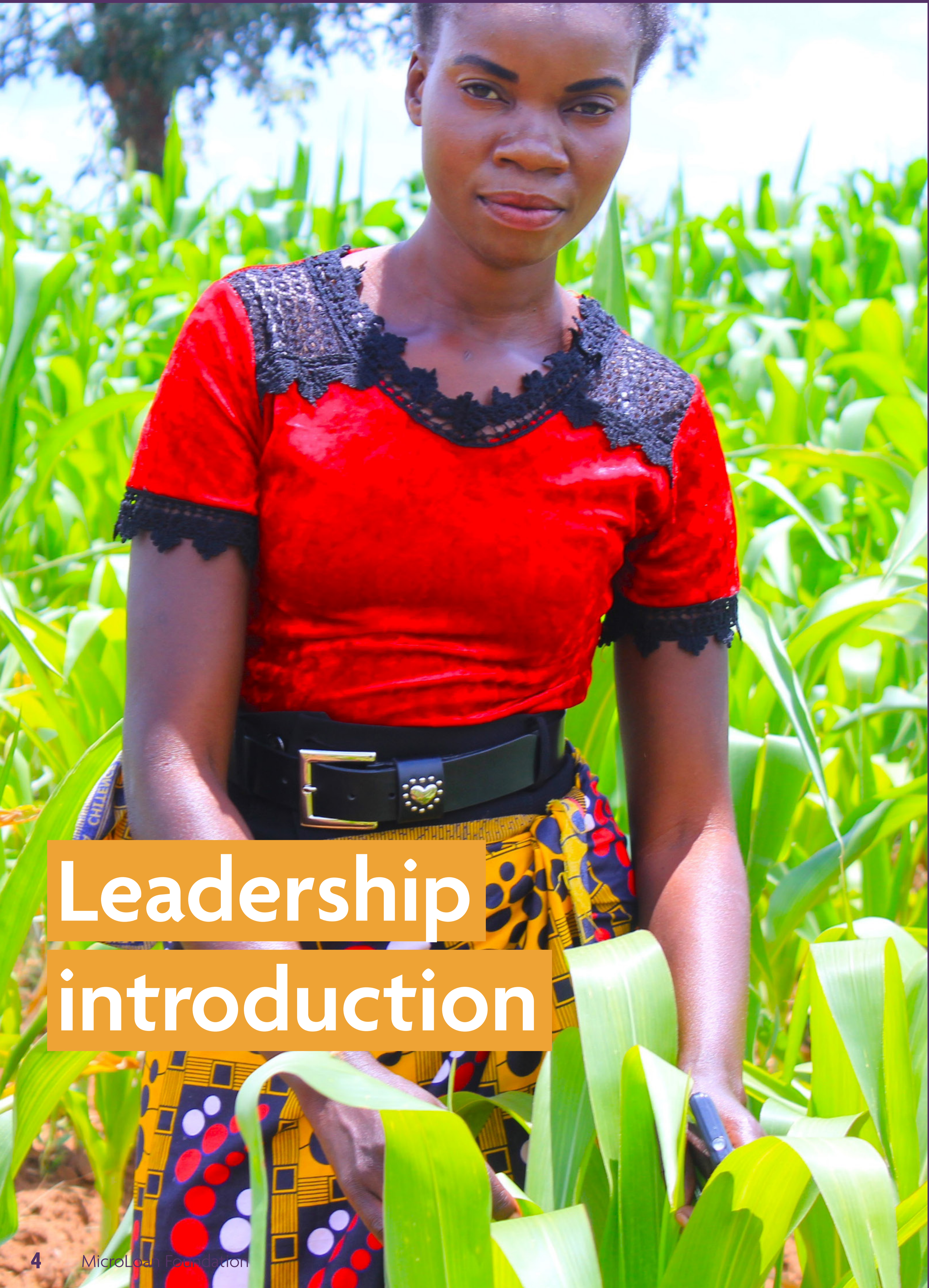
This year we remitted a further A $74,000 funds bringing our total the A$780,000.

Thank you everyone!

As we edge towards achieving our dream goal of $1 million to help with the operation in Malawi, Zambia and Zimbabwe it’s become more practical to share our group stories and results with you, our amazing supporters.

As a result we are including the 2021 MicroLoan Foundation Group Annual Report and Financial Statements in addition to our own. And we will continue to keep you briefed on our Australian news vis social and email.

As always, if you’ve any questions at all please contact me or Clive Hughes and we’ll be delighted to chat.



Leadership introduction

Board Member Malin Rosenkvist, MicroLoan Foundation Group Director of Fundraising and Communication based in London, has been able to provide much additional help to us, particularly with our website restructure and marketing content for our success stories both on our website and for our social media – please help us here by liking and commenting regularly on our posts, etc.

We are delighted to introduce the 2021 Annual Report for MicroLoan Foundation. The organisation had a record-breaking year with over 96,000 women in Malawi, Zambia and Zimbabwe accessing our high impact social microfinance services. These women have been able to start or grow their own small businesses and as a result over 400,000 children and vulnerable adults in their care have improved food security, access to healthcare, and educ ation. This is a remarkable achievement and has been made possible by the generous support of our funders and hard work of our team.

MicroLoan serves some of the poorest communities in remote, rural areas. Our local teams travel long distances to facilitate loans and repayments, deliver training, and provide one-to-one mentoring. Operating in hard-to-reach areas comes with unique challenges. During the year the institution has enhanced digital services on offer, strengthened internal structures, and increased efficiency to ensure that we are providing the best possible service to our clients.

The pandemic continued to present difficulties for our clients. Food insecurity was rife at the start of the year and the economic impact of restrictions and lockdowns resulted in rising costs and reduced access to markets. MicroLoan has been supporting women who are struggling to maintain their livelihoods with ongoing mentoring and loan restructuring, to provide them with the best possible chance of success.

MicroLoan is now the second largest microfinance provider, based on client numbers, serving the rural poor in both Malawi and Zambia, and the only truly social microfinance provider in Zimbabwe.

To respond to the high demand for our services in the very poorest communities, we have ambitious plans to scale up and grow our operations during 2022 and beyond.

We would like to thank our investors, donors, supporters, partner organisations, staff, and Board members for their unwavering support. Above all else, we acknowledge and admire the hardworking women we serve, whose tenacity and perseverance takes us one step closer to achieving our mission.

Brian Keen
Chairman

Clive Hughes
Group Chief Executive Officer

How we work

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

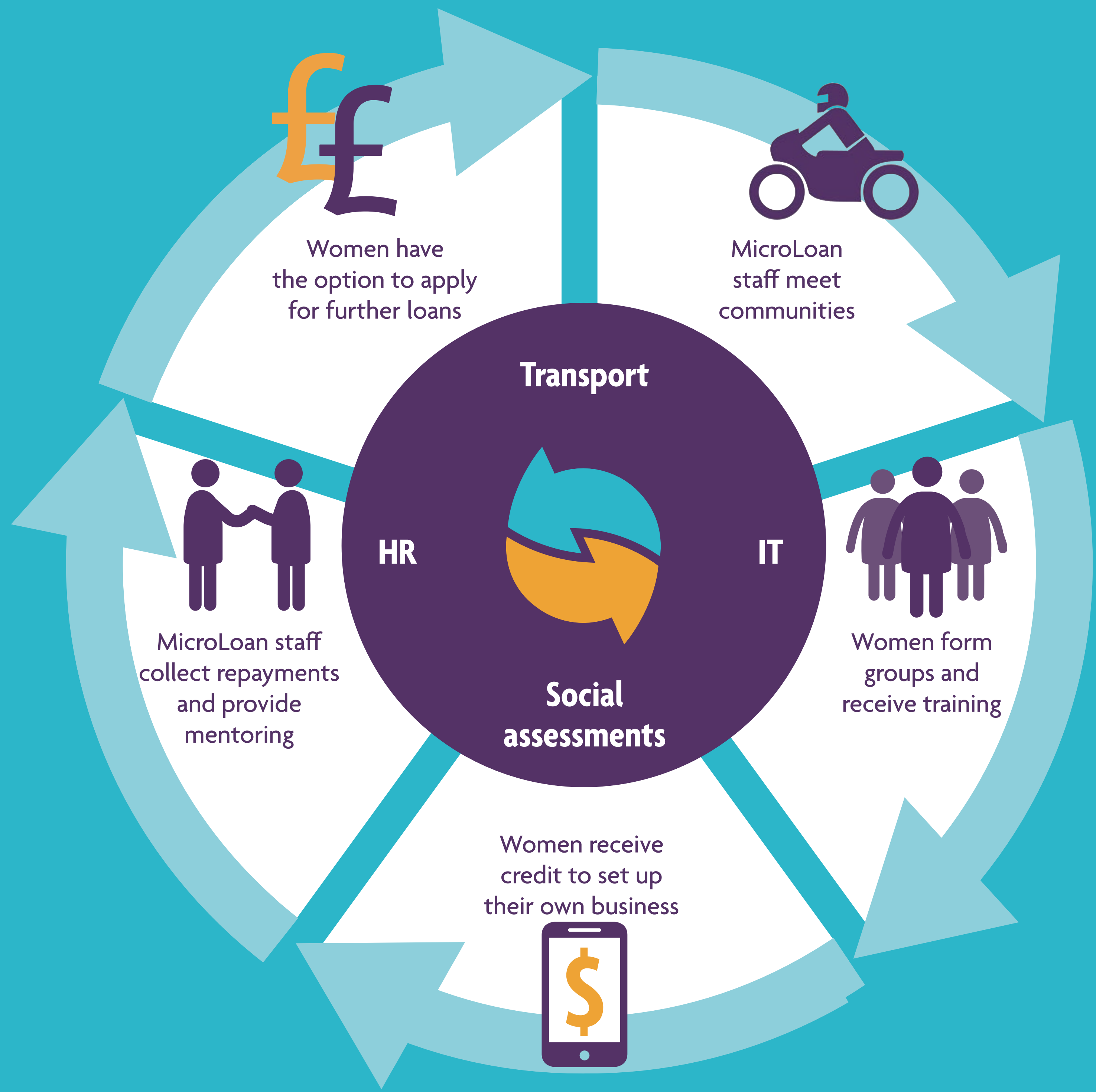
We believe that the best way to achieve our vision is to provide small loans, training and ongoing business support to women living in poverty, thereby giving them the opportunity to kickstart their own income generating activities.

Our social microfinance model is specifically developed for women living in rural, poor communities, who have had limited access to education. MicroLoan has a strong tradition of listening to our beneficiaries. Their feedback has been used to develop our methodology to ensure that we are providing the services they want and need.

Focusing our operations in rural areas means that we reach women with little access to finance, who are therefore the most in need of our services. Loan & Training Officers travel long distances into rural communities to meet with traditional leaders and introduce our work. The leaders then invite MicroLoan to attend a village meeting where we explain that women have the opportunity to join a loan group and start a business. Our group lending model ensures women can support each other both socially and financially, as they have a collective responsibility for loan repayments. Before accessing their loan, each group of five women completes seven training modules to develop financial literacy skills and understand the rights and responsibilities involved. Delivered through song, dance and role play, our training is accessible for women with low literacy levels.

In Zambia and Zimbabwe, women receive their loans via mobile money. In 2021 we introduced mobile money services in Malawi and at year end an estimated 12% of loans were disbursed via mobile money. Once women have received their loans, they put their training into practice and set up small businesses such as farms, grocery stores or hairdressing salons. The Loan & Training Officers continue to visit every two weeks to provide mentoring, and once a month they bring together a cluster of loan groups for advanced business training. These sessions are a great opportunity for women to meet other women entrepreneurs in their local area and share their experiences.

MicroLoan is different to traditional charities and operates through a model that aims to reach Operational Self Sufficiency where interest income from the loan book covers direct operational costs (excluding loan book growth and capital expenditure). We aim to create a sustainable institution that is not reliant on charitable donations for its day to day running costs. The loan repayment rate is consistently above 97% (98% in 2021). When this revolving loan book is combined with operational interest income and social impact investments, charitable donations can be focussed on improving our services and growing our outreach to support more women year on year. Our model maximises social impact and every donation to MicroLoan is a gift that keeps on giving, over and over again.



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

Social impact

Since MicroLoan's operations began in 2002, over 324,000 women have been given the opportunity to begin their journey out of poverty through entrepreneurship. Their hard work has given more than 1.3 million children and vulnerable adults improved living conditions and access to education.

MicroLoan's social mission is to alleviate poverty and we measure our impact carefully. Social Performance Management is a system of processes and activities that ensure we are achieving our aim of helping the poorest women to transform their lives. This includes defining and monitoring social goals, developing client-centric products and services, treating clients and employees responsibly, and balancing social and financial performance. Our Social Performance Management model is often cited as an example of best practice and was recognised by TrueLift, a global initiative striving for accountability and learning in pro-poor programmes.

Building resilience

MicroLoan clients prioritise nutritious food for their family first, followed by education for their children. In addition to these immediate basic needs, MicroLoan encourages clients to save for the future by providing savings training and access to savings facilities. 97% of clients were able to make savings compared to 11% before joining MicroLoan, building resilience and giving them a positive coping mechanism to fall back on in times of crisis.

As clients grow their income, we notice they also prioritise making structural improvements to their homes to withstand natural disasters and adverse weather conditions. In Malawi, 35% of our clients have improved the building material of their home after two years, moving from a non-permanent solution like a thatch roof or mud floors to a semi or permanent solution like a corrugated iron roof or concrete floors. In Zambia 17% of clients have improved building materials of their home after two years.

Our data shows that clients also reinvest their profits in their businesses. Over time, clients take out larger loans as they scale up or diversify their businesses. On average our clients increase their loan size by 80% between loan cycle 1 and loan cycle 6.

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

96% of families have food security compared to **87%** before joining MicroLoan

8% of women have one or more paid employees

96% of clients and their families can seek medical treatment when required, compared to the **91%** baseline

Women report a **218%** average increase in business profits after joining MicroLoan

After 3 years, **72%** of women can send all of their female children to school compared to **58%** previously

Prisca Muchindu, Livingstone branch, Zambia

Prisca is the mother of three children and a serial entrepreneur. Three years ago, she was running a small business selling popcorn in a local market. She was struggling to make ends meet and her children often had to go to bed hungry. A friend introduced her to MicroLoan and for the first time, she was able to take part in financial literacy and entrepreneurship training. With her new skills and a small business loan, she started a hardware store. As her businesses grew, she decided to diversify further and she now runs three businesses: a popcorn stall, a hardware store and a hair salon. Her weekly profits have increased from ZMK200 to ZMK1000. She no longer needs to worry about the family's food security, and she is able to send her children to school. **"My life has changed drastically since I got access to the training and loans. We are more secure now and I don't have to worry about the children going hungry."**

Tackling intergenerational poverty

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

The pandemic has led to increased poverty levels and heightened inequality. Africa stands out as the most-affected region in the world in terms of detrimental loss of income of poor households. In 2021, 82% of all new clients were living below the global $2.50 per day poverty line and 54% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day. More of the new clients we recruited in 2021 are living in extreme poverty than in previous years, and this is an indication of rising poverty levels in the communities we serve.

The long-term goal for our clients is to is to move out of poverty but this takes time. Over 17% of our clients who have been with us for more than one year are moving out of extreme poverty. This is a significant achievement considering many of these families have been living in poverty for generations. Before we see a direct change in poverty status, MicroLoan is also able to measure and report on a range of improvements in the standard of living and well-being for our clients and their household.

In 2021, 82% of all new clients were living below the global $2.50 per day poverty line and 54% were living in extreme poverty, meaning they were struggling to survive on less than $1.25 per day.

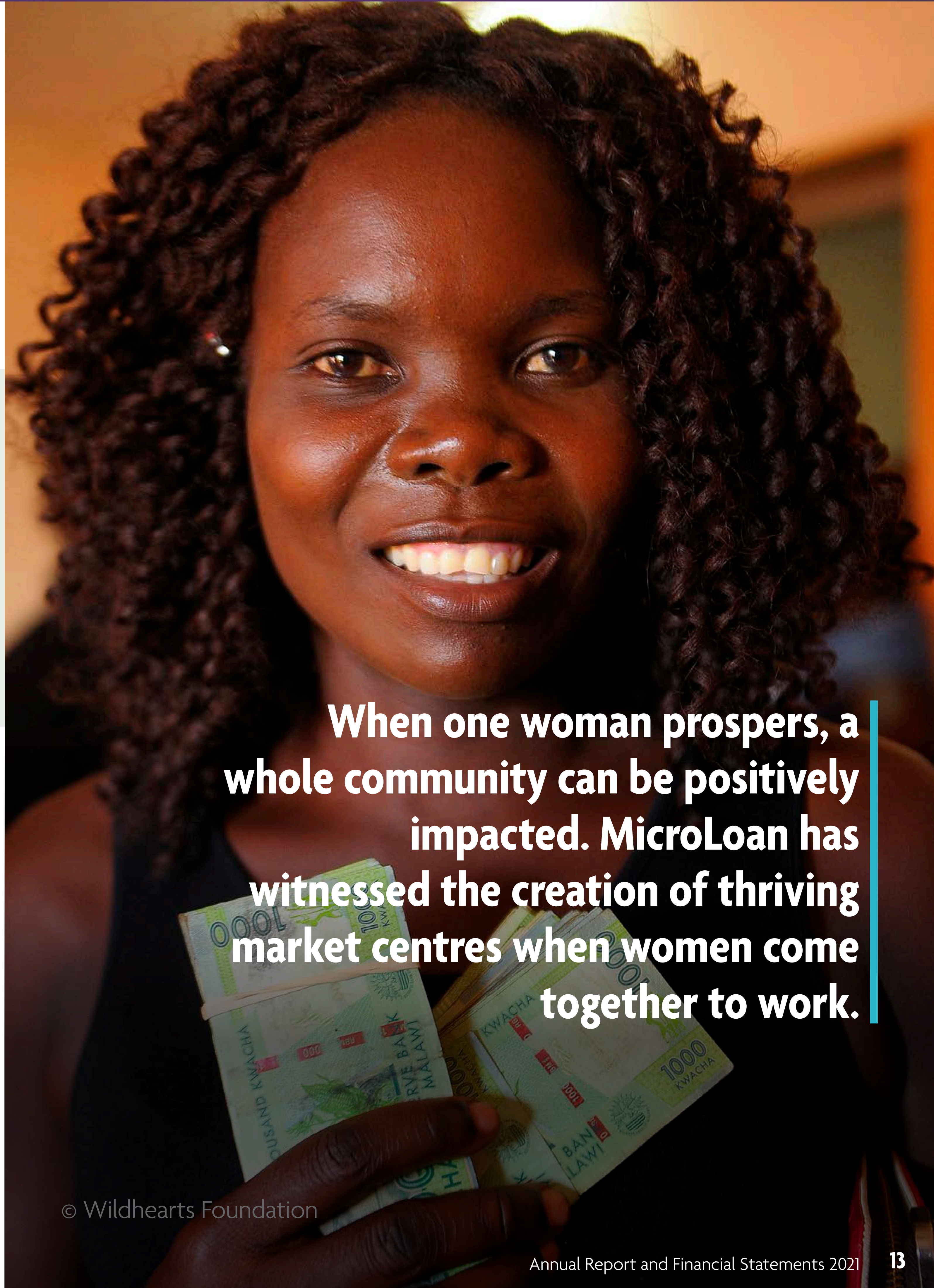
Transformational impact

In 2021, a total of 96,263 women in Malawi, Zambia and Zimbabwe were given access to small affordable loans paired with financial literacy and business training. MicroLoan's clients have an average of 4.2 dependants, so we can estimate that over 400,000 children and vulnerable adults have had improved access to food, healthcare and education as a result.

MicroLoan works with women because they are more likely to prioritise the welfare of the family when spending income, improving their health, education and living situation. When one woman prospers, a whole community can be positively impacted. As her business grows, often with support from her husband or adult children, the local economy benefits, and employment opportunities are created for others. MicroLoan has witnessed the creation of thriving market centres when women come together to work.

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

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



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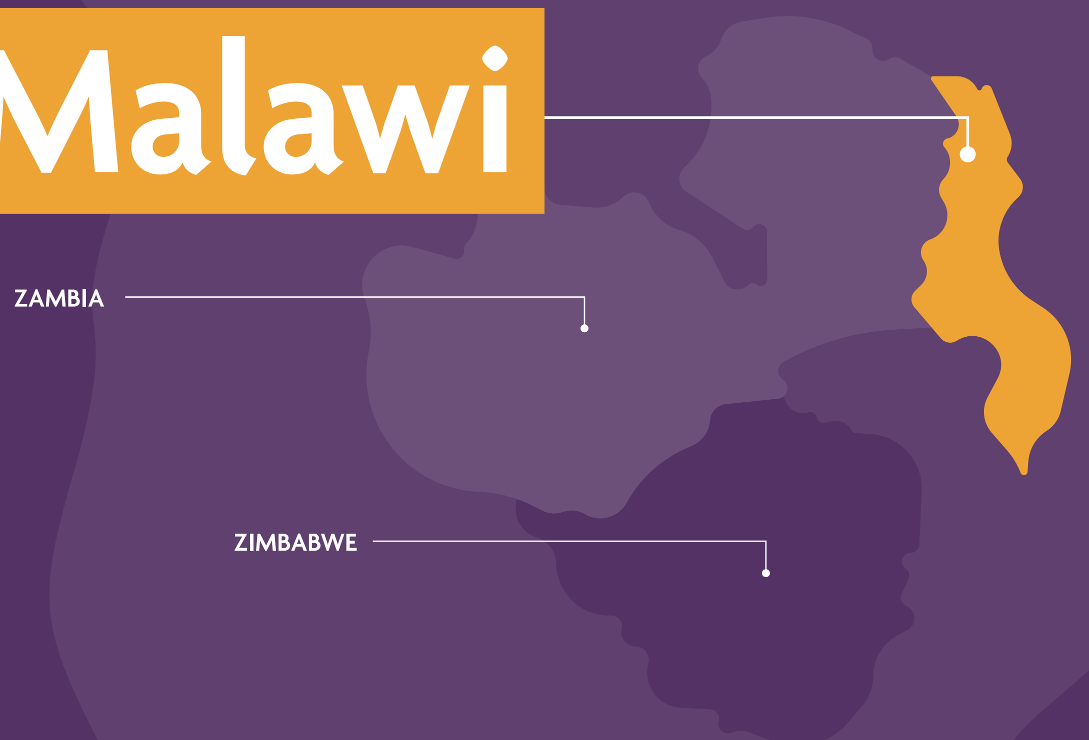
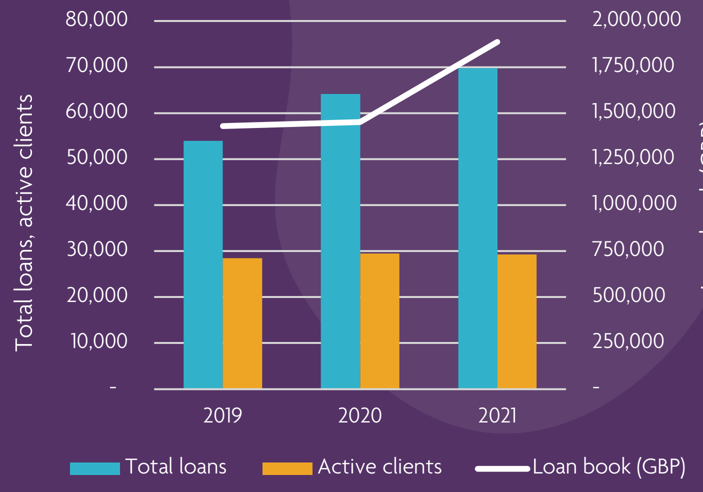
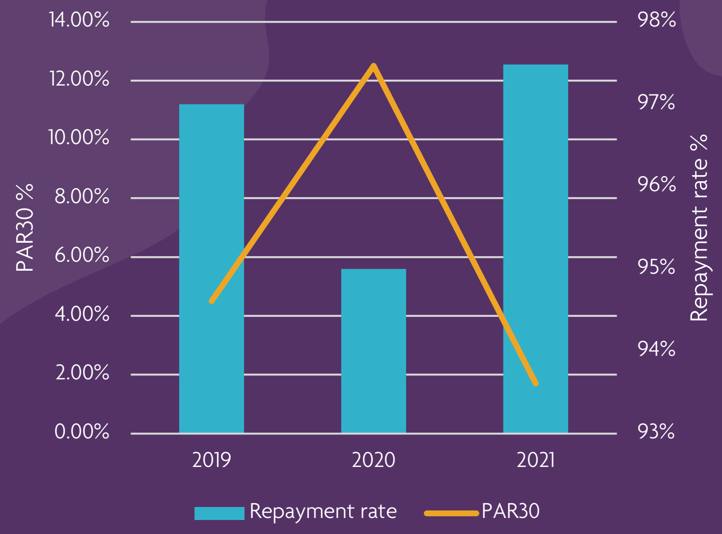
Operations in Malawi



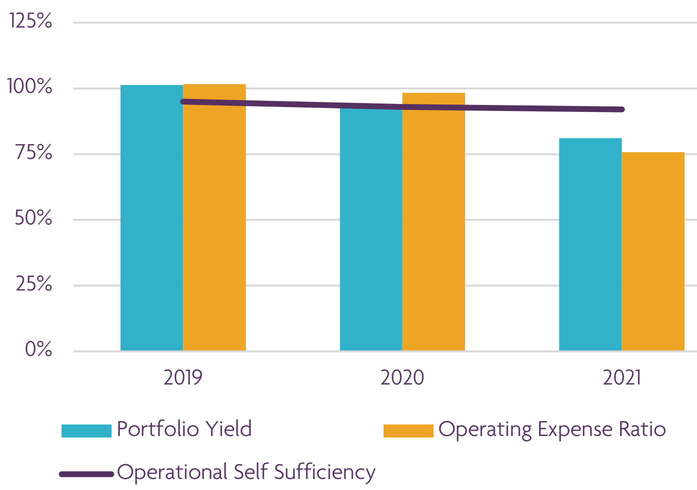
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2019	2020	2021
Total loans made	53,985	64,169	69,768
Active clients	28,480	29,454	29,276
Loan book (GBP)	1,428,932	1,451,858	1,886,753
Average loan size (GBP)	77	78	80
PAR30	4.50%	12.50%	1.70%
Repayment rate	97%	95%	97%
Operational Self Sufficiency	95%	93%	92%
Portfolio Yield	101%	94%	81%

MicroLoan is the second largest microfinance institution in Malawi based on active client numbers.

2021 proved to be a challenging year for the institution as a result of the ongoing COVID-19 pandemic, nevertheless we were able to record favourable outcomes in several of our key performance indicators.

Malawi's economy is vulnerable to external shocks and is heavily dependent on agriculture, employing nearly 80% of the population. The COVID-19 pandemic and restrictions had a significant impact on Malawi's economy but there are now signs of recovery as economic growth rose to 2.4% in 2021 from 0.8% in 2020. Malawi had a good agricultural season with an above average production of the staple food maize and the main export product tobacco.

The inflation rate inched higher, recording an average of 9.46% in 2021 compared to 8.64% in the previous year. The Malawian Kwacha depreciated by approximately 6% against the US Dollar during the year, with exchange rate pressures expected to remain elevated in 2022, as further weakening of the trade balance is anticipated over the medium term.

The loan book grew by 35.9% in Malawian Kwacha terms, from MWK 1.52 billion to MWK 2.07 billion, during the year, and was largely propelled by significant productivity improvements and increased demand, particularly in the last quarter of the year.

Portfolio at Risk (PAR) is an indicator of loan portfolio quality and PAR30 indicates the ratio of loan book overdue by more than 30 days. PAR30 closed the year at 1.7%, after a write-down of 6.61% of the loan book, owing to a combination of both internal operational challenges and COVID-19 related issues. The operational issues have been systematically addressed through an overhaul of systems, processes and human resource along with a significant push towards digitalisation. We have seen an increased level of poverty in the communities we operate in and continue to pay close attention to clients who are struggling, providing additional mentoring, support and loan restructuring when necessary. Active client numbers in Malawi remained relatively static, supporting 29,276 at year end 2021 compared to 29,454 a year prior. The stagnation was a result of the aftermath of COVID-19, paired with a strategic focus on strengthening internal structures and tightening up operating processes to prepare for accelerated growth. This included digitisation of operations, both at an administrative level and in the field. A consultant was also commissioned to optimise the use of the Management Information System and build internal digital capacity. The challenges posed by COVID-19 accelerated the need to digitalise our services and we are seeing how the introduction of mobile money builds resilience in our clients and the organisation in the face of external shocks.

In 2021, Over 4,100 clients have taken part in mobile money training and 12% of repayments were made via the platform in December 2021.

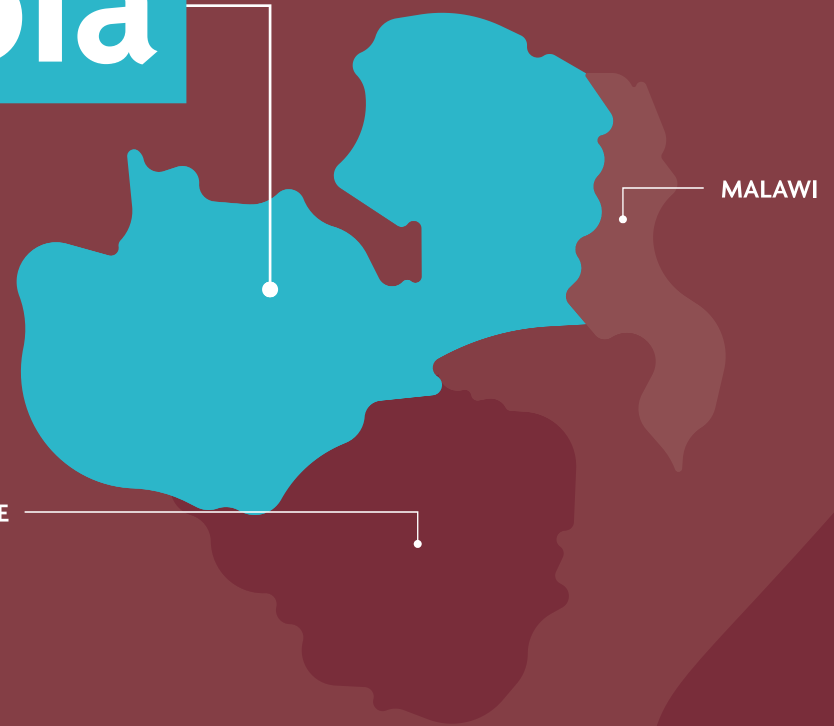
Five operational areas – Salima, Lilongwe, Zomba, Kasungu and Mzuzu – have been part of the pilot to date and the testing will be rolled out to Blantyre, Mwanza and Chikwawa in early 2022. Following the success of this pilot, MicroLoan Malawi will reduce the overall administrative burden of manual disbursements and repayments by integrating the system into the Musoni Management Information System. The aim is to test and roll out mobile money across all branches by the end of 2022.

Due to the stagnation in loan book growth, we witnessed a marginal growth in interest income of 7% to the prior year. We have seen a 1.7% reduction in recurring operating expenses in 2021 compared to 2020, resulting in an improvement in the Operating Expense Ratio from 98% to 76% during the same time period. Owing to a challenging internal and external environment, the Operational Self Sufficiency stood at 92% for the year. However, significant operational improvements made as a result of the reengineering efforts initiated across the institution, have laid the foundation for a healthy growth trajectory and full operational self-sufficiency in 2022 and beyond.

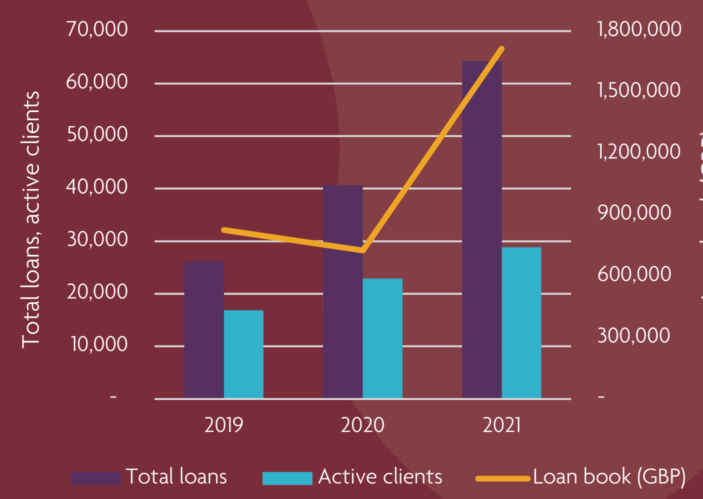
As part of our expansion strategy, we look to open four new branches in 2022 and develop additional loan products in the Small and Medium Enterprise (SME) and agricultural space to closely match specific clients' needs. MicroLoan Malawi will implement an Environmental Social and Governance (ESG) framework to ensure that the micro and small businesses we lend to are educated on sustainable business practices and able to manage associated risks. We will also look to strengthen our governance structure through the addition of new members on the Board, who will bring the relevant skills and expertise to match the needs of MicroLoan Malawi's future strategy.

We have seen an increased level of poverty in the communities we operate in and continue to pay close attention to clients who are struggling, providing additional mentoring, support and loan restructuring when necessary.

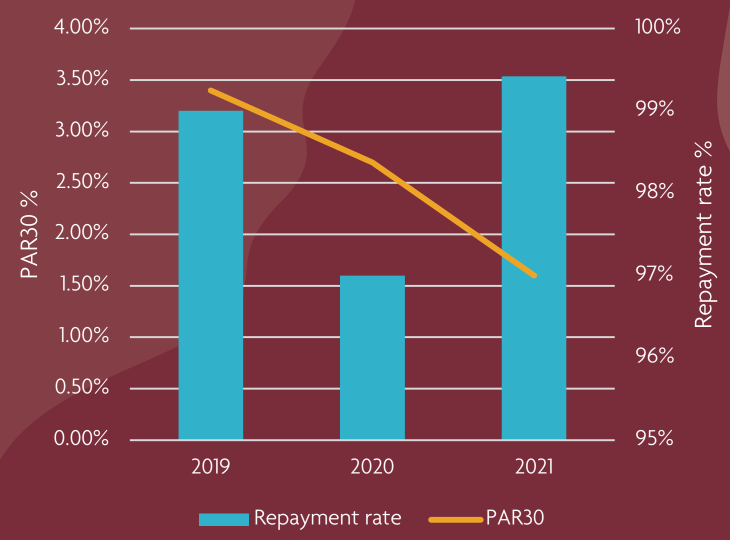
Operations in Zambia



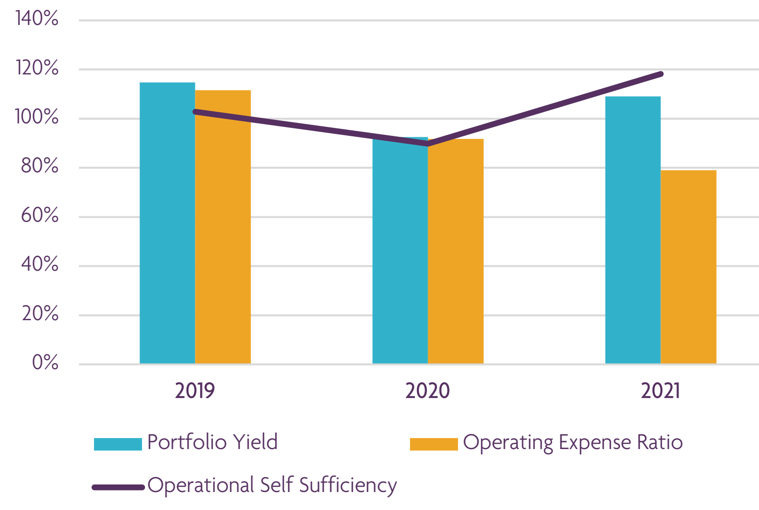
Total loans made, active clients and outstanding loan book



Repayment rate and PAR30



Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



	2019	2020	2021
Total loans made	26,144	40,679	64,221
Active clients	16,862	22,900	28,877
Loan book (GBP)	827,106	725,760	1,713,968
Average loan size (GBP)	81	59	68
PAR30	3.40%	2.70%	1.60%
Repayment rate	99%	97%	99%
Operational Self Sufficiency	103%	90%	118%
Portfolio Yield	115%	93%	109%
Operating Expense Ratio	115%	112%	92%

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

Following a historic contraction in the previous year, the Zambian economy recovered by 3.3% in 2021. The recovery is driven by high copper prices, improved performance in the agriculture sector, and increased confidence in the market following the elections which saw a new government take the reins. The Zambian Kwacha stabilised during the year and appreciated over 21% against the US Dollar. Inflation continued to rise averaging about 22.8% during the year compared to 15.7% in the previous year.

MicroLoan Zambia's active clients grew by 26%, up from 22,900 in 2020 to 28,877 at the end of 2021, as we continued to grow our outreach in branches in the Southern, Eastern and Northern provinces. The loan book demonstrated an impressive 86% growth in Zambian Kwacha terms from ZMW 21 million to ZMW 38.5 million as a result of increased outreach and inflationary pressure on clients requiring higher loan sizes. This demand was met by the support of external borrowings from social impact investors. MicroLoan Zambia maintained excellent loan portfolio quality with a PAR30 of 1.6% at the end of the year.

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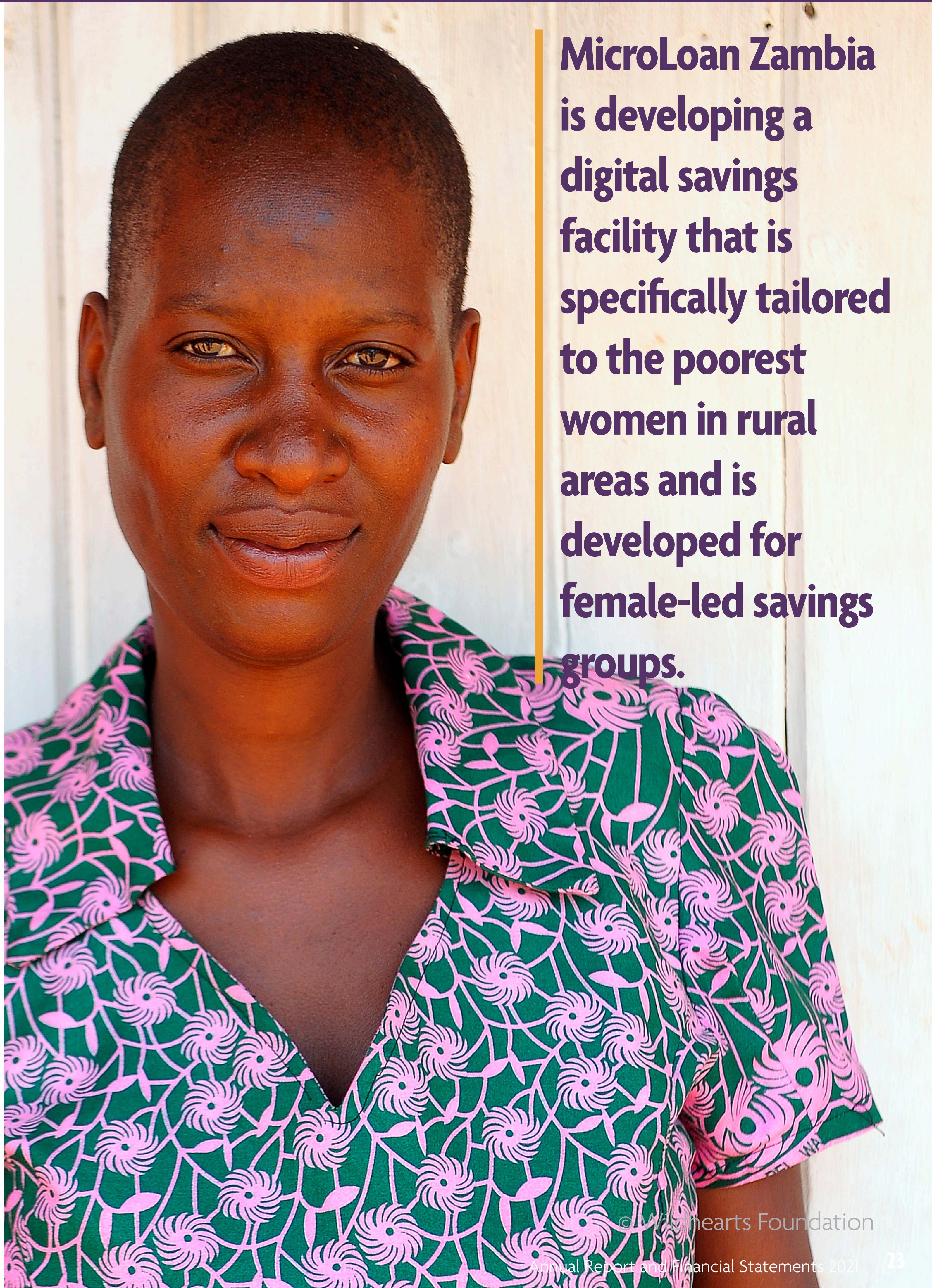
Operating expenses rose by 41% during the year, largely on account of growth paired with inflationary pressure. Finance costs also increased as the organisation secured external borrowings to facilitate increased outreach. The interest income generated on the loan book increased by 93% year on year. The Operating Expense Ratio improved and landed at 79% compared to 92% in 2020. Consequently, MicroLoan Zambia ended the year with a healthy operational surplus and an Operational Self Sufficiency ratio of 118%.

Following the lift of restrictions imposed during the COVID-19 pandemic, markets and business activity witnessed a recovery and a return to normality. The management team have simultaneously spearheaded a number of operational efficiency initiatives including the increased adoption of digitalisation in our operations and the reduction of fixed costs through the conversion of branches into satellites. Both these factors have translated into a stronger overall performance for MicroLoan Zambia.

MicroLoan Zambia's adoption of digital platforms and solutions gives the organisation a competitive advantage in the wake of COVID-19. With 100% of loans disbursed and an estimated 70% of repayments made via mobile money, our services are more efficient and secure, for clients and staff alike.

Encouraging a savings behaviour is a key element of MicroLoan's training programme and is crucial for supporting women to become financially independent and resilient. Over the past few years, we have seen a surge in the demand for a safe and secure savings facility. This presents an opportunity to improve access to digital savings by building on our existing digital capabilities on MTN's (our network provider) mobile money platform. MicroLoan Zambia is developing a digital savings facility that is specifically tailored to the poorest women in rural areas and is developed for female-led savings groups.

In 2022, MicroLoan Zambia will look to expand its footprint through new satellites in rural areas and its product offering which will include a savings platform and an agricultural loan product targeted at smallholder farmers. MicroLoan Zambia will also look to hire an Operations Manager and strengthen its governance structure through the addition of new board members, keeping in line with its future growth strategy.



MicroLoan Zambia is developing a digital savings facility that is specifically tailored to the poorest women in rural areas and is developed for female-led savings groups.

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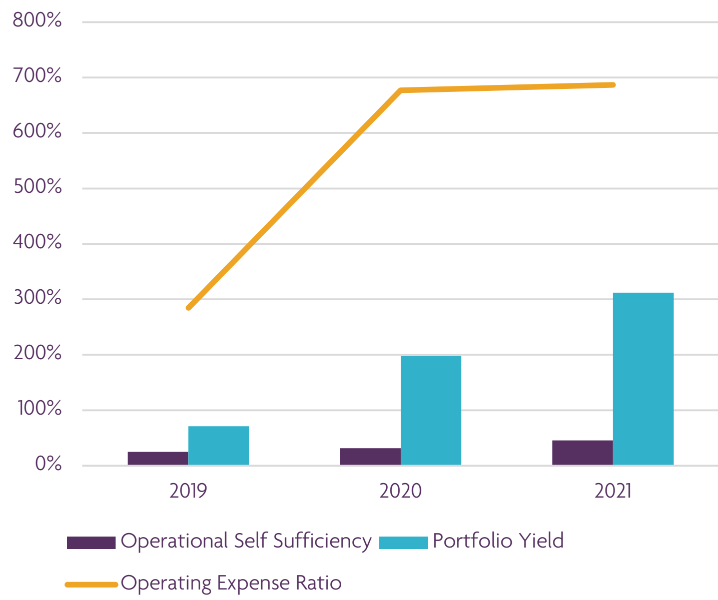
Operations in Zimbabwe

Total loans made, active clients and outstanding loan book

Repayment rate and loan book

Portfolio Yield, Operating Expense Ratio and Operational Self Sufficiency



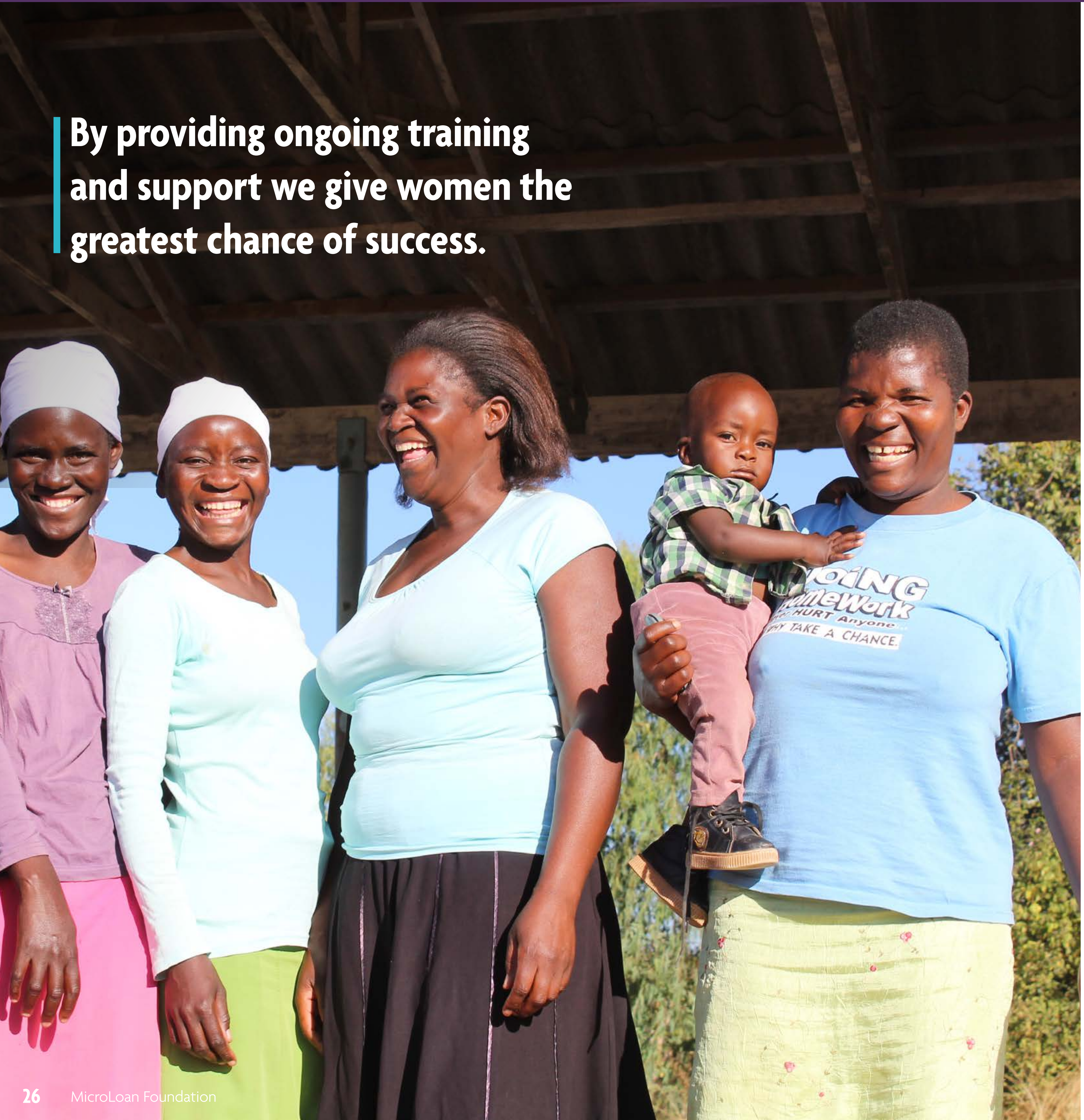
	2019	2020	2021
Total loans made	2,155	1,051	1,303
Active clients	1,612	102	562
Loan book (GBP)	15,466	3,583	24,979
Average loan size (GBP)	19	12	84
PAR30	0.00%	3.00%	0.55%
Repayment rate	100%	100%	100%
Operational Self Sufficiency	25%	31%	45%
Portfolio Yield	71%	198%	312%
Operating Expense Ratio	285%	677%	687%

MicroLoan Zimbabwe is one of very few, if not the only, truly social microfinance institutions operating in the country. The demand for financial services in poor communities remains high and we saw a steady performance and carefully managed growth in 2021.

The economy rebounded in 2021 despite macroeconomic challenges and the economic impacts of COVID-19. This was driven by an exceptionally good agriculture season, recovery of industry, and relative stabilisation of prices and exchange rates. GDP is estimated to have grown by 5.8% in 2021 after contracting by 6.2% in 2020.

Inflation slowed down and in December the inflation rate was 60.4% and the average annual inflation rate 92.54%, compared to 557.21% in the previous year. The Zimbabwean Dollar remains volatile and the gap between the official and parallel market exchange rates is increasing.

MicroLoan Zimbabwe grew active client numbers and the loan book during the year. The total number of active clients at year end was 562 compared to 102 at the end of 2020. The loan book grew by 586% from USD 4,909 to USD 33,697. This was due to an injection of grant funding into the loan book. The repayment rate was 99.9% in 2021 and the loan portfolio quality was excellent with a PAR30 at 1%. Expenditure came in under budget and we had an Operational Self Sufficiency ratio of 45%.



In 2019, the country banned the domestic use of foreign currencies but in 2020 foreign currencies became legal tender again. However, MicroLoan has not been allowed to disburse loans in US Dollars, leaving our clients and the organisation open to forex losses and local currency inflation. Following widespread pressure from the financial sector, the Reserve Bank of Zimbabwe has now issued a new regulation allowing lending in US Dollar.

MicroLoan is hoping to obtain approval for US Dollar lending from the Reserve Bank, which will enable loan disbursements to clients in US Dollars in 2022, and simultaneously preserve the value of its loan book.

All MicroLoan Zimbabwe's disbursements and repayments are done digitally via a mobile money platform. The mobile money platform only operates in ZWL and as the economy in rural areas is largely dollarized, rural mobile money agents are often faced with a situation where there is a shortage of cash. It is therefore expected that lending in US Dollars will not only address the forex risks but also the challenges of a shortage of ZWL with mobile money agents in rural areas.

The level of political risk is increasing as the country is gearing up for 2023 elections. In some politically sensitive areas gatherings are being prohibited, which has had an impact on our centre meetings, particularly in the Bindura area. MicroLoan Zimbabwe continues to engage with local authorities to ensure that meetings can go ahead without disruptions.

MicroLoan Zimbabwe is well positioned for growth and expects a significant surge in demand for its services as MicroLoan will be able to address clients' preference for receiving US Dollar loans rather than local currency loans. Our strategy for 2022 is to work closely with new and existing partners to re-build our portfolio and grow our client base within our existing regions of operations.

Fundraising overview

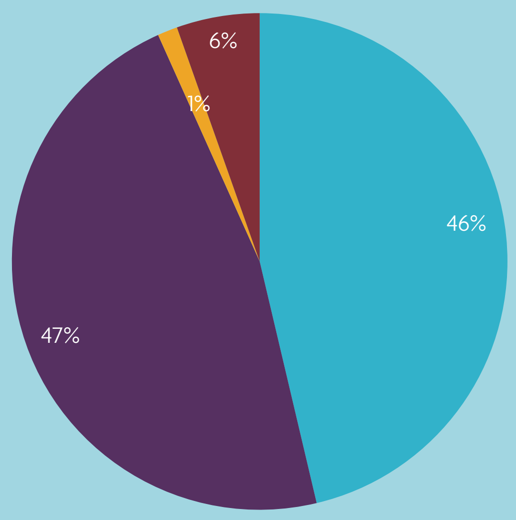
In 2021 MicroLoan Foundation raised £1,100,124 in voluntary income (2020: £963,432). This includes donated resources and gifts in kind to a total value of £59,645 (2020: £33,631). Our supporters include trusts, foundations and corporate partners, as well as individuals who support us through personal donations or through fundraising events, challenges and community engagements.

Our top donors in 2021 include WildHearts Group and Foundation, Whole Planet Foundation, The Paul Foundation, The Language Factory, The Oso Foundation, The Headley Trust, Bliss Family Charity, The Randal Charitable Foundation, ADA Microfinance, Rita and David Slowe Charitable Trust, The MacDaibhidh Charitable Trust as well as a number of private individuals and organisations that wish to remain anonymous. We received a generous legacy gift in the memory of Vivien Helen Barnard. See to the left a breakdown of voluntary income for 2021. MicroLoan has a dedicated fundraising team in London which manages relationships with donors in the UK and internationally. The UK office liaises with our affiliates in the USA and Australia and the operational teams in sub-Saharan Africa to develop innovative projects and ensure that our donors are regularly informed about the impact of their support. We are a member of the Fundraising Regulator and adhere to the UK Code of Fundraising Practice.

MicroLoan Foundation has an increased focus on strategic funding partnerships from institutions providing Technical Assistance grants paired with social impact investment. In 2021 MicroLoan Foundation received investments in the form of debt facilities from ADA Microfinance, Grameen Credit Agricole, Global Partnerships, FDH Bank, The Paul Foundation, KIVA and LendwithCare.

We are truly grateful for the generous and transformational support from our many donors and investors. It is thanks to you that we can continue our life-changing work, helping more women and their families to build a life outside of poverty.

Fundraising income 2021



Registered with FUNDRAISING REGULATOR

Group financial review

The group's financial performance for 2021 is set out in the Consolidated and Charity Statement of Financial Activities, the Balance Sheets and the Consolidated Statement of Cashflows on pages 48 to 53. The group result includes that of MicroLoan Foundation and our subsidiaries in Malawi, Zambia and Zimbabwe.

Results in overview

The Board are encouraged by the financial performance during 2021 and the progress that has been made. In 2020, the combined effects of COVID-19-related restrictions on income levels and significant currency depreciation on assets led to a net reduction in total charitable funds. Across 2021, conditions were slightly less challenging, with a relatively stable macroeconomic environment in Malawi, a partial recovery in the value of the Zambian Kwacha and an easing of the hyperinflationary pressures in Zimbabwe. Whilst restrictions of movement and gatherings continued, these proved to be much less sustained and our operations in all countries were better prepared to absorb their effects. The result is that the Group financials reflect a year of recovery, strong growth and solid foundations.

Group net income in 2021 was £635,148 compared to £277,362 in 2020. Net exchange gains of £101,140 (2020: £324,624 loss) on retranslation of brought forward reserves, driven by the improving Zambian Kwacha, resulted in an overall net increase in group funds of £736,288 (2020: £71,877 decrease). The 2020 increase included a gain of £25,385 relating to the revaluation of land and buildings held in Malawi.

At the year end, total group funds amounted to £1,651,712 (2020: £915,424) of which £32,180 (2020: £67,947) were restricted and £1,619,532 (2020: £847,477) were unrestricted. Of these, £1,067,360 (2020: £661,076) related to MicroLoan Foundation as the charitable parent, with £19,491 (2020: £67,947) restricted and £1,047,869 (2020: £593,129) unrestricted.

Income and expenditure

2021 group income totalled £3,787,887 (2020: £3,045,207), representing a 24% increase on the previous year. The majority of this comprised of interest income in respect of our microloan portfolio which grew by 28% to £2,665,532 (2020: £2,076,929). Voluntary income generated during the year totalled £1,100,124 (2020: £963,432), an increase of 15% compared to 2020. Investment income, comprising bank interest received and rental income on a property in Malawi, grew to £22,231 (2020: £4,846).

Total expenditure grew by 12% to £3,152,739 (2020: £2,817,845). In the UK, we benefited from the full year effect of exiting our former leased office space during 2020 and our team continued to adopt a hybrid working arrangement. Our fundraising events programme was largely moved online, contributing to savings in the cost of delivery. We also had two temporary vacancies in our fundraising team that resulted in some salary savings. Across our operations in Africa, expenditure denominated in local currency increased due to the ongoing growth in our operations and the number of clients we serve. In British Pound terms, the effects of this increase were amplified slightly by the recovering Zambian Kwacha.

Use of funds

In total, the UK charity injected £636,935 of funding to Africa during 2021 to support expansion of our mission and impact. This comprised £332,052 of equity investment and £304,883 in the form of further revenue grants. Part of these funds represented conversion of brought forward intercompany debt of £67,359 advanced in the prior year. Our UK fundraising team also helped secure a further £24,946 of grants received directly in Malawi.

All these amounts were supplemented by additional social investment from external lenders.

As a result of this investment, the British Pound value of the year end loan book increased by £1,447,890 (66%) to £3,629,149 (2020: £2,181,259). The strengthening of the Zambian Kwacha contributed to this increase, more than offsetting further declines in the value of Malawian Kwacha and RTGS dollars in Zimbabwe. Net foreign exchange movements across all currencies increased the British Pound value of the brought forward loan book by approximately £144,740. This partially reversing an equivalent drop of £408,000 in 2020 when the group was severely impacted by the collapse of the Zambian Kwacha and hyperinflation in Zimbabwe.

Through a combination of the loan book growth and easing COVID-19 restrictions, the total value of all loans disbursed increased by 61% during 2021 to £10,851,594 (2020: £6,752,019). The number of clients we supported during the year grew by 13% to 96,263, with an average loan size of £80.

Key Financial Performance Indicators

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

Fundraising efficiency ratio

	2019	2020	2021
Donations and legacies received	£1,047,584	£963,432	£1,100,124
Cost of fundraising function	£348,184	£294,703	£277,259
Ratio	3.0	3.3	4.0

Fundraising expenditure

	2019	2020	2021
Total expenditure	£2,982,067	£2,817,845	£3,152,739
Expenditure on fundraising	£348,184	£294,703	£277,259
Percentage	11.7%	10.5%	8.8%

Reserves policy and management

In the UK

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

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

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

The Board has agreed that 'free reserves' should exceed a minimum of six months but are not expected to exceed nine months forecast cash outflows, calculated on an annualised basis. At 31 December 2021, the free reserves position was £314,574, equivalent to 8.3 months.

Despite a challenging economic environment, 2021 was a successful fundraising year for the charity. Alongside this, the Group was able to leverage the significant amount of donor-funded investment into Africa over the last few years to successfully secure new loan capital from various social investors.

Furthermore, in Malawi, a targeted debt facility from the country's Reserve Bank has also been approved. Most of this new funding will be drawn down in the coming year and play a crucial role in continuing to scale our activities in Africa throughout 2022 and beyond.

The Group nevertheless continues to take a responsible approach to the amount of debt it takes on relative to the level of reserves. Furthermore, it is the view of management that the macroeconomic conditions in Zimbabwe make it unwise for that subsidiary to take on external debt at the present time. Accordingly, it is vital that the charity continues to manage and grow other reserves as part of ensuring there are sufficient funds available to support and scale our activities in line with the Group's 5-year strategic plan. At 31 December, a total of £150,000 was held in the UK as designated funds specifically for this purpose. These funds will be advanced to Africa on a phased basis throughout 2022.

In Africa

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

Investment policy and objectives

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

> **Each subsidiary is expected to work towards a position of operational self-sufficiency where it is able to independently generate sufficient income to sustain its core operations and, where necessary, utilise its reserves responsibly to manage unexpected, temporary fluctuations in income and costs.**

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

The impact of COVID-19 on our operations

Over the last two years, the COVID-19 pandemic has resulted in severe economic and societal disruption across all our countries of operation and the long-term effects are still not fully known. As events have unfolded, we have responded swiftly to the developing situation, taking precautionary measures to minimise financial and operational risk. At all times our teams have followed government and medical advice to ensure that our staff and beneficiaries are safeguarded.

In Africa, any restrictions imposed on movement and gatherings have a major impact on our 'high touch' operating model, making it more challenging to disburse and collect loans and slowing our efforts to responsibility grow our loan book. Our in-country management teams have adapted policies and refined our approach to cope with the changing circumstances and specific local requirements. We have been able to continue our lending activities in a safe and effective manner, ensuring an ongoing income stream to fund operational costs.

In the UK, our donor pipeline remains healthy and 2022 will see a return of 'in person' and challenge events which present us with an exciting opportunity to reinvigorate our fundraising pipeline and engage new supporters. The charity has no external debt commitments to service and has continued to rigorously challenge its cost base to ensure it is operating as leanly as possible. It has also built additional reserves coverage to ensure it will be resilient to the effects of short-term fluctuations in income levels.

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

Risk Management

The trustees have assessed the principal risks across the group:

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

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

Fundraising risk

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

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

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

Sustainability risk

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

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

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

Liquidity and funding risk

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

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

Credit risk

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

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

Operational risk

The charitable group has more than 200 staff working across five countries and therefore we have the logistical risks associated with operating over large distances, in rural areas with poor infrastructure and stretched communication networks. This increases the risk of internal failures of controls or systems, including fraud, as well as external disruption.

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

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

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

Reputational risk

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

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

Governance

Nature of governing document

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

Organisation structure

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

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

- Bernice Dunsmuir
- Michael Jackson
- Colin Milne
- Karen Scholes

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

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

The operations in Africa each have their own locally appointed Board of Directors that oversee the activities in their country. These Boards all include at least one member of the UK Senior Management Team who serve as the link between the UK parent charity and the African microfinance subsidiaries. Together, the UK and Africa Boards implement the group strategy in a way that is appropriate to local conditions.

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

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

Recruitment and appointment of trustees

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

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

Induction and training of trustees

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

Arrangements for setting remuneration of key management personnel

Our microfinance operations are large, complex and highly regulated financial institutions operating in countries with very challenging and often unstable economic and political environments. The Board therefore believes that it is imperative that remuneration levels are set at rates that are competitive and allow the group to attract senior personnel of the right calibre to ensure all areas of activity remain compliant and are delivered in the most efficient and effective way possible.

Remuneration levels of key management personnel are benchmarked annually against market rates or if a change in circumstances warrants review (for example, a revision to roles and responsibilities). KPIs are closely monitored to assess value-added and progress against operational and strategic priorities. These form part of the performance evaluations which feed into pay reviews.

None of the trustees were remunerated by the charity during 2021.

Statement of Trustees' responsibilities

Public benefit

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

Financial statements

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

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

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

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

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

The trustees confirm that so far as they are aware:

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

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

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

The annual report was approved by the Board on Wednesday 24 August 2022

Dr Mick Jackson
Chairman

Independent auditor's report

Opinion

We have audited the financial statements of Microloan Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

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:

© WildHearts Foundation

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

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

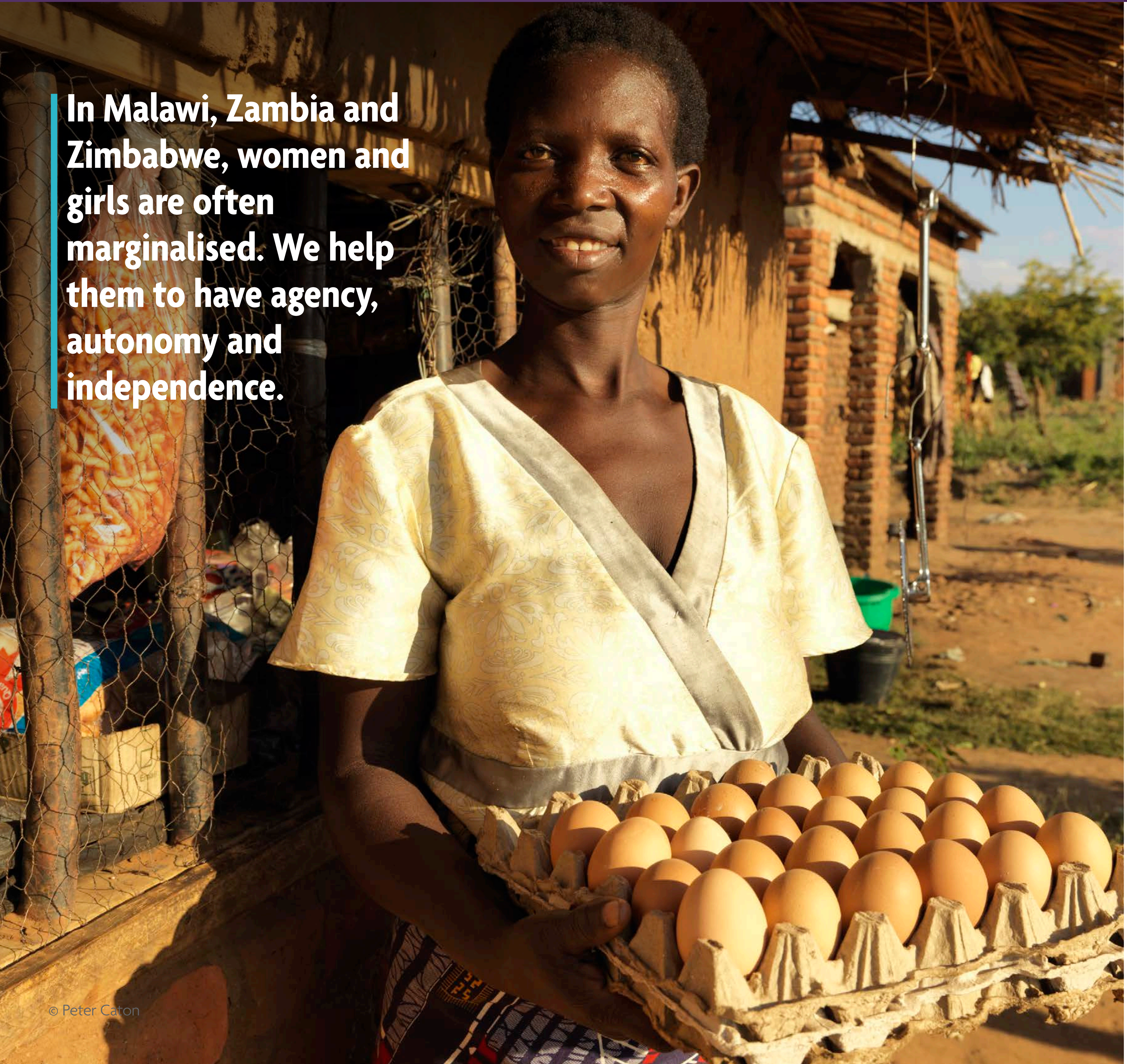
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;

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

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

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

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



Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Orchard
Senior Statutory Auditor
July 2021

For and on behalf of:
Sayer Vincent LLP, Statutory Auditor
Invicta House,
108-114 Golden Lane,
London, EC1Y 0TL

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

Financial statements

MicroLoan Foundation (MLF)

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account) for the year ended 31 December 2021

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

The notes on pages 54 to 80 form part of these financial statements.

	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Income from:							
Donations and legacies	2	**625,066**	**475,058**	**1,100,124**	456,944	506,488	963,432
Charitable activities							
• MLF Malawi		**1,358,427**	-	**1,358,427**	1,350,010	-	1,350,010
• MLF Zambia		**1,262,805**	-	**1,262,805**	708,481	-	708,481
• MLF Zimbabwe		**44,300**	-	**44,300**	18,438	-	18,438
Investment income	3	**22,231**	-	**22,231**	4,846	-	4,846
Total income		**3,312,829**	**475,058**	**3,787,887**	2,538,719	506,488	3,045,207
Expenditure on:							
Raising funds	5	**(265,798)**	**(11,461)**	**(277,259)**	(281,098)	(13,605)	(294,703)
Charitable activities							
• MLF Malawi	5	**(1,395,940)**	**(197,103)**	**(1,593,043)**	(1,333,491)	(233,974)	(1,567,465)
• MLF Zambia	5	**(969,524)**	**(192,887)**	**(1,162,411)**	(739,665)	(146,204)	(885,869)
• MLF Zimbabwe	5	**(10,652)**	**(109,374)**	**(120,026)**	(6,853)	(62,955)	(69,808)
Total expenditure		**(2,641,914)**	**(510,825)**	**(3,152,739)**	(2,361,107)	(456,738)	(2,817,845)
Net income		**670,915**	**(35,767)**	**635,148**	177,612	49,750	227,362
Other recognised gains / (losses):							
Gain on revalued fixed assets		**-**	**-**	**-**	25,385	-	25,385
Exchange gains / (losses)	18	**101,140**	-	**101,140**	(324,624)	-	(324,624)
Net movement in funds		**772,055**	**(35,767)**	**736,288**	(121,627)	49,750	(71,877)
Reconciliation of funds:							
Total funds brought forward	18	**847,477**	**67,947**	**915,424**	969,104	18,197	987,301
Total funds carried forward		**1,619,532**	**32,180**	**1,651,712**	847,477	67,947	915,424

Charity Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 December 2021

	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Income from:							
Donations and legacies		**625,066**	**428,987**	**1,054,053**	456,944	423,497	880,441
Investment income		**-**	-	-	-	-	-
Total income		**625,066**	**428,987**	**1,054,053**	456,944	423,497	880,441
Expenditure on:							
Raising funds		**(265,798)**	**(11,461)**	**(277,259)**	(281,098)	(13,605)	(294,703)
Charitable activities		**(68,398)**	**(302,112)**	**(370,510)**	(202,916)	(140,027)	(342,943)
Total expenditure		**(334,196)**	**(313,573)**	**(647,769)**	(484,014)	(153,632)	(637,646)
Net income		**290,870**	**115,414**	**406,284**	(27,070)	269,865	242,795
Transfers between funds		**163,870**	**(163,870)**	**-**	220,115	(220,115)	-
Net movement in funds		**454,740**	**(48,456)**	**406,284**	193,045	49,750	242,795
Reconciliation of funds:							
Total funds brought forward		**593,129**	**67,947**	**661,076**	400,084	18,197	418,281
Total funds carried forward		**1,047,869**	**19,491**	**1,067,360**	593,129	67,947	661,076

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

The notes on pages 54 to 80 form part of these financial statements.

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Balance sheets as at 31 December 2021

Company registration number: 04828558

	Note	The group 2021 £	The group 2020 £	The charity 2021 £	The charity 2020 £
Fixed assets					
Tangible assets	8	**508,454**	387,955	**-**	-
Investments	9	**-**	-	**1,733,293**	1,401,241
		508,454	387,955	**1,733,293**	1,401,241
Current assets					
Stock	10	**6,246**	12,458	**-**	-
Debtors	11	**3,761,372**	2,468,438	**9,663**	74,690
Cash at bank and in hand		**674,005**	523,541	**520,303**	355,341
		4,441,623	3,004,437	**529,966**	430,031
Creditors: Amounts falling due within one year	12	**(1,432,886)**	(908,320)	**(45,899)**	(20,196)
Net current assets / (liabilities)		**3,008,737**	2,096,117	**484,067**	409,835
Total assets less current liabilities		**3,517,191**	2,484,072	**2,217,360**	1,811,076
Creditors: Amounts falling due after one year	13	**(1,820,623)**	(1,554,326)	**(1,150,000)**	(1,150,000)
Provisions for liabilities	14	**(44,856)**	(14,322)	**-**	-
Total net assets		**1,651,712**	915,424	**1,067,360**	661,076
Funds of the charity:					
Unrestricted funds	18	**314,574**	274,529	**314,576**	274,529
Designated funds	18	**1,304,958**	572,948	**733,293**	318,600
Restricted funds	18	**32,180**	67,947	**19,491**	67,947
Total funds		**1,651,712**	915,424	**1,067,360**	661,076

The financial statements were approved by the Board and authorised for issue on 24 August 2022 and signed on their behalf by:

Mick Jackson
Trustee

The notes on pages 54 to 80 form part of these financial statements.

Consolidated Statement of Cash Flows as at 31 December 2021

	The group 2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities				
Net income per Statement of Financial Activities	**635,148**		227,362	
Depreciation charges	**119,476**		123,921	
Investment income receivable	**(22,231)**		(4,846)	
Interest on borrowings	**231,053**		96,200	
Loss / (gain) on disposal of tangible fixed assets	**1,298**		(1,338)	
Decrease / (increase) in stock	**5,793**		(188)	
Increase in debtors	**(1,055,936)**		(177,678)	
Increase / (decrease) in creditors	**179,565**		(158,168)	
Increase in deferred tax provision	**30,534**		8,066	
Net cash flows from operating activities		**124,700**		113,331
Cash flows from investing activities				
Interest receivable and similar income	**22,231**		4,846	
Purchase of tangible fixed assets	**(256,966)**		(88,371)	
Proceeds from sale of tangible fixed assets	**27,516**		1,552	
Net cash flows from investing activities		**(207,219)**		(81,973)
Cash flows from financing activities				
New loans obtained during the period	**1,163,188**		891,517	
Loans repaid during the period	**(674,911)**		(757,976)	
Interest paid on borrowings	**(231,053)**		(96,200)	
Net cash flows from financing activities		**257,224**		37,341
Net increase in cash and cash equivalents		**174,705**		68,699
Cash and cash equivalents at 1 January 2020		**523,541**		505,029
Exchange loss on cash and cash equivalents		**(24,241)**		(50,187)
Cash and cash equivalents at 31 December 2020		**674,005**		523,541

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

The notes on pages 54 to 80 form part of these financial statements.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation and statement of compliance

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

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

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

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

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

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

Going concern

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

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

Key sources of estimation uncertainty

Estimation uncertainty exists in respect of the recoverable amount of the charity's microfinance loan portfolio. In determining whether impairment is required, the trustees consider factors such as the contractual terms of the underlying loan agreements, historic rates of loan default in the territory and applicable local macroeconomic factors that could impact the ability to recover amounts advanced. The carrying value of the loan portfolio at the year-end was £3,629,149 (2020: £2,181,259).

Summary of disclosure exemptions

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

Income

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

Donations and legacies

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

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

Grants receivable

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

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

Donated resources and services

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

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

Income from charitable activities

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

Other trading activities

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

Investment income

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

Expenditure

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

Raising funds

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

Charitable activities

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

Grant expenditure

Grants and donations made are included in the Statement of Financial Activities at the point there is sufficient evidence that a contractual or constructive obligation exists. In practice, this is usually a legal agreement or formal written offer issued by the charity to the recipient. In circumstances where the charity makes a grant award that contains performance conditions, expenditure is recognised in the period in which each performance milestone is met. Where there are other conditions associated with the grant, expenditure is recognised to the extent that the future payment is probable.

Support costs

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

Governance costs

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

Irrecoverable VAT

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

Taxation

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

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

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

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

Tangible fixed assets

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

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

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

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

Investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. Donated items of stock, held for distribution or resale, are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market.

Microcredit loans

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

Trade and other debtors

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

Trade creditors

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

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

Borrowings

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

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Such borrowings are subsequently carried at amortised cost, with the difference between the proceeds (net of transaction costs) and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing. The interest expense is recognised on the basis of the effective interest method. Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Holiday pay accrual

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

Pension and other post retirement obligations

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

Foreign exchange

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

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

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

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 2021

2 Income from donations and legacies

	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Individuals and events	**423,831**	**85,586**	**509,417**	298,427	73,962	372,389
Trusts and institutions	**127,271**	**389,472**	**516,743**	105,442	422,426	527,868
Corporates	**14,319**	**-**	**14,319**	19,444	10,100	29,544
Donated services and facilities	**59,645**	-	**59,645**	33,631	-	33,631
	625,066	**475,058**	**1,100,124**	456,944	506,488	963,432

3 Investment income

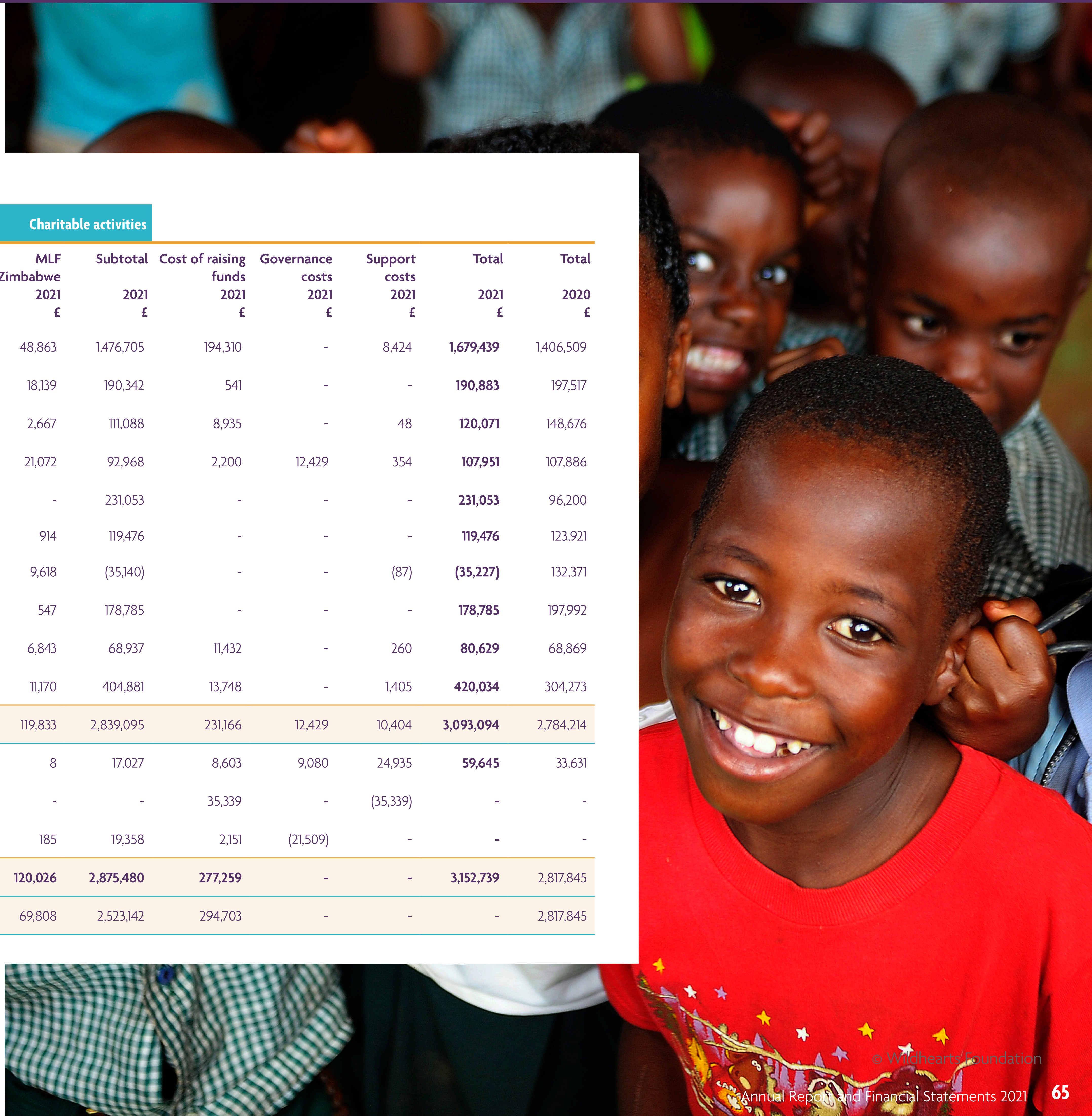
	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Interest receivable and similar income	**22,231**	-	**22,231**	4,846	-	4,846

4 Net income / (expenditure) for the year

	2021 £	2020 £
This is stated after charging:		
Depreciation	**119,476**	123,921
Auditor's remuneration - audit	**11,700**	11,400
Operating lease expenses - property	**78,890**	88,973

5 Expenditure analysis

	Charitable activities								
	MLF Malawi 2021 £	MLF Zambia 2021 £	MLF Zimbabwe 2021 £	Subtotal 2021 £	Cost of raising funds 2021 £	Governance costs 2021 £	Support costs 2021 £	Total 2021 £	Total 2020 £
Staff costs	786,920	640,922	48,863	1,476,705	194,310	-	8,424	**1,679,439**	1,406,509
Travel and subsistence	104,490	67,713	18,139	190,342	541	-	-	**190,883**	197,517
Premises costs	71,427	36,994	2,667	111,088	8,935	-	48	**120,071**	148,676
Legal and professional fees	51,329	20,567	21,072	92,968	2,200	12,429	354	**107,951**	107,886
Interest costs	91,504	139,549	-	231,053	-	-	-	**231,053**	96,200
Depreciation	65,509	53,053	914	119,476	-	-	-	**119,476**	123,921
Exchange (gains) / losses	(1,217)	(43,541)	9,618	(35,140)	-	-	(87)	**(35,227)**	132,371
Loan provisions and write-off	144,614	33,624	547	178,785	-	-	-	**178,785**	197,992
IT and telecommunications	41,683	20,411	6,843	68,937	11,432	-	260	**80,629**	68,869
Other costs	210,549	183,162	11,170	404,881	13,748	-	1,405	**420,034**	304,273
	1,566,808	1,152,454	119,833	2,839,095	231,166	12,429	10,404	**3,093,094**	2,784,214
In kind support	16,583	436	8	17,027	8,603	9,080	24,935	**59,645**	33,631
Support costs	-	-	-	-	35,339	-	(35,339)	**-**	-
Governance costs	9,652	9,521	185	19,358	2,151	(21,509)	-	**-**	-
Total expenditure	**1,593,043**	**1,162,411**	**120,026**	**2,875,480**	**277,259**	**-**	**-**	**3,152,739**	2,817,845
2020 expenditure analysis	1,567,465	885,869	69,808	2,523,142	294,703	-	-	-	2,817,845



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Notes to the Financial Statements for the year ended 31 December 2021

5 Expenditure analysis (continued)

	Charitable activities							
	MLF Malawi 2020 £	MLF Zambia 2020 £	MLF Zimbabwe 2020 £	Subtotal 2020 £	Cost of raising funds 2020 £	Governance costs 2020 £	Support costs 2020 £	Total 2020 £
Staff costs	748,503	415,048	26,917	1,190,468	203,717	-	12,324	**1,406,509**
Travel and subsistence	111,783	72,487	12,967	197,237	131	99	50	**197,517**
Premises costs	84,683	33,654	3,045	121,382	27,294	-	-	**148,676**
Legal and professional fees	29,445	58,136	8,029	95,610	-	11,400	876	**107,886**
Interest costs	55,987	40,213	-	96,200	-	-	-	**96,200**
Depreciation	81,791	41,647	483	123,921	-	-	-	**123,921**
Exchange (gains) / losses	31,555	96,935	2,948	131,438	-	-	933	**132,371**
Loan provisions and write-off	169,225	28,282	485	197,992	-	-	-	**197,992**
IT and telecommunications	40,462	10,281	10,914	61,657	7,215	-	(3)	**68,869**
Other costs	204,671	81,909	3,965	290,545	13,035	-	693	**304,273**
	1,558,105	878,592	69,753	2,506,450	251,392	11,499	14,873	**2,784,214**
In kind support	498	387	3	888	7,802	6,061	18,880	**33,631**
Support costs	-	-	-	-	33,753	-	(33,753)	**-**
Governance costs	8,862	6,890	52	15,804	1,756	(17,560)	-	**-**
Total expenditure	**1,567,465**	**885,869**	**69,808**	**2,523,142**	**294,703**	**-**	**-**	**2,817,845**

6 Staff costs

	2021 £	2020 £
The aggregate payroll costs were as follows:		
Wages and salaries	**1,469,568**	1,235,212
Social security costs	**28,319**	32,126
Pension costs	**86,851**	77,453
	1,584,738	1,344,791

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

	2021 £.	2020 £.
£90,000 - £99,999	1	-
£80,000 - £89,999	2	2
£70,000 - £79,999	-	1
	3	3

Pension contributions made on behalf of these employees totalled £6,311 (2020: £6,068).

The trustees consider key management personnel during 2021 to comprise the Board of Trustees, the Group's Chief Executive Officer, the Chief Executive Officers of the African subsidiaries, the UK Director of Fundraising and the UK Chief Financial Officer. Emoluments totalling £416,284 (2020: £385,177) were paid to these individuals inclusive of Employer's National Insurance and pension contributions. None of the trustees were remunerated in the current year.

	2021 No.	2020 No.
Malawi	**115**	110
Zambia	**93**	82
Zimbabwe	**15**	15
Raising funds	**6**	6
Governance and administration	**3**	3
	232	216

7 Trustee remuneration and expenses

No trustees, nor any persons connected with them, received any remuneration from the charity during the current or prior year. No expenses were reimbursed to trustees during the current or prior year.

8 Tangible Fixed Assets

						The group
	Buildings £	Office equipment £	Computer equipment £	Motor vehicles £	Website costs £	Total £
Cost						
At 1 January 2021	128,327	149,365	231,319	422,611	22,645	**954,267**
Forex adjustment	(5,613)	10,583	(4,953)	19,186	-	**19,203**
Additions	-	57,714	-	199,252	-	**256,966**
Disposals	-	(972)	(118,430)	(53,334)	(22,645)	**(195,381)**
At 31 December 2021	122,714	216,690	107,936	587,715	-	**1,035,055**
Depreciation						
At 1 January 2021	(14,990)	(73,511)	(191,851)	(263,315)	(22,645)	**(566,312)**
Forex adjustment	655	(4,285)	3,227	(6,977)	-	**(7,380)**
Charge for the year	(1,527)	(20,220)	(14,533)	(83,196)	-	**(119,476)**
On disposals	-	48	118,126	25,748	22,645	**166,567**
At 31 December 2021	(15,862)	(97,968)	(85,031)	(327,740)	-	**(526,601)**
Net book value						
At 31 December 2021	106,852	118,722	22,905	259,975	-	**508,454**
At 31 December 2020	113,337	75,854	39,468	159,296	-	**387,955**

			The charity
	Computer equipment £	Website costs £	Total £
Cost			
At 1 January 2021	118,066	22,645	**140,711**
Additions	-	-	-
Disposals	(118,066)	(22,645)	**(140,711)**
At 31 December 2021	-	-	-
Depreciation			
At 1 January 2021	(118,066)	(22,645)	**(140,711)**
Charge for the year	-	-	-
On disposals	118,066	22,645	**140,711**
At 31 December 2021	-	-	-
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020	-	-	-

9 Investments

	The charity
	Investments in subsidiaries £
Cost	
At 1 January 2021	1,458,601
Additions	332,052
At 31 December 2021	1,790,653
Provision	
At 1 January 2021	(57,360)
Charge for the year	-
At 31 December 2021	(57,360)
Net book value	
At 31 December 2021	1,733,293
At 31 December 2020	1,401,241

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

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

	Income £	Expenditure £	Result for the year £	Aggregate of share capital and reserves £
MLF Malawi	1,397,314	(1,367,543)	29,771	1,249,202
MLF Zambia	1,271,095	(1,140,103)	130,992	1,002,382
MLF Zimbabwe	44,300	(88,702)	(44,402)	26,327
	2,712,709	(2,596,348)	116,361	2,277,911

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

10 Stock

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Consumables held	**6,246**	12,458	-	-

11 Debtors

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Trade debtors	**600**	-	**600**	-
Amounts due from group undertakings	**-**	-	**-**	67,359
Microcredit loans	**3,629,149**	2,181,259	**-**	-
Other debtors and prepayments	**131,623**	287,179	**9,063**	7,331
	3,761,372	2,468,438	**9,663**	74,690

12 Creditors: amounts falling due within one year

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Trade creditors	**13,683**	8,074	**3,003**	1,107
Taxation and social security	**71,457**	27,960	**3,354**	4,096
Amounts due to group undertakings	**19,473**	-	**19,473**	-
Other creditors and accruals	**217,314**	102,663	**20,069**	14,993
Loans	**1,110,959**	769,623	**-**	-
	1,432,886	908,320	**45,899**	20,196

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

13 Creditors: amounts falling due after one year

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Loan repayments due:				
In 1 - 2 years	**670,623**	262,897	**-**	-
In 2 - 5 years	**1,150,000**	1,291,429	**1,150,000**	1,150,000
	1,820,623	1,554,326	**1,150,000**	1,150,000

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

Loan provider	*Outstanding £*	*Borrower*	*Currency*	*Interest rate*
WildHearts Foundation	1,150,000	UK	GBP	Nil
KIVA Microfunds	154,290	Malawi	USD	Nil
Grameen Credit Agricole Microfinance Foundation	181,802	Malawi	MWK	18.5%
Grameen Credit Agricole Microfinance Foundation	221,343	Zambia	ZMW	32.2%
FDH	113,195	Malawi	MWK	18.0%
Lend with Care	154,110	Malawi	MWK	Nil
Lend with Care	171,277	Zambia	ZMW	Nil
Paul Foundation	187,913	Zambia	USD	3.5%
ADA Microfinance	319,364	Zambia	ZMW	30.0%
Global Partnerships	278,288	Malawi	MWK	16.8%
	2,931,582			

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

14 Provisions for liabilities

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
Deferred Tax				
Amounts payable to the Malawi Revenue Authorities	**31,507**	14,322	-	-
Amounts payable to the Zambian Revenue Authorities	**13,349**	-	-	-
	44,856	14,322	-	-

At 31 December 2021, the group also had unrecognised deferred tax assets of £nil (2020: £16,077) in respect of Zambia, and £100 (2020: £43) in respect of Zimbabwe.

15 Pension and other schemes

The charity makes contributions to various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the charity to the schemes and amounted to £86,851 (2020: £77,453).

16 Operating lease commitments

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

	The group		The charity	
	2021 £	2020 £	2021 £	2020 £
In less than one year	**23,843**	22,190	**-**	-
In one to five years	**2,777**	8,827	**-**	-
More than five years	**-**	-	**-**	-
	26,620	31,016	**-**	-

17 Analysis of group net assets between funds

	Unrestricted 2021 £	Restricted 2021 £	Total 2021 £	Unrestricted 2020 £	Restricted 2020 £	Total 2020 £
Tangible fixed assets	**508,454**	-	**508,454**	387,955	-	387,955
Net current assets	**2,976,557**	**32,180**	**3,008,737**	2,028,170	67,947	2,096,117
Long term liabilities	**(1,820,623)**	-	**(1,820,623)**	(1,554,326)	-	(1,554,326)
Deferred tax liability	**(44,856)**	-	**(44,856)**	(14,322)	-	(14,322)
	1,619,532	**32,180**	**1,651,712**	847,477	67,947	915,424

18 Funds

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

2020 movements

	Balance at 1 January 2020 £	Income £	Expenditure £	Other recognised gains/ (losses) £	Transfers £	Balance at 31 December 2020 £
Unrestricted funds						
General fund	969,104	2,538,719	(2,361,107)	(299,239)	(572,948)	**274,529**
Designated funds - Africa investment	-	-	-	-	572,948	572,948
	969,104	**2,538,719**	**(2,361,107)**	**(299,239)**		**847,477**
Restricted funds						
Malawi	11,299	259,575	(233,974)	-	-	**36,900**
Zambia	3,293	148,951	(146,204)	-	-	**6,040**
Zimbabwe	-	67,212	(62,955)	-	-	**4,257**
Africa general	-	20,750	-			**20,750**
UK infrastructure	3,605	10,000	(13,605)	-	-	**-**
	18,197	**506,488**	**(456,738)**	**-**	**-**	**67,947**
Total funds	**987,301**	**3,045,207**	**(2,817,845)**	**(299,239)**	**-**	**915,424**

The designated 'Africa Investment' fund reflects the book value of assets that have been committed or already advanced to our projects in Africa through either grants, equity or intergroup loans, It is calculated net of any long term borrowings that have been used to finance this investment. This fund is shown separately from the General fund because it does not represent liquid resources that are available to meet UK financial commitments as they fall due. The fund balance includes a total of £101,284 (2020: £105,917) in respect of a revaluation reserve created in respect of land and buildings owned in Malawi.

The designated 'Zimbabwe Growth' fund represents unrestricted funds that have been ringfenced to faciltate the recapitalistion of Zimbabwe in 2022 . Subject to the economic conditions being sufficiently stable, the intention is to advance approximately $300,000 into the country in 2022 through a combination of unrestricted funds and restricted grants in order to regrow the loan book and support operating costs.

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

19 Financial Instruments

	2021 £	2020 £
Categorisation of financial instruments		
Financial assets measured at fair value through income and expenditure	-	-
Financial assets that are debt instruments measured at amortised costs	4,435,377	2,991,979
	4,435,377	**2,991,979**
Financial liabilities measured at amortised cost	230,997	110,737
Loan commitments measured at cost less impairment	2,931,582	2,323,949
	3,162,579	**2,434,686**

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

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

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

Loan commitments measured at cost less impairment
This comprises of loans

Notes to the Financial Statements for the year ended 31 December 2021

	Income £	Expense £	Net gains £	Net losses £
Items of income, expense, gains or losses				
2021				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,687,763		-	-
	2,687,763	**-**	**-**	**-**
2020				
Financial assets measured at fair value through income and expenditure	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	2,081,775	-	-	-
	2,081,775	**-**	**-**	**-**

The total interest income for financial assets not measured at fair value through income and expenditure is £2,687,763 (2020: £2,081,775).

Impairment
Microcredit loans
The amount of the impairment loss during the year is £178,785 (2020: £197,992). Impairment loss is included in expenditure on charitable activities. The amount of reversal of impairment recognised in the current year and prior period, which is also included in expenditure on charitable activities, is £nil. The overall net impairment loss during the year is £178,785 (2020: £197,992).

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

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

There were no financial instruments designated as hedging instruments at the end of either the current or prior financial year and therefore their fair value was £nil (31 December 2020: £nil).

The amount of the change in fair value of hedged items recognised in income and expenditure for the year is £nil (2020: £nil).

20 Analysis of cash and cash equivalents and of net debt

	At 1 January 2021 £	Cash flows £	Other non-cash changes £	At 31 December 2021 £
Cash at bank and in hand	523,541	174,705	(24,241)	**674,005**
Total cash and cash equivalents	**523,541**	**174,705**	**(24,241)**	674,005
Loans falling due within one year	(769,623)	674,911	(1,016,247)	**(1,110,959)**
Loans falling due after more than one year	(1,554,326)	(1,163,188)	896,891	**(1,820,623)**
Total	**(1,800,408)**	**(313,572)**	**(143,597)**	**(2,257,577)**

21 Charity status

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

22 Ultimate controlling party

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

MicroLoan Foundation's companies and advisors

MicroLoan Foundation Companies

MicroLoan Foundation UK
Registered Office
1-2 Paris Garden
London
SE1 8ND

MicroLoan Foundation Malawi
Registered Office
P.O. Box 2292, Area 6
Lilongwe

MicroLoan Foundation Zambia
Registered Office
P.O. Box 310082
Plot 346, 4th Street Chelstone Green
Salama Park
Lusaka

MicroLoan Foundation Zimbabwe
Registered Office
c/o Scanlen & Holderness,
13th Floor
Cabs Centre
74 Jason Moyo Avenue
Harare

MicroLoan Foundation USA
237 Bonad Road
Chestnut Hill
MA 02467

MicroLoan Foundation Australia
101 John Lund Drive
Hope Island
Queensland 4212

Group Auditors

Sayer Vincent
Invicta House
108-114 Golden Lane
London
EC1Y 0TL

UK Bankers

Barclays
Barclays Bank Plc
Leicester
LE87 2BB

Contact us

MicroLoan Foundation UK
1-2 Paris Garden
London
SE1 8ND

+44 (0)20 8827 1688
contact@mlf.org.uk
microloanfoundation.org.uk

Twitter: @MicroLoan
Facebook: @microloanfoundation
Linkedin: @microloanfoundation
Instagram: @microloanfoundation