KPMG

**Fundacja "Microfinance Centre" Group**

# Opinion
# of the Independent Auditor
## Financial Year ended
## 31 December 2013

The opinion contains 3 pages
Opinion of the independent auditor
on the audit
of the consolidated financial statements
for the finacial year ended
31 December 2013



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# OPINION OF THE INDEPENDENT AUDITOR

*To the Supervisory Board of Fundacja "Microfinance Centre"*

## Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Fundacja "Microfinance Centre" with its registered office in Warsaw, ul. Noakowskiego 10/38 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Parent Entity, as well as evaluating the overall presentation of the consolidated financial statements.





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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the accompanying consolidated financial statements of Fundacja "Microfinance Centre" Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

*Other Matters*

The corresponding figures are based on the consolidated financial statements of the Group as of and for the year ended 31 December 2012, which were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 21 May 2013.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

| | |
|---|---|
| Dorota Sienkiewicz<br>Key Certified Auditor<br>Registration No. 90138 | Mirosław Grabarek<br>Certified Auditor<br>Registration No. 90079<br>Limited Liability Partner with power of attorney |

16 May 2014

# FUNDACJA "MICROFINANCE CENTRE"

## Consolidated Financial Statements

### as of and for the year ended 31 December 2013

**Contents**

**Fundacja "Microfinance Centre"**
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2013**
**(All amounts are stated in PLN rounded to nearest zł)**

| | Note | 12 months ended 31 December 2013 | 12 months ended 31 December 2012 |
|---|---|---|---|
| **Earned revenue** | | | |
| Membership fees | | 170 182 | 167 859 |
| Program revenue | 6 | 5 982 438 | 7 369 608 |
| Other operating income | 5 | 55 892 | 18 372 |
| **Total revenue** | | **6 208 512** | **7 555 839** |
| **Program expenses** | | | |
| Staff expenses | 11 | 653 337 | 705 734 |
| Non-staff expenses | | 3 323 768 | 4 182 345 |
| **Total program expenses** | 7 | **3 977 105** | **4 888 079** |
| **Administrative expenses** | | | |
| Staff expenses | 11 | 731 788 | 667 726 |
| Non-staff expenses | | 564 289 | 623 715 |
| Other operating expenses | 9 | 545 | 37 |
| **Total administrative expenses** | 8 | **1 296 622** | **1 291 478** |
| **Total expenses** | | **5 273 727** | **6 179 557** |
| **RESULT FROM OPERATING ACTIVITIES** | | **934 785** | **1 376 282** |
| Finance income | 10 | 137 074 | 160 257 |
| Finance costs | 10 | - | (626 517) |
| **Net finance income** | | **137 074** | **(466 260)** |
| **Profit before income tax** | | **1 071 859** | **910 022** |
| Income tax expense | 12 | 217 369 | 312 343 |
| **Net result after tax** | | **854 490** | **597 679** |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | **854 490** | **597 679** |

Grzegorz Galusek
*Executive Director*

Katarzyna Pawlak
*Deputy Director*

Ewa Romanowska
Ewa Romanowska
*Finance & Administrative Manager*

Consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 28

**Fundacja "Microfinance Centre"**
**Consolidated Statement of Financial Position as at 31 December 2013**
**(All amounts are stated in PLN rounded to nearest zł)**

| | Note | 2013 | 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 6 062 | 4 482 |
| Deferred tax assets | 16 | 31 357 | 21 197 |
| **Total non-current assets** | | **37 419** | **25 679** |
| **Current Assets** | | | |
| Accounts receivable | 15 | 625 488 | 251 439 |
| Current deferred grants receivable from EC grants | 17 | 118 022 | 18 421 |
| Current deferred grants receivable from SPM grant | 17 | - | 7 288 |
| Current deferred grants receivable from GTZ grant | 17 | - | 7 598 |
| Current deferred grants receivable from National Bank of Tajikistan grant | 17 | - | 29 665 |
| Cash and cash equivalents | 14 | 11 277 309 | 9 700 704 |
| **Total current assets** | | **12 020 819** | **10 015 115** |
| **TOTAL ASSETS** | | **12 058 238** | **10 040 794** |
| **Equity** | | | |
| **Own Funds** | | | |
| Founding capital | 20 | 2 100 | 2 100 |
| Retained earnings | | 8 994 838 | 8 140 348 |
| **Total own funds** | | **8 996 938** | **8 142 448** |
| **Total Funds attributable to equity holders of the Fundatior** | | **8 996 938** | **8 142 448** |
| **Liabilities** | | | |
| **Non current deferred grants related to dedicated funds** | | | |
| - | 17 | - | - |
| **Total non current deferred grants** | | - | - |
| Accounts payable | 18 | 199 124 | 1 044 918 |
| Accruals | 19 | 2 862 176 | 635 766 |
| **Total Accounts Payable and Accruals** | | **3 061 300** | **1 680 684** |
| **Current deferred grants related to dedicated funds** | | | |
| SP-Fund (Ford Foundation) | 17 | - | 165 364 |
| Housing Center (HFHI) | 17 | - | 52 298 |
| **Total deferred income related to dedicated funds** | | - | **217 662** |
| **TOTAL LIABILITIES** | | **12 058 238** | **10 040 794** |

Grzegorz Galusek
*Executive Director*

Katarzyna Pawlak
*Deputy Director*

Ewa Romanowska
Ewa Romanowska
*Finance & Administrative Manager*

Consolidated balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 28

**Fundacja "Microfinance Centre"**
**Consolidated Statement of Cash Flow for the year ended 31 December 2013**
**(All amounts are stated in PLN rounded to nearest zł)**

| | 12 months ended 31 December 2013 | 12 months ended 31 December 2012 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net profit | 854 490 | 597 679 |
| Adjustments: | | |
| Depreciation and amortisation | 2 277 | 4 925 |
| Exchange rate differences | (181 880) | (18 587) |
| Interest income | (89 924) | (160 257) |
| Income tax expense | 445 628 | 109 690 |
| | 1 030 591 | 533 450 |
| Change in receivables and deferred tax assets | (384 209) | 354 593 |
| Change in accounts payable and accruals | 1 380 616 | 1 203 415 |
| Change in deferred income related to dedicated and general funds | (272 712) | (2 424 776) |
| | 1 754 286 | (333 318) |
| Interest received | 89 924 | 160 257 |
| Income tax received / (paid) | (445 628) | (109 690) |
| **Net cash flow from operating activities** | **1 398 582** | **(282 751)** |
| **Cash flow from investing activities** | | |
| Purchase of fixed assets | (3 857) | - |
| **Net cash flow from investing activities** | **(3 857)** | - |
| **Net cash flow from financing activities** | - | - |
| **Net inflow (outflow) of cash** | **1 394 725** | **(282 751)** |
| **Cash and cash equivalents at the beginning of the financial year** | **9 700 704** | **9 964 868** |
| **Effect of exchange rate fluctuations on cash held** | **181 880** | **18 587** |
| **Cash and cash equivalents at the end of the financial year** | **11 277 309** | **9 700 704** |
| **- restricted cash** | - | **(217 662)** |

Grzegorz Galusek
*Executive Director*

Katarzyna Pawlak
*Deputy Director*

Ewa Romanowska
*Finance & Administrative Manager*

Consolidated statement of cash flow is to be read in conjuction with the notes to and forming part of financial statements set out on pages 6 to 28

**Fundacja "Microfinance Centre"**
**Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2013**
**(All amounts are stated in PLN rounded to nearest zł)**

| | 2013 | 2012 |
|---|---|---|
| **OWN FUNDS** | | |
| Founding capital opening balance | 2 100 | 2 100 |
| - increases in funding capital | - | - |
| - decreases in funding capital | - | - |
| **Founding capital closing balance** | **2 100** | **2 100** |
| Retained earnings opening balance | 8 140 348 | 7 542 669 |
| Net profit of the year | 854 490 | 597 679 |
| **Retained earnings closing balance** | **8 994 838** | **8 140 348** |
| **Total own funds** | **8 996 938** | **8 142 448** |

Grzegorz Galusek
*Executive Director*

Katarzyna Pawlak
*Deputy Director*

Ewa Romanowska
*Finance & Administrative Manager*

Consolidated statement of changes in fund balances is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 28

## 1. GENERAL INFORMATION

Fundacja "Microfinance Centre" (the "Parent Entity" or "Foundation") was established pursuant to a notarial deed from 8 December 1997. The address of the Foundation's registered office is Noakowskiego 10/38, 00-666 Warsaw, Poland.

The Foundation was registered in the XII Commercial Department of the National Court Register (KRS) under the number KRS 0000101471 on 5 April 2002.
The legal name of the Foundation was changed from Fundacja Centrum Organizacji Pożyczkowych (Microfinance Centre) to Fundacja "Microfinance Centre" according to the decision of Council of the Foundation made on October 9, 2011. On July 6, 2012 the updated charter of the Foundation was registered.

The consolidated financial statements as at 31 December 2013 include the accounts of the Foundation and MFC Sp. z o. o., a wholly owned subsidiary (the "Subsidiary").

The Foundation is a membership-based network and provider – through wholly owned subsidiary - of training and consulting services. The Foundation's mission is to maximize access to effective financial services for low income people by facilitating stakeholder partnerships and promoting innovative and highly valued solutions as a recognized knowledge leader. The subsidiary provides training and consulting services.

In accordance with the statute of the Foundation the Founders of the Foundation are represented by: Mrs. Rosalind Sarah Copisarow, Mrs. Maria Nowak-Przygodzka and Mr. Kenneth Dan Vander Weele.

Board of Directors of the Foundation are represented as at 31.12.2013 by: Mrs. Jhale Hajiyeva, Mrs. Lucija Popovska, Mr. Cristian Jurma, Mr. Francis Carpenter, Mr. Aieti Kukava, Mr. Dominique de Crayencour

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2012 amounted to 13 while during the year ended 31 December 2013 amounted to 13,5.

## 2. BASIS OF PREPARATION

The Foundation and its subsidiary maintain their accounting records in Polish Zloty in accordance with the accounting principles and practices employed by foundations and enterprises in Poland as required by the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330), Ordinance of the Ministry of Finance dated 15 November 2001 in respect of the accounting principles for certain non-profit entities not involved in business activities (Official Journal no. 137, item 1539 with subsequent amendments) and Act on Foundations dated 6 April 1984 (Official Journal no. 21, item 97 with subsequent amendments). The IFRS consolidated financial statements reflect the reclassifications necessary to restate the Foundation's accounts in accordance with IFRS.

The accounting policies have been consistently applied by the Group.

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements were authorized for issue by the directors of the Foundation on 16 May 2014.

### (b) Standards, Interpretations and amendments to published Standards

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union are effective for the current period:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011),
- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 "Presentation of financial statements"** - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 19 "Employee Benefits"** - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial Instruments: presentation"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** - Transition Guidance (effective for annual periods beginning on or after 1 January 2014).

The Group has elected not to adopt these amendments in advance of their effective dates. The Group anticipates that the adoption of these amendments will have no material impact on the financial statements of the Group in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 16 May 2014:

- **IFRS 9 "Financial Instruments"** and **additions to IFRS 9** (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"** (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 36 "Impairment of Assets"** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 21 "Interpretation 21 Levies"** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the financial statements, if applied as at the balance sheet date.

### (c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

### (d) Functional and presentation currency

These consolidated financial statements are presented in Polish Zloty (PLN), rounded to the nearest Zloty, which is the Parent Entity's functional currency.

### (e) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 3 (k) "Revenue Recognition".

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (i) <u>Subsidiaries</u>

Subsidiaries are those enterprises controlled by the Foundation. Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Foreign currency transactions**

Foreign currency transactions are translated to PLN at exchange rates prevailing at the date of the transactions, set by the National Bank of Poland ("NBP"). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at exchange rate set by the National Bank of Poland ("NBP") at that date. Gains and losses arising on translation are recognised in the consolidated statement of comprehensive income.

**(c) Financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.
A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.
Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note (j).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

**(d) Property, plant and equipment**

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer policy note f).

(ii) Depreciation

Depreciation is charged to the consolidated statement of comprehensive income using the straight line method to write off the cost of each asset over its estimated useful life. Low-value assets which are written off when brought into use. Depreciation commences from the first day of the month following the month in which a fixed asset is brought into use.
The estimated range of useful lives is as follows:

| | |
|---|---|
| Computer software | 2 years |
| Computer equipment | 3 years |
| Other office equipment | 5 years |
| Other furniture and fixtures | 5 years |

**(e) Contributed materials and services**

The work of the Foundation is dependent on the voluntary service of many members and others. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

**(f) Impairment**

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(g) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(h) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(i) Accruals**

An accruals are expenses for which invoices have not been received at the end of an accounting year and expenses or assets recognized before they are paid.

**(j) Finance income and expenses**

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest rate method.

**(k) Revenue recognition**

The main sources of MFC income include the fees from the annual conference for Microfinance Institutions, training courses and consulting as well as grants for various research and policy projects financed by donors. Foundation's revenue constitutes also annual membership fees paid by Microfinance Institutions.
Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards have been transferred to the buyer. Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the project or service at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Interest income is recognised as it accrues unless the collectability is in doubt.
Dedicated contributions are recognised as revenues of the appropriate dedicated fund in the year when qualifying cost where incurred up to the level such costs if the amount receivable can be reasonable estimated and collection is reasonably assured. In cases where contribution agreements assume additional surplus of contribution to be received over qualifying costs incurred, this surplus is recognised as revenues in accordance with a stage of completion of particular programme realised.
Non-dedicated (core) contributions, which are designated to cover operational expenses not relating to specific program, are recognised as revenue of the General Fund in the year when received or receivable if the amount to be received can be reasonable estimated and collection is reasonably assured. In cases when expenses incurred are lower then contribution received, revenue from contribution is recognised up to level of cost and surplus is carried forward to the next year.

**(l) Fund summary**

The consolidated financial statements separately disclose the activities of the following funds maintained by the Foundation:

*Own and General funds* - reflects the activities associated with the Foundation's day-to-day operations including its short and long-term capital requirements.

*Social Performance Management (SPM) Project funds* – reflects the activities related to ICCO funding made available to the Foundation for a pioneering initiative that aims at enabling MFIs to take advantage of Social Performance Management to more effectively fulfil their social goals while also improving financial bottom line.

*Financial Education Project funds* – reflects the activities related to Levi Strauss Foundation, ICCO, Citi Foundation and European Commission funding made available to the Foundation for a programmes aiming at developing tools and delivery models as well as implementing financial education to improve low-income households financial planning and money management practices in Poland, Kyrgyzstan, Tajikistan and Uzbekistan.

Impact Consortium Project fund – reflects the activities related to Institute of Development Studies funding made available to the Foundation for research and initiatives that promote Social Performance Management in wider microfinance industry.

The SEEP Network Training Scholarships fund - reflects the activities related to Small Enterprise Education and Promotion Network (SEEP) funding made available to the Foundation for providing scholarships to staff members of microfinance institutions (MFIs) to attend MFC training and capacity building programs.

Gender Project fund – reflects the activities related to Oxfam Novib funding made available to the Foundation for developing innovative solution for gender mainstreaming into microfinance in Caucasus region.

Investor Letter Project fund – reflects the activities related to Rockdale Foundation funding made available to the Foundation for the development of the Investor Letter and Investment Readiness training courses.

*Central Asia Project fund* – reflects the activities related to ICCO funding made available to the Foundation for the development of the microfinance sector in Central Asia through capacity development of country level microfinance associations, capacity building programs for small microfinance institutions in Tajikistan, targeted policy work, research, financial education and social performance management in Central Asia.

*Terrafina Microfinance Project fund* – reflect the activities related to TERRAFINA funding made available to the Foundation for supporting microfinance organizations in Ethiopia in developing strategy towards meeting their social goals and aligning systems with their missions.

*Tajik Project fund* – reflects the activities related to Oxfam NOVIB funding made available to the Foundation for developing the market-led sustainable microfinance institutions in Tajikistan through building the capacity of selected emerging/young Tajik Microfinance Institutions (MFIs).

ImpAct Cerise - the founding made available by Cerise to partner in developing the guidance for microfinance associations enabling them to develop a comprehensive strategy towards promoting of Social Performance Management among their members. The expected output of the cooperation will be used as a public good by associations around the globe.

*Fundacja Bankowa im. L.Kronenberga Project fund* – reflects the activities related to funding made available by Fundacja Bankowa Im. L.Kronenberga at Citi Handlowy for a 3-month qualitative research project aiming at identifying success factors of Polish microentrepreneurs.

Leonardo – „Ethica" is an educational game to explore the social and environmental impact of banking, investments and business. The objective of the game is to encourage socially responsible finance behaviors in finance through a simulation game. By experiencing new roles, participants have the opportunity to understand the consequences of different investment behaviors on the economy, society and the environment. "Ethica" is an European project based on the initial idea of Reseau Financement Alternatif (RFA). It has been further developed and tested by each of the country partners. The game is distributed in English, Spanish, French, Polish and Catalan in Belgium, UK, France, Switzerland, Poland and Spain.

*SP-Fund Ford Foundation* - the project aims at providing technical and financial support in the form of grants to 13 microfinance networks. The project grantees implement first activities in promotion of Social Performance Management among their members – Microfinance Institutions. The project is sponsored by Ford Foundation.

The SEEP Network Summit in Prague - the fund made available by SEEP in cooperation with City Foundation, aimed at organizing a third summit of microfinance associations from Europe and Central Asia (ECA) region. During the summit, the associations discussed their up to date experience: challenges and successes; the new industry developments were presented.

The SEEP Network Client Protection - the funding was provided by SEEP in cooperation with Smart Campaign. It aimed at building the capacity of MFC in delivery of client protection assessments of microfinance institutions. Within the project, two institutions were assessed: Microfinance Foundation EKI from Bosnia and Herzegovina and MCO "KazMicroFinance" LLC (KMF) from Kazakhstan. One new MFC staff was trained in assessments delivery.

*The SEEP Network Regional Network Summit (RNS)* - RNS aims at exchanging knowledge, experience among networks focus on SPM from Europe and Central Asia (ECA) region and strengthening their capacities to respond better to the needs of their local members stakeholders. 2012 RNS was organized in Warsaw in July 2012. In total representatives from 10 networks were present (13 persons) - all Social Performance Working Group members and in addition representatives from networks from Belarus and Georgia were present. During 2 days meeting participants exchanged their experience related to developing code of conducts, client protection (CP), work with regulators. They also discussed plans for USSPM promotion and how to communicate them effectively.

*The SEEP Network Universal Standards SPM (USSPM)* – focused on engaging MFIs through national networks and survey to get feedback on the SPTF's USSPM. This feedback contributed to developing USSPM which were launched in June 2012. Four national networks were engaged in collecting feedback from MFIs: Azerbaijan Micro-finance Association (AMFA), (Union of Credit Organizations of the Republic of Armenia (UCORA), Association of Micro-Finance Organizations in Tajikistan (AMFOT), Association of Microfinance Institutions (AMFI). In addition MFC send request to all its members to provide feedback on USSPM. In total feedback was collected from 42 MFIs.

*Advancing Client Protection in Tajikistan* - project aims at strengthening the capacity of national association AMFOT to play a leading role, as well as starting work with the regulator to integrate customer protection into current policies and regulations. Through the training combine with CP assessment two AMFOT staff gained first experience in conducting CP assessment.

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (m) Taxation

The Foundation is exempt from income taxation under Article 17 of the local Corporate Taxation Act dated 15 February 1992.
Income tax for the year in the statement of comprehensive income comprises current and deferred tax and relates solely to MFC Sp. z o. o.
Current tax is the tax payable on the taxable income for the year, using tax rate applicable for the reporting period.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 4. DETERMINATION OF FAIR VALUES

A number of the Foundation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following method.

**Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(All amounts are stated in PLN rounded to nearest zloty)

## 5. OTHER OPERATING INCOME

| | 2013 | 2012 |
|---|---|---|
| Unutilized bonus provision | 39 854 | 6 010 |
| Unutilized audit provision | 11 969 | 10 940 |
| Other operating income | 4 069 | 1 422 |
| | **55 892** | **18 372** |

## 6. PROGRAM REVENUE

| | 2013 | 2012 |
|---|---|---|
| Governments grants | (9 152) | 15 827 |
| Non-governments grants | 1 288 562 | 2 729 970 |
| Trainings | 3 751 621 | 3 579 829 |
| Consultings | 498 185 | 603 731 |
| Annual Conference | 449 451 | 440 251 |
| Other | 3 771 | - |
| | **5 982 438** | **7 369 608** |

## 7. PROGRAM EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Marketing, web page, newsletters, other publications | 137 812 | 84 550 |
| Marketing, web page, newsletters, other publications | 137 812 | 84 550 |
| SP-Fund (Ford Foundation) | 905 387 | 1 633 428 |
| Financial Education (Citi Foundation) | 44 633 | 141 885 |
| Fundacja Bankowa im. L. Kronenberga | 66 550 | 62 860 |
| Housing Center (Habitat for Humanity International) | (10 803) | 40 864 |
| Rockdale Foundation | 17 189 | - |
| Social Performance Management Quality Audit Tool (ICCO) | - | 112 647 |
| Policy in Central Asia (ICCO) | - | 88 247 |
| Financial Education in Poland (Levi' Foundation) | - | 75 994 |
| Tajik (Oxfam NOVIB) | - | 71 706 |
| RNS (SEEP Network) | - | 54 649 |
| AMFI scholarship (ICCO) | - | 36 834 |
| Terrafina Microfinance (ICCO) | - | 23 528 |
| Central Asia Office (ICCO) | - | 19 941 |
| USSPM (The SEEP Network) | - | 15 076 |
| Annual Conference expenses | 137 992 | 177 924 |
| Training expenses | 2 512 244 | 1 862 775 |
| Consulting expenses | 152 641 | 373 140 |
| Other projects | 13 460 | 12 031 |
| | **3 977 105** | **4 888 079** |

## 8. ADMINISTRATIVE EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Staff salaries, bonuses and benefits | 731 788 | 667 726 |
| Travel and conferences | 89 871 | 77 618 |
| Office and administrative | 155 101 | 192 517 |
| Amortisation | 2 277 | 4 924 |
| Accounting and auditors services | 220 841 | 224 298 |

(All amounts are stated in PLN rounded to nearest zloty)

| | | |
|---|---|---|
| Other | 96 199 | 124 358 |
| Other operating expenses | 545 | 37 |
| | **1 296 622** | **1 291 478** |

## 9. OTHER OPERATING EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Other operating expenses | 545 | 37 |
| | **545** | **37** |

## 10. FINANCE INCOME AND FINANCE EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Interest income | 89 924 | 160 257 |
| Foreign exchange rate income | 280 071 | 1 194 076 |
| Finance income | **369 995** | **1 354 333** |
| Interest expenses | 0 | 96 |
| Foreign exchange rate loss | 232 921 | 1 820 497 |
| Finance expenses | **232 921** | **1 820 593** |
| Net finance income | **137 074** | **(466 260)** |

## 11. PERSONNEL EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Program staff expenses | 653 337 | 705 734 |
| Administrative staff expenses | 731 788 | 667 726 |
| | **1 385 125** | **1 373 460** |

## 12. INCOME TAX EXPENSE

**Recognised in the Consolidated Statement of Comprehensive Income**

| **Current tax expense** | 2013 | 2012 |
|---|---|---|
| Current year | 227 529 | 320 603 |
| | 227 529 | 320 603 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (10 160) | (8 260) |
| **Total income tax expense in the consolidated statement of comprehensive income** | 217 369 | 312 343 |

**Reconciliation of effective tax rate**

| | 2013 | 2012 |
|---|---|---|
| Pre-tax result | 1 071 859 | 910 022 |
| Without the Parent Entity result and eliminations made for consolidation purposes | 218 428 | 725 695 |
| Pre-tax result of subsidiary (MFC) | 1 290 287 | 1 635 717 |
| Income tax using the Group's domestic tax rate (19%) | 245 155 | 310 786 |
| Permanent differences | (27 786) | 1 557 |
| | **217 369** | **312 343** |
| Effective tax rate | 16,85% | 19,10 % |

**(All amounts are stated in PLN rounded to nearest zloty)**

Deferred tax expense relates solely to wholly owned subsidiary MFC Sp. z o. o. and presented effective tax rate is calculated on the basis of the pre-tax result of the subsidiary.

Regulations regarding VAT, corporate income tax, personal income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose significant penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system.

Tax settlements may become subject to inspection by the tax authorities for a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | |
|---|---|
| **Cost** | |
| As at 1 January 2012 | 293 730 |
| Additions | - |
| Disposals | - |
| As at 31 December 2012 | 293 730 |
| As at 1 January 2013 | 293 730 |
| Additions | 3 857 |
| Disposals | - |
| As at 31 December 2013 | 297 587 |
| **Depreciation** | |
| As at 1 January 2012 | 284 323 |
| Depreciation charge | 4 925 |
| Disposals | - |
| As at 31 December 2012 | 289 248 |
| As at 1 January 2013 | 289 248 |
| Depreciation charge | 2 277 |
| Disposals | - |
| As at 31 December 2013 | 291 525 |
| **Carrying amount** | |
| As at 1 January 2012 | 9 407 |
| As at 31 December 2012 | 4 482 |
| As at 1 January 2013 | 4 482 |
| As at 31 December 2013 | 6 062 |

Fixed assets don't have any restrictions on ownership title.

(All amounts are stated in PLN rounded to nearest zloty)

## 14. CASH AND CASH EQUIVALENTS

| | 2013 | 2012 |
|---|---|---|
| Cash in hand | 17 899 | 14 836 |
| Cash at bank | 11 259 410 | 9 685 868 |
| Cash and cash equivalents in the statement of cash flows | 11 277 309 | 9 700 704 |
| Restricted cash | - | 217 662 |

The balance of restricted cash as at 31 December 2013 and 31 December 2012 represents restricted funds, which are included in the non-current deferred grants and deferred income related to dedicated funds.

## 15. ACCOUNTS RECEIVABLE

| | 2013 | 2012 |
|---|---|---|
| Trade receivables | 156 664 | 78 342 |
| Advance paid to Azerbaijan Micro-finance Association (AMFA) | 57 876 | - |
| Advance paid to ACCION International | 40 662 | - |
| Advance paid to Microfinance Council of the Philippines, Inc. (MCPI) | 58 573 | - |
| Advance paid to Centre for Mico-Finance (CMF) | 52 297 | - |
| Advance paid to Consorcio de Organizaciones Privadas de Promocion Al Desarrollo de La Micro Y Pequena Empresa (COPEME) | 40 662 | - |
| Advance paid to Tanzania Association of Microfinance Institutions (TAFMI) | 40 662 | - |
| Advance paid to Red Financiera Rural (RFR) | 57 076 | - |
| Advance paid to Pakistan Microfinance Network (PMN) | 56 045 | - |
| Advance paid to Palestinian Network for Small and Micro Enterprises (Sharahek) | - | 35 236 |
| Advance paid to Credit and Development Forum (CDF) | - | 57 057 |
| Advance paid to National Confederation of Cooperatives (NATCCO) | - | 24 555 |
| Tax receivables | 14 368 | 19 889 |
| Other receivables | 33 705 | 30 994 |
| Prepayments | 16 898 | 5 366 |
| | 625 488 | 251 439 |

| | 2013 | 2012 |
|---|---|---|
| Accounts receivable up to 3 months | 183 537 | 220 539 |
| Accounts receivable 3-6 months | 1 116 | 924 |
| Accounts receivable 6-12 months | 440 835 | 1 285 |
| Accounts receivable over 12 months | - | 28 691 |
| | 625 488 | 251 439 |

The Group has no past due amounts in respect of such receivables. The Group has no receivables due after 3 years.

The gross value of receivables is equal to its net value as there is no impaired receivables as of 31 December 2013 and 31 December 2012.

(All amounts are stated in PLN rounded to nearest zloty)

## 16. DEFERRED TAX ASSETS

***Recognised deferred tax assets***

Deferred tax assets are attributable to the following items:

| | Assets | |
|---|---|---|
| | **2013** | **2012** |
| Reserve for staff holidays compensation | 4 554 | 1 956 |
| Staff annual bonus reserve | 14 098 | 14 003 |
| Temporary foreign exchange gain | 7 091 | - |
| Reserve for annual audit | 4 532 | 5 700 |
| Reserve for trade payables | 1 119 | 1 047 |
| Deferred tax liabilities | (36) | (1 509) |
| Asset | **31 357** | **21 197** |

(All amounts are stated in PLN rounded to nearest zł)

## 17. CONSOLIDATED SATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2013

| DEDICATED FUNDS | 2013 | 2012 |
|---|---|---|
| **SP-Fund (FORD Foundation) Project** | | |
| Opening balance (available at 01.01.) | 165 364 | 1 086 485 |
| New funds received | - | 908 396 |
| Total | 165 364 | 1 994 881 |
| Program expenses | 184 800 | 1 633 428 |
| Program revenue | (19 436) | 196 089 |
| Total charge | 165 364 | 1 829 517 |
| **SP-Fund Project closing balance (available at 31.12.)** | - | 165 364 |
| **Housing Center (HFHI) Project** | | |
| Opening balance (available at 01.01.) | 52 298 | 83 631 |
| New funds received | (65 041) | 9 531 |
| Total | (12 743) | 93 162 |
| Program expenses | (10 804) | 40 864 |
| Program revenue | (1 939) | - |
| Total charge | (12 743) | 40 864 |
| **Housing Center Project closing balance (available at 31.12.)** | - | 52 298 |
| **SIMS (European Commision) Project** | | |
| Opening balance (available at 01.01.) | (2 522) | (6 716) |
| New funds received | 11 405 | 7 044 |
| Total | 8 883 | 328 |
| Program expenses | 18 034 | 2 850 |
| Program revenue | (9 151) | - |
| Total charge | 8 883 | 2 850 |
| **SIMS Project closing balance (available at 31.12.)** | - | (2 522) |
| **Financial Education in Uzbekistan II (EC) Project** | | |
| Opening balance (available at 01.01.) | (15 899) | 397 728 |
| New funds received | 190 410 | 16 641 |
| Total | 174 511 | 414 369 |
| Program expenses | 292 533 | 410 279 |
| Program revenue | - | 19 989 |
| Total charge | 292 533 | 430 268 |
| **Financial Education in Uzbekistan II Project closing balance (available at 31.12.)** | (118 022) | (15 899) |
| **SMP Summaries (ImpAct) Project** | | |
| Opening balance (available at 01.01.) | (7 288) | (7 288) |
| New funds received | - | - |
| Total | (7 288) | (7 288) |
| Program expenses | - | - |
| Program revenue | (7 288) | - |
| Total charge | (7 288) | - |
| **SMP Summaries Project closing balance (available at 31.12.)** | - | (7 288) |

(All amounts are stated in PLN rounded to nearest zł)

| | | |
|---|---|---|
| **ACP Tajikistan (GTZ) Project** | | |
| Opening balance (available at 01.01.) | (7 598) | - |
| New funds received | - | - |
| Total | (7 598) | - |
| Program expenses | 356 | 7 598 |
| Program revenue | (7 954) | - |
| Total charge | (7 598) | 7 598 |
| **ACP Tajikistan Project closing balance (available at 31.12.)** | - | (7 598) |
| | | |
| **Exchange Visit (NBoT) Project** | | |
| Opening balance (available at 01.01.) | (29 665) | - |
| New funds received | 30 269 | - |
| Total | 604 | - |
| Program expenses | - | 4 433 |
| Program revenue | 604 | 25 232 |
| Total charge | 604 | 29 665 |
| **Exchange Visit Project closing balance (available at 31.12.)** | - | (29 665) |
| | | |
| **Central Asia Office (ICCO)** | | |
| Opening balance (available at 01.01.) | - | 300 977 |
| New funds received | - | (243 663) |
| Total | - | 57 314 |
| Program expenses | - | 19 941 |
| Program revenue | - | 37 373 |
| Total charge | - | 57 314 |
| **Central Asia Office closing balance (available at 31.12.)** | - | - |
| | | |
| **Investor Letter (Rockdale Foundation) Project** | | |
| Opening balance (available at 01.01.) | - | 84 443 |
| New funds received | - | (92 869) |
| Total | - | (8 427) |
| Program expenses | - | - |
| Program revenue | - | (8 427) |
| Total charge | - | (8 427) |
| **Investor Letter Project closing balance (available at 31.12.)** | - | - |
| | | |
| **Gender (Oxfam NOVIB) Project** | | |
| Opening balance (available at 01.01.) | - | 17 926 |
| New funds received | - | (24 815) |
| Total | - | (6 889) |
| Program expenses | - | - |
| Program revenue | - | (6 889) |
| Total charge | - | (6 889) |
| **Gender Project closing balance (available at 31.12.)** | - | - |
| | | |
| **Client Protection (SEEP Network) Project** | | |
| Opening balance (available at 01.01.) | - | (15 737) |
| New funds received | - | 15 737 |
| Total | - | - |
| Program expenses | - | - |
| Program revenue | - | - |
| Total charge | - | - |
| **Client Protection Project closing balance (available at 31.12.)** | - | - |

(All amounts are stated in PLN rounded to nearest zł)

| Financial Education in Uzbekistan (EC) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | (46 222) |
| New funds received | - | 43 114 |
| Total | - | (3 108) |
| Program expenses | - | - |
| Program revenue | - | (3 108) |
| Total charge | - | (3 108) |
| **Financial Education in Uzbekistan Project closing balance (available at 31.12.)** | - | - |

| Financial Education Leonardo (EC) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | (37 305) |
| New funds received | - | 36 252 |
| Total | - | (1 053) |
| Program expenses | - | - |
| Program revenue | - | (1 053) |
| Total charge | - | (1 053) |
| **Financial Education Leonardo Project closing balance (available at 31.12.)** | - | - |

| Social Performance Management Fund (ICCO) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | (4 177) |
| New funds received | - | 4 177 |
| Total | - | - |
| Program expenses | - | - |
| Program revenue | - | - |
| Total charge | - | - |
| **Social Performance Management Fund Project closing balance (available at 31.12.)** | - | - |

| Financial Education in Poland (Levi's Foundation) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | 74 908 |
| New funds received | - | - |
| Total | - | 74 908 |
| Program expenses | - | 75 994 |
| Program revenue | - | (1 086) |
| Total charge | - | 74 908 |
| **Financial Education in Poland Project closing balance (available at 31.12.)** | - | - |

| Financial Education in Kyrgyzstan & Tajikistan (ICCO) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | 66 071 |
| New funds received | - | (66 071) |
| Total | - | - |
| Program expenses | - | - |
| Program revenue | - | - |
| Total charge | - | - |
| **Financial Education in Kyrgyzstan & Tajikistan (ICCO) closing balance (available at 31.12.)** | - | - |

| Social Performance Management (Terrafina ICCO) Project | | |
|---|---|---|
| Opening balance (available at 01.01.) | - | 3 191 |
| New funds received | - | 53 944 |
| Total | - | 57 135 |
| Program expenses | - | 23 528 |
| Program revenue | - | 33 607 |
| Total charge | - | 57 135 |
| **Social Performance Management Project closing balance (available at 31.12.)** | - | - |

(All amounts are stated in PLN rounded to nearest zł)

| | | |
|---|---|---|
| **Tajik (Oxfam NOVIB) Project** | | |
| Opening balance (available at 01.01.) | - | 148 859 |
| New funds received | - | (18 917) |
| Total | - | 129 942 |
| Program expenses | - | 71 705 |
| Program revenue | - | 58 237 |
| Total charge | - | 129 942 |
| **Tajik Project closing balance (available at 31.12.)** | - | - |
| | | |
| **Financial Education (Citi Foundation) Project** | | |
| Opening balance (available at 01.01.) | - | 163 251 |
| New funds received | - | (42 062) |
| Total | - | 121 189 |
| Program expenses | - | 141 885 |
| Program revenue | - | (20 696) |
| Total charge | - | 121 189 |
| **Financial Education Project closing balance (available at 31.12.)** | - | - |
| | | |
| **MCPI Social Performance Management (ICCO) Project** | | |
| Opening balance (available at 01.01.) | - | 269 441 |
| New funds received | - | (269 439) |
| Total | - | 2 |
| Program expenses | - | - |
| Program revenue | - | 2 |
| Total charge | - | 2 |
| **MCPI Social Performance Management Project closing balance (available at 31.12.)** | - | - |
| | | |
| **Total dedicated funds balance** | **(118 022)** | **154 690** |

(All amounts are stated in PLN rounded to nearest zloty)

## 18. ACCOUNTS PAYABLE

| | 2013 | 2012 |
|---|---|---|
| Trade payables | 48 051 | 695 263 |
| Social Security | 39 015 | 29 142 |
| Current income tax liabilities | 89 380 | 297 893 |
| Tax liabilities | 22 678 | 22 620 |
| | **199 124** | **1 044 918** |

| | 2013 | 2012 |
|---|---|---|
| Accounts payable up to 3 months | 199 124 | 1 044 918 |
| Accounts payable 3-6 months | - | - |
| Accounts payable 6-12 months | - | - |
| Accounts payable over 12 months | - | - |
| | **199 124** | **1 044 918** |

The Group has no past due amounts in respect of payables.

## 19. ACCRUALS

| | 2013 | 2012 |
|---|---|---|
| Prepayments received for future services | 54 002 | 51 114 |
| Prepayments received for SP-Fund project | 1 530 608 | - |
| Prepayments received for FE in Uzbekistan project | 83 586 | - |
| Prepayments received for MetLife project | 707 820 | - |
| Prepayments received for HC HFHI project | 70 275 | - |
| Prepayments received for Rockdale Foundation project | 93 784 | - |
| Staff holidays compensation | 54 010 | 57 710 |
| Staff bonus fund | 156 400 | 157 200 |
| Provision for audit of annual financial statements | 53 185 | 60 000 |
| Provisions for other expenses incurred in next year | 58 506 | 309 742 |
| | **2 862 176** | **635 766** |

| | 2013 | 2012 |
|---|---|---|
| Balance at 1st January | **635 766** | **291 004** |
| Accrual for the period | 2 488 960 | 402 986 |
| Utilisation for the period | 262 550 | 58 224 |
| Balance at 31st December | **2 862 176** | **635 766** |

## 20. OWN FUNDS

The founding capital of PLN 2 100 represents own funds received from the Founders of the Foundation which has been contributed in equal parts, i.e. PLN 700 each.

In accordance with the statute of the Foundation the Founders of the Foundation are represented by: Mrs. Rosalind Sarah Copisarow, Mrs. Maria Nowak-Przygodzka and Mr. Kenneth Dan Vander Weele.

Retained earnings will be used for the statutory purposes of the Foundation and increased reserve capital of the subsidiary.

## 21. REMUNERATION OF KEY MANAGEMENT

Total remuneration paid to Management Board amounted to PLN 526,6 thousand (in 2012 PLN 504,1 thousand).
No loans have been granted and no other transactions settled with Key Management Personnel during the financial year.

## 22. TRANSACTIONS WITH RELATED PARTIES

During the year ended 31 December 2013 and 31 December 2012 the Group has not had any transaction with related parties.

## 23. FINANCIAL RISK MANAGEMENT

### a) Credit risk

Financial assets which expose the Group to concentrations of credit risk consist principally of trade receivables and cash. Cash is placed with high credit quality financial institutions. Trade receivables are not significant. Accordingly, the Group has no significant concentration of credit risk.

### b) Liquidity risk

The Group is not subjected to liquidity risk because the costs are covered by grants received from donator in advance. The cash flows and the liquidity of the Group are monitored and managed by the Management Board, in order to guarantee an effective and efficient management of its financial resources.

### c) Operational risk

Operational risk is the possibility of achieving the losses resulting from the inadequacy or failure of internal processes, people and systems or external events. Operational risk applies to all business processes undertaken by the Group, including activities carried out by external contractors under outsourcing and executed with third parties.
Objective of operational risk management is to minimize the likelihood of the occurrence and/or reduce the effects of unexpected adverse events. The Group identifies ongoing risks existing processes and risk estimates for the probability and consequences of potential threats. As part of the self-assessment analysis of potential risks affecting the activities of the Group is carried out periodically.

### d) Interest rate risk

The Group has no borrowing or significant interest bearing loans. Therefore the Group does not hedge against interest rate risk.

### e) Foreign currency risk and sensivity analysis

A considerable part of cash contributions are received in other than PLN currencies (mostly USD and EUR). Some expenses are also denominated in foreign currencies. Thus to some extend a natural hedge exists. Group is not using any instruments to hedge against exchange rate risk.

Appreciation of PLN against EURO as of 31 December 2013 by 5% would result in decrease in net profit and equity by PLN 279 thousand. Depreciation of PLN against EURO as of 31 December 2013 by 5% would result in increase in net profit and equity by PLN 279 thousand.

Appreciation of PLN against USD as of 31 December 2013 by 5% would result in decrease in net profit and equity by PLN 66 thousand. Depreciation of PLN against USD as of 31 December 2013 by 5% would result in increase in net profit and equity by PLN 66 thousand.

| | PLN | USD | EUR | GBP | TOTAL 2013 | PLN | USD | EUR | GBP | TOTAL 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | |
| Property, plant and equipment | 6 062 | - | - | - | 6 062 | 4 482 | - | - | - | 4 482 |
| Deferred tax assets | 31 357 | - | - | - | 31 357 | 21 197 | - | - | - | 21 197 |
| **Total non-current assets** | 37 419 | - | - | - | 37 419 | 25 679 | - | - | - | 25 679 |
| **Current Assets** | | | | | | | | | | |
| Trade receivables | - | 88 017 | 68 648 | - | 156 665 | - | 25 990 | 52 352 | - | 78 342 |
| Advances paid to contractors | - | 403 852 | - | - | 403 852 | - | 116 848 | - | - | 116 848 |
| Other receivables | 33 705 | - | - | - | 33 705 | 30 994 | - | - | - | 30 994 |
| Prepayments | 9 742 | 3 850 | 3 306 | - | 16 898 | 4 112 | 927 | 327 | - | 5 366 |
| Tax receivebles | 14 368 | - | - | - | 14 368 | 19 889 | - | - | - | 19 889 |
| Current deferred grants receivable from EC grants | - | - | 118 022 | - | 118 022 | - | - | 18 421 | - | 18 421 |
| Current deferred grants receivable from SPM grants | - | - | - | - | - | - | - | 7 288 | - | 7 288 |
| Current deferred grants receivable from GTZ grant | - | - | - | - | - | - | - | 7 598 | - | 7 598 |
| Current deferred grants receivable from National Bank of Tajikistan grant | - | - | - | - | - | - | - | 29 665 | - | 29 665 |
| Current deferred grants receivable from SEEP Networs grants | - | - | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | 2 426 830 | 3 303 042 | 5 545 429 | 2 008 | 11 277 309 | 1 720 356 | 1 961 411 | 6 018 647 | 290 | 9 700 704 |
| **Total current assets** | 2 484 645 | 3 798 761 | 5 735 405 | 2 008 | 12 020 819 | 1 775 351 | 2 105 176 | 6 134 298 | 290 | 10 015 115 |
| **TOTAL ASSETS** | 2 522 064 | 3 798 761 | 5 735 405 | 2 008 | 12 058 238 | 1 801 030 | 2 105 176 | 6 134 298 | 290 | 10 040 794 |
| **Equity** | | | | | | | | | | |
| **Own Funds** | | | | | | | | | | |
| Founding capital | 2 100 | - | - | - | 2 100 | 2 100 | - | - | - | 2 100 |
| Retained earnings | 8 994 838 | - | - | - | 8 994 838 | 8 140 348 | - | - | - | 8 140 348 |
| **Total own funds** | 8 996 938 | - | - | - | 8 996 938 | 8 142 448 | - | - | - | 8 142 448 |
| **Total Funds attributable to equity holders of the Fundation** | 8 996 938 | - | - | - | 8 996 938 | 8 142 448 | - | - | - | 8 142 448 |
| **Liabilities** | | | | | | | | | | |
| **Non current deferred grants related to dedicated funds** | | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | - | - |
| **Total non current deferred grants** | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Trade liabilities | 1 282 | 8 992 | 37 777 | - | 48 051 | 273 | 694 991 | - | - | 695 264 |
| Tax liabilities | 112 058 | - | - | - | 112 058 | 320 512 | - | - | - | 320 512 |
| Social Security | 39 015 | - | - | - | 39 015 | 29 142 | - | - | - | 29 142 |
| Provisions | 64 886 | 44 851 | 1 875 | - | 111 612 | 72 772 | 289 969 | - | - | 362 741 |
| Prepayments received for grants | - | 2 402 487 | 83 585 | - | 2 486 072 | - | - | - | - | - |
| Other liabilities | 210 410 | 23 230 | 30 852 | - | 264 492 | 214 760 | 1 854 | 56 411 | - | 273 025 |
| **Total Accounts Payable and Accruals** | *427 651* | *2 479 560* | *154 089* | - | **3 061 300** | *637 459* | *986 814* | *56 411* | - | **1 680 684** |
| **Current deferred grants related to dedicated funds** | | | | | | | | | | |
| SP-Fund (Ford Fundation) | - | - | - | - | - | - | 165 364 | - | - | 165 364 |
| Housing Center (HFHI) | - | - | - | - | - | - | 52 298 | - | - | 52 298 |
| **Total deferred income related to dedicated funds** | - | - | - | - | - | - | *217 662* | - | - | **217 662** |
| **TOTAL LIABILITIES** | *9 424 589* | *2 479 560* | *154 089* | - | **12 058 238** | *8 779 907* | *1 204 476* | *56 411* | - | **10 040 794** |

(All amounts are stated in PLN rounded to nearest zloty)

**f) Effective interest rates**

In respect of income-earning financial assets the following tables indicates their average effective interest rat s at the reporting date and the periods in which they mature.

2013

| | Average effective interest rate | Total | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 0,58% | 11 277 309 | 11 277 309 | - | - | - | - |

2012

| | Average effective interest rate | Total | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,51% | 9 700 704 | 9 700 704 | - | - | - | - |

## 24. EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events after the balance sheet date were identified which could have a material impact on these consolidated financial statements.

## 25. FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Accounts receivable | 625 488 | 625 488 | 251 439 | 251 439 |
| Cash and cash equivalents | 11 277 309 | 11 277 309 | 9 700 704 | 9 700 704 |
| Accounts payable | 199 124 | 199 124 | 1 044 918 | 1 044 918 |

## 26. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis. Parent Entity's management is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

## 27. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

| | 2013 | 2012 |
|---|---|---|
| Less than one year | 88 683 | 89 240 |
| Between one and five years | - | 85 521 |
| More than five years | - | - |
| | **88 683** | **174 761** |

The Group leased one apartment as its shared office at Noakowskiego 10 Street apt. 38 and the lease agreement expired 16 December 2014. The monthly charge remains at rate PLN 7 712 (ca. USD 2,560) per month.

## 28. CONTINGENT LIABILITIES

As of 31 December 2013 and 31 December 2012 there were no contingent liabilities.

Grzegorz Gałusek
*Executive Director*

Katarzyna Pawlak
*Deputy Director*

Ewa Romanowska
*Finance & Administrative Manager*

Warsaw, 16 May 2014