





CEO INTRODUCTION

Our mission 'to help poor rural women' set up businesses to generate income to feed and look after their families, continued to go from strength to strength throughout 2009.

Our women's stories speak for themselves. Take Fatness in Malawi, supporting her five children on a subsistence income of less than \$1 a day. We lent her £50 and gave her training to set up a small tea house. Selling around 300 cups of tea a week and 100 scones, her income has risen to £23 a week, enough to feed her family and pay secondary school fees for her two eldest children. In other words, we provided a 'hand up rather than a hand out,' and since the money is paid back donations are continuously recycled to help more and more women. That's the beauty and simplicity of microloans.

Last year we made 38,764 loans, two-thirds more than in 2008. We opened five new branches in Malawi. New branch operations began in Zambia and Namibia. All of our branches maintained 99% loan repayment levels.

This growth is encouraging. What drives us, however, is the 'social impact' of our work. In 2009 a Director of Barnardos was inspired to take a four month sabbatical to research the effect we have on children. She found that after receiving loan support the number of children regularly attending school had risen from 45% to 91%. Meanwhile the percentage of families experiencing severe food shortages had fallen from 40% to 11% - with nine out of ten of those surveyed now regularly eating three meals a day. These were very positive findings.

Looking ahead, the charity is growing steadily. In the years to come we plan to increase our presence across sub-Saharan Africa, both by helping more women in the countries where we operate now and by gradually expanding into new countries.

That said, we can't help more women like Fatness without your financial support. If you like what we do, please think how you might be able to help us.

Yours sincerely

Peter Ryan
CEO

HOW MICROLOAN WORKS

The charity provides loans to groups of women. Each group has its business ideas appraised and receives eight training sessions covering topics such as book keeping and cash flow. All group members are required to save money as a source of security. Each woman receives her loan as a cheque and opens an account at a designated bank.

Individuals in the group then establish small commercial ventures. Groups meet with a loan officer every two weeks to review their progress. Repayments against loans are made fortnightly by each group member. Where a business is not going well it is the responsibility of the MicroLoan loan officer to get things back on track.

Loans typically last for four months. Each group member is eligible to continue to receive education and loans until their businesses are commercially viable. Loans are small – on average £67 per individual. Interest of 20% is charged in keeping with the local economy. Should an individual want to develop a business further they may receive a bridging loan of £140-£300, or access our MicroVentures programme.

CHANGING LIVES, HELPING COMMUNITIES



OUR WORK IN MALAWI

After eight sessions of business and group training, the women of the Tiyanjane Credit Group go to the bank to proudly exchange their cheques for the cash that will change their lives. They can hardly believe that someone has given them the opportunity to work their way out of hardship and asked for no collateral. That anyone would treat them with respect, despite their poverty, instills a great sense of pride and a burning desire to succeed.

MicroLoan continued to grow in 2009 despite the severe global downturn. These extraordinary economic circumstances created greater need for food, fuel and aid of all kinds throughout Africa, as donors withdrew their support and foreign currency became scarcer.

THE BIG DEAL ABOUT MICROFINANCE

"It's an amazing, amazing way of providing support to Africans and people all around the world to finance themselves and therefore be able to stand on their own two feet. They can provide themselves an income, provide education and healthcare to their children. Lending, the operative word, gives opportunity for Africans on the ground to actually meaningfully change their lives."

Dambisa Moyo, author of *Dead Aid*
(Big Think interview, April 2009).

2009 was the third year of MicroLoan's three year growth plan in Malawi. During the year, five branches were opened – in the districts of Blantyre, Chikwawa, Mangochi, Mulanji and Zomba - taking our total number of branches in the country to 20. Our integrated branch network now covers three-quarters of Malawi, with a focus on women living in poor, rural communities.

Activity at our existing branches in Malawi also continued to expand. As a result we were able to increase the total number of loans made in the year to over 38,000 (2008: 23,000).

The real challenge for any expanding charity is to maintain the highest standards of governance while retaining tight cost control. With our repayment rate being 99% for the third successive year, we achieved both objectives, reflecting in particular the hard work put in by our staff during 2009 and our commitment to ensure that the women we offer loans to have the necessary skills to develop successful, long-term businesses.

	2009
Number of loans made	37,961
Number of women benefitting	19,439
Number of children supported	97,195
Value of new loans made (GBP)	2,566,747
Average value of loans (GBP)	67.61

Maintaining repayments in 2009 at such a high level, however, was more difficult than in previous years. This was mainly due to challenges within Malawi's rural economy caused by a prolonged rainy season which effectively suspended trading in many farming areas until May. There was also a significant drop in cash crop prices.

Taken together, these factors meant that some of our clients' businesses struggled. We worked closely with these women, allowing them to delay some of their repayments beyond the standard terms of our loans without incurring penalties.



In 2009 MicroVentures increased its focus on its two most successful activities – irrigation and knitting and sewing. Our irrigation businesses in Malawi now total more than 800.

During the year three MicroVentures rice groups were appointed as the Malawian representatives on an international project to address the deterioration in the quality of rice seed in both Asia and Africa – an initiative funded by a host of international agencies including the UN and the Japanese government. Another success for our rice growers occurred when the Ulemu Group gained international accreditation to sell its rice on international markets.

Our knitting and sewing centres also hit the headlines when one of them won an invaluable contract to export its bags to the US based "eco-chic" African textiles retailer Dsenyo.

To read more about MicroVentures' projects, visit www.microloanfoundation.org.uk/what-we-do/microventures



THE ROAD TO EDUCATION AND A BRIGHTER FUTURE

The economics of a typical MicroLoan supported business are straightforward. Each day Fatness spends 85p on firewood to heat the water and 21p on tea leaves that are bought in bulk. Her tea is sold for 21p, 13p and 9p depending on the size of the cup. She sells around 300 cups of tea each week and 100 scones, making a 4p profit on each.

MicroLoan training has instilled in Fatness the core skills that all entrepreneurs need to succeed – in particular, the importance of a sound business plan which emphasises profit as well as turnover. On this basis Fatness devised a pricing strategy that has kept costs to a minimum. Each week she spends £14 on average and turns over £36, giving her a net profit of £22.

The impact this business has had on the life of Fatness and her family is very clear. She has five children and is now using a large proportion of her profits to pay for their school fees. Three of her children are still in primary school so their education is free of charge. But Fatness's 16 year old daughter and 18 year old son must pay £13 and £22 a term respectively to go to their schools.

For more stories of how MicroLoan has made a difference visit
www.microloanfoundation.org.uk



“Before I started with MicroLoan, my family had only one meal a day and the children were often hungry. Now I can afford it, they usually eat three meals a day”

Agnes Magombo.

OUR WORK IN ZAMBIA

In May 2009, MicroLoan made its first loan in Zambia – an exciting new stage in the organisation's development. By the end of the year our network in the country had extended to 27 groups with a total of 398 women receiving loans and training.

With a dearth of organisations offering small loans and business training in the Eastern Province of the country, the need for MicroLoan's services seems limitless. Not surprisingly, our arrival on the scene has been received with great enthusiasm by Zambian women looking for the opportunities to set up businesses to support their families and communities.

During 2010 we aim to open two additional branches in the Eastern Province, in Petauke and Lundazi to complement our first branch in Chipata, the regional capital. Our local employees are extremely positive and we feel confident that we will be able to achieve the same success in Zambia as we have recorded in Malawi.

	2009
Number of loans made	713
Number of women benefitting	398
Number of children supported	1,990
Value of new loans made (GBP)	34,506
Average value of loans (GBP)	39.47

WINNING WIDER RECOGNITION

The annual Charity Awards ceremony is one of the most high-profile events in the UK charity calendar, recognising and rewarding the great work that takes place within the voluntary sector in the UK and in the wider world.

In 2009 MicroLoan was “Highly Commended” by the Charity Awards. It was also shortlisted for the Charity Times Award for “Charity of the Year”.

“We are incredibly proud to be recognised this way as it means the value of our work is being acknowledged by others in the field,” said MicroLoan chairman Eggie Kock following the Charity Awards ceremony.

“While we have put a huge amount of work into helping poor women transform their lives and work their way out of absolute poverty, there is still a lot to be done. As such, recognition like this helps us to reach new audiences that, hopefully, will support us in our ongoing work.”





SMALL OPPORTUNITIES, GREAT CHANGE

Martha Nehemia borrowed an initial loan of £57 and used it to buy a range of clothing, including leather jackets from South Africa which she then sold in Namibia.



This may seem an unlikely business concept given Namibia's climate. But MicroLoan's staff in the region help our clients to research and plan their ideas in order to ensure they are viable.

In this case our local employees confirmed that Namibia has a strong, fashion-conscious middle class. Martha's idea took off and she has used the significant profits generated by her business to meet the needs of her nine children, including the tuition fees of one child who is attending the Polytechnic of Namibia. In addition, she has made necessary reinvestments in her business.

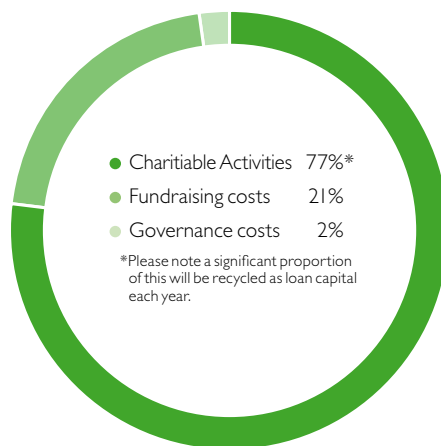
Successes like these demonstrate how MicroLoan stimulates real, sustainable financial and social change.

OUR WORK IN NAMIBIA

MicroLoan's ethos has always been to provide help and opportunity to those women overlooked by other charitable organisations. It is no different in Namibia. The country may appear to have a sounder, more broadly based economy than many of its neighbours but in reality the gap between the mainstream and those excluded from the "formal" economy is equally wide. As many as half the population is unemployed.

We started working in Namibia in 2009. The first MicroLoan branch there is in the north at Ongwediva and gave 90 women access to loans by the year-end. Many more loans are planned in 2010 and beyond, supported by the hiring of loan officers and strengthening the Head Office team.

	2009
Number of loans made	90
Number of women benefitting	90
Number of children supported	450
Value of new loans made (GBP)	4,756
Average value of loans (GBP)	52.85



"I enjoy being a member of my loan group and I have learnt a lot from other women about how to run a business"

Marrian Nirenda.

RECYCLING YOUR DONATIONS

In 2009 we granted nearly £700,000 to our African operations. However, during the year we actually disbursed £2.6m of loans to poor women thanks to our 99% repayment rate. By recycling loan capital we are able to keep spending donor money more than once, year after year.

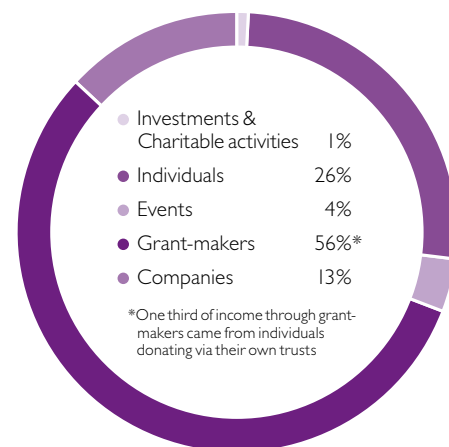
To learn more about how MicroLoan uses your donations, visit www.microloanfoundation.org.uk

ENGAGING SUPPORTERS AND RAISING THE MICROLOAN PROFILE

In 2009 we recorded an annual income of more than £1 million for the first time - an increase of 21% on 2008. This funding originated from a healthy mix of major donors, trusts, foundations, individuals, companies and governments.

Despite this achievement the year was a tough one in the wake of the 2008 global economic crisis. Many donors' belts were tightened and grants became sparser and more fiercely contested. Yet 2009 was also a year of opportunity for those charities willing to venture beyond the confines of traditional fundraising.

At MicroLoan we remain acutely aware of the major risks to the charity – especially the need to increase levels of unrestricted funding by diversifying our fundraising streams. In 2009 the lesson was driven home that it is crucial to make sure that as many people as possible know about our grass-roots social mission.



GETTING MORE SUPPORT FROM MORE PEOPLE

Over the course of 2009 we made immense efforts to broaden our supporter base and to raise MicroLoan's public profile both in relation to what we do and why we do it.

Total income rose 21% - a strong sign that we are an attractive proposition to anyone who wishes to help alleviate poverty in rural Africa.

While our 2009 operating results reflect the hard work of everyone involved during

the year, they also reflect many long-term strategic decisions taken to venture beyond the safety net of traditional fundraising. This proved a vital ingredient in reaching out to more people.

In parallel we focused on developing pro-bono partnerships to enhance our capacity. We are especially thankful for the support of the advertising agency DLKW, the public relations agency Axicom and a number of international legal practices. We hope to deepen and expand these relationships in the year ahead.

"NO-NONSENSE APPROACH"

"I was attracted to MicroLoan because of its no-nonsense ability to help even the most under-privileged people to achieve self-sufficiency and a sustainable improvement to their living standards."

MicroLoan's track record is built on the fact that its lending leads to a positive, sustained impact on families and rural communities in some of the poorest parts of the world."

Elizabeth Corley, CEO of Allianz Global Investors Europe, who visited our work in Malawi in May 2010.



As part of our drive to bring our work to

a wider audience, we launched our new "Pennies for Life" campaign early in 2010.

Pennies for Life is a new way to help women in Africa to escape extreme poverty and become self-sufficient for the first time in their lives.

By donating just one penny every time you tweet on Twitter, update your Facebook status through our app, or buy something from one of our partner companies, you can make a life-changing difference to the women we support.

For details of how to get involved, please visit www.penniesforlife.org.uk and watch the Pennies for Life film at www.youtube.com/microloan

DIGITALIZING DONATIONS

Four out of five supporters give donations online as well as through traditional means. To move MicroLoan forward, it became clear in 2009 that our website had to be integrated directly into our fundraising strategy.

www.microloanfoundation.org.uk was redeveloped late in the year to raise awareness of the work we do and to make the site as attractive and interactive as possible for existing and new supporters.

On the new website, donors have been able to see who they are sponsoring, what businesses they are helping, how many children our clients' businesses will support and how successfully a chosen group is faring as donations are put into action.

To create a profile and get involved, please visit www.microloanfoundation.org.uk

FOCUSING ON GRANTS AND FOUNDATIONS

Funding from trusts, foundations, companies and governments remains crucial to our operational needs. This will enable us to help many more women and children and also drive our path to sustainability.

In addition MicroLoan has a wide range of potential projects in Africa that require extra funding such as new branches, the hire of more loan officers and upgraded transport. Funds remain at a premium and difficult to access worldwide in these uncertain times. Nevertheless, with our future projects focused on long-term and sustainable gains for communities in real need, the importance of finding donors whose criteria match our objectives remains paramount.

How this can work in practice is demonstrated in Zambia. Here our expansion has been funded by the Estelle Trust and the Zambian Government's Rural Finance Fund. As a result our services will be delivered to more than 2,000 women and 10,000 children a year for many years to come. We have also been successful in establishing similar relationships with the Big Lottery Fund, SDL (global information management), Coutts and The Body Shop Foundation.



DELOITTE - WHY WE SUPPORT THE MICROLOAN FOUNDATION

"We are committed to ensuring that our charity relationships are about much more than just financial support. We want to use our skills and resources to create a long lasting impact, helping address key issues for the charities we support and develop capacity in a genuine partnership. At the same time, we want to ensure our people have the chance to develop their skills and broaden their experience. Our relationship with the MicroLoan Foundation is a perfect example of this."

Heather Hancock, Managing Partner with responsibility for Corporate Responsibility

Deloitte.

OUR PARTNERSHIP WITH THE BODY SHOP FOUNDATION

The Body Shop Foundation provided the funds for MicroLoan to establish a new branch in Mzimba, Malawi, a place where almost half the rural population live in poverty and does not have access to a bank account. Already this branch is providing vital support and opportunities to more than 1,000 women and 5,000 children each year and is on the road to financial sustainability.

"The women are full of life, ever ready to tackle the challenges. They empower themselves economically and their teamwork was incredible."

Elizabeth Ngade, The Body Shop, after visiting one of the groups of women in Malawi.



THE BODY SHOP FOUNDATION

INCREASING CORPORATE SUPPORT

Starting in 2010 MicroLoan will work with Deloitte as part of its CSR (corporate social responsibility) "21 Fellows" programme. This partnership gives us access to invaluable expertise and to the resources necessary to improve our operations in Africa as well as creating fresh impetus for change.

We hope that the link with Deloitte will be the first of several such CSR partnerships with international businesses. In our view they have the potential to deliver mutually beneficial and socially-driven outcomes as well as offering companies and their employees a range of new opportunities and experiences.

WHY I SUPPORT MICROLOAN

I chose MicroLoan Foundation (a non-profit making organisation) to give money to for three key reasons. I want my donations to go to the intended people, not corrupt governments or pen-pushers.

MicroLoan ensures the money goes to the most vulnerable, the poorest and those who live in remote rural areas and tend to be forgotten by the rest of the world. What is more the money is used over and over again, as each time a loan is repaid, it is then lent out again, so my donation can go on helping different people forever.

Secondly, it gives loans not hand outs and so creates a culture of enterprise, self-help, responsibility and dignity rather than a dependency culture.

Thirdly, MicroLoan only lends to women. I think this is incredibly wise as it has been proven that women are more likely to act responsibly as they tend to have several children and so they don't waste the opportunity given to them by MicroLoan. It is also more humane as women are still the majority of the world's poor. I feel very lucky to have been born a woman in the west and not in Africa and so this is something I can do to help.

Tessa Rentoul,
regular giver to MicroLoan.



OUR VOLUNTEERS AND FUNDRAISERS

MicroLoan is fortunate in having a group of hard-working supporters who show, year by year, exceptional commitment in helping our operations and raising funds for our activities. Their spirit was typified in 2009 by Abigail Brown who braved crocodiles, hippos and disease-infested waters to raise £10,000 for MicroLoan by swimming more than 35km in Lake Malawi.

If you would like to help us in similar or slightly less exhausting ways we would love to hear from you. Details are available at www.microloanfoundation.org.uk/How-you-can-help/Fundraising



MicroLoan is immensely grateful to everyone who is helping to take the charity forward.

Our goal remains what it always has been - to become Africa's most supportive, innovative and cost-effective microfinance organisation. Should you or someone you know wish to join us on this journey we would be delighted to hear from you at contact@microloanfoundation.org.uk.

“I make and sell jams for MicroLoan because they give hope, not hand outs. I know that the funds I raise will get to the people who need them. The small team in London are lean, but not mean!”

Roy Stenning.

MEASURING OUR SOCIAL IMPACT

Since we made our first loan in Malawi, we have always paid close attention to the women we assist. Listening to their needs is what has helped us grow from one man, a bike and £10,000 to a 23 branch operation, in three countries, serving over 20,000 women and 100,000 children in more than 800 communities each year.

By listening and paying attention to our clients, MicroLoan is able to ensure that our programmes, and loans we make, have a positive impact and are lifting people out of poverty.

In 2009 we decided to complement the feedback we receive on the ground with two pieces of comprehensive social research. In the first we were privileged to have Jane Stacey and Jane Parker, Regional Director and Assistant Director at Barnardos respectively, undertake an initial study into the impact of our microfinance activities on the women and children in Malawi. What they discovered is extremely encouraging.

The full report can be viewed at www.microloanfoundation.org.uk

Following the success of the Barnardos study, we commenced a two year monitoring project led by our volunteer Social Impact Champion Daniella Hawkins and supported by Anton Simanowitz of the Institute for Development Studies, to embed social impact monitoring into our operations in Malawi.

Daniella will leave Malawi during 2010 and pass on the responsibility for the project to Chikonzero Undi, a local Malawian employee who she is training. We believe that working in this cooperative way with skilled UK volunteers allows us to build local capacity in Africa to deal with the complex issues that many charities have no time to address.

IN HER OWN WORDS

"Financial benchmarks are relatively easy to measure – repayment rates, portfolio at risk etc – but social benchmarks are less tangible and harder to measure. I'm therefore working with the UK and Malawi MicroLoan teams to define what their social objectives are and putting in place piloting activity that will ultimately be fully operational. This will mean a better understanding by MicroLoan of its clients, a better ability to respond to their needs and therefore better social outcomes for the clients themselves. But that's enough jargon – what I'm doing day to day will hopefully give a much better insight!"

Read more from Daniella at mazunguinkasungu.blogspot.com

SOCIAL IMPACT

55% of women said their children had not attended school before receiving a loan compared to only 9% after receiving a loan.

60% of women said they had experienced food shortages in their homes and their children had only one or two meals a day for significant periods of time.

89% said that they could provide three meals a day after receiving a loan and 11% said they could provide two meals a day.

77% of women said their overall weekly income had increased since receiving their loans.



MicroLoan Foundation USA

1770 Massachusetts Avenue,
Suite 223, Cambridge MA 02140
usa@microloanfoundation.org.uk

MicroLoan Foundation UK

10 Barley Mow Passage,
London W4 4PH
Tel: +44 (0)20 8996 1730
www.microloanfoundation.org.uk
contact@microloanfoundation.org.uk

MicroLoan Foundation Australia

PO Box 262, Nambucca Heads,
NSW 2448
Tel: +61 (0)417 211 366
www.microloanfoundation.org.au