



**Fundacja “Microfinance Centre” Group**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2015**

The opinion contains 2 pages

Opinion of the independent auditor  
and supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2015

**OPINION OF THE INDEPENDENT AUDITOR**



**KPMG Audyt**  
**Spółka z ograniczoną**  
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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, Noakowskiego 10/38 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, 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 International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

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.



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 2015 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.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

.....  
Dorota Sienkiewicz  
Key Certified Auditor  
Registration No. 90138

.....  
Mirosław Grabarek  
Limited Liability Partner  
with power of attorney

20 May 2016



## FINANCIAL STATEMENTS

**FUNDACJA "MICROFINANCE CENTRE"**

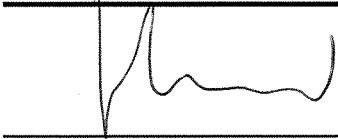
**Consolidated Financial Statements**


**as of and for the year ended 31 December 2015**

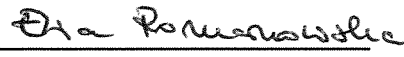
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**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2015**  
(All amounts are stated in PLN rounded to nearest zł)

	Note	12 months ended 31 December 2015	12 months ended 31 December 2014
<b>Earned revenue</b>			
Membership fees		159 200	167 133
Program revenue	6	3 094 223	2 800 122
Other operating income	5	33 715	43 710
<b>Total revenue</b>		<b>3 287 138</b>	<b>3 010 965</b>
<b>Program expenses</b>			
Staff expenses	11	419 651	476 475
Non-staff expenses		1 266 128	1 739 450
<b>Total program expenses</b>	7	<b>1 685 779</b>	<b>2 215 925</b>
<b>Administrative expenses</b>			
Staff expenses	11	372 073	382 363
Non-staff expenses		314 004	308 695
Other operating expenses	9	12 202	30 105
<b>Total administrative expenses</b>	8	<b>698 279</b>	<b>721 163</b>
<b>Total expenses</b>		<b>2 384 058</b>	<b>2 937 088</b>
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>903 080</b>	<b>73 877</b>
Finance income	10	415 080	579 239
Finance costs	10	(75)	(9)
<b>Net finance income</b>		<b>415 005</b>	<b>579 230</b>
<b>Profit before income tax</b>		<b>1 318 085</b>	<b>653 107</b>
Income tax expense	12	187 941	87 782
<b>Net result after tax</b>		<b>1 130 144</b>	<b>565 325</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1 130 144</b>	<b>565 325</b>

  
Grzegorz Galusek  
Executive Director

  
Katarzyna Pawlak  
Deputy Director

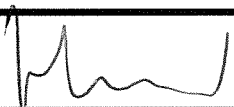
  
Ewa Romanowska  
Finance & Administrative Manager


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 26




**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Financial Position as at 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zł)**

		2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1 639	3 186
Deferred tax assets	16	9 860	-
<b>Total non-current assets</b>		<b>11 499</b>	<b>3 186</b>
<b>Current Assets</b>			
Accounts receivable	15	1 971 713	422 112
Current deferred grants receivable from EC grants	17	-	-
Cash and cash equivalents	14	11 219 547	10 648 014
<b>Total current assets</b>		<b>13 191 260</b>	<b>11 070 126</b>
<b>TOTAL ASSETS</b>		<b>13 202 759</b>	<b>11 073 312</b>
<b>Equity</b>			
<b>Own Funds</b>			
Founding capital	20	2 100	2 100
Retained earnings		10 690 307	9 560 163
<b>Total own funds</b>		<b>10 692 407</b>	<b>9 562 263</b>
<b>Total Funds attributable to equity holders of the Foundation</b>		<b>10 692 407</b>	<b>9 562 263</b>
<b>Liabilities</b>			
<b>Non current deferred grants related to dedicated funds</b>			
-	17	-	-
<b>Total non current deferred grants</b>		<b>-</b>	<b>-</b>
Accounts payable	18	233 921	106 180
Accruals	19	2 276 431	1 404 105
Deferred tax liabilities	16	-	764
<b>Total Accounts Payable and Accruals</b>		<b>2 510 352</b>	<b>1 511 049</b>
<b>Current deferred grants related to dedicated funds</b>			
-	17	-	-
<b>Total deferred income related to dedicated funds</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>13 202 759</b>	<b>11 073 312</b>

  
 Grzegorz Galuszek  
 Executive Director

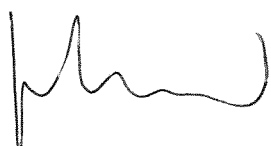
  
 Katarzyna Pawlak  
 Deputy Director

  
 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 26

**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Cash Flow for the year ended 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zł)**

	12 months ended 31 December 2015	12 months ended 31 December 2014
<b>Cash flow from operating activities</b>		
Net profit	1 130 144	565 325
Adjustments:		
Depreciation and amortisation	1 547	2 876
Exchange rate differences	295 727	196 411
Interest income	(33 515)	(58 473)
Income tax expense	117 112	123 028
	<u>1 511 015</u>	<u>829 167</u>
Change in receivables and deferred tax assets	(1 559 461)	234 733
Change in accounts payable and accruals	999 303	(1 550 251)
Change in deferred income related to dedicated and general funds	-	118 022
	<u>950 857</u>	<u>(368 329)</u>
Interest received	33 515	58 473
Income tax received / (paid)	(117 112)	(123 028)
<b>Net cash flow from operating activities</b>	<b>867 260</b>	<b>(432 884)</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	-	-
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net inflow (outflow) of cash</b>	<b>867 260</b>	<b>(432 884)</b>
Cash and cash equivalents at the beginning of the financial year	10 648 014	11 277 309
Effect of exchange rate fluctuations on cash held	(295 727)	(196 411)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>11 219 547</b>	<b>10 648 014</b>
- restricted cash	-	-



Grzegorz Galusek  
Executive Director



Katarzyna Pawlak  
Deputy Director

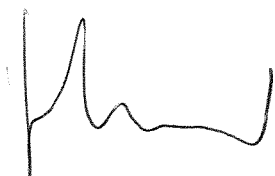


Ewa Romanowska  
Finance & Administrative Manager

Consolidated statement of cash flow is to be read in conjunction with the notes to and forming part of financial statements set out on pages 6 to 26

**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zł)**

	2015	2014
<b>OWN FUNDS</b>		
Founding capital opening balance	2 100	2 100
- increases in funding capital	-	-
- decreases in funding capital	-	-
<b>Founding capital closing balance</b>	<b>2 100</b>	<b>2 100</b>
Retained earnings opening balance	9 560 163	8 994 838
Net profit of the year	1 130 144	565 325
<b>Retained earnings closing balance</b>	<b>10 690 307</b>	<b>9 560 163</b>
<b>Total own funds</b>	<b>10 692 407</b>	<b>9 562 263</b>



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 26

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zloty)**

**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 2015 include the accounts of the Foundation and MFC Sp. z o. o., a wholly owned subsidiary (the “Subsidiary”).

The Foundation serves as access to finance resource centre and a membership-based network in Europe and Central Asia 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 31.12.2015 by: Mr. Cristian Jurma, Mrs. Lucija Popovska, Mr. Armen Gabrielyan, Mr. Kalin Radev and Mrs. Izabela Norek.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2014 amounted to 12 while during the year ended 31 December 2015 amounted to 11.

**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) 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 20 May 2016.

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

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2015:



Fundacja „Microfinance Centre”  
Notes to the Consolidated Financial Statements as at 31 December 2015  
(All amounts are stated in PLN rounded to nearest zloty)

- **Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions** - Effective date for periods beginning as the date or after that date 1 February 2015 (the IASB effective date is 1 July 2014)
- **Improvements to IFRS (2010-2012)** - Effective date for periods beginning as the date or after that date 1 February 2015 (the IASB effective date is 1 July 2014)
- **Accounting for Acquisitions of Interests in Joint Operations** (Amendments to IFRS 11 *Joint Arrangements*) - Effective date for periods beginning as the date or after that date 1 January 2016
- **Agriculture: Bearer Plants** (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*) - Effective date for periods beginning as the date or after that date 1 January 2016
- **Clarification of Acceptable Methods of Depreciation and Amortisation** (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*) - Effective date for periods beginning as the date or after that date 1 January 2016
- **Improvements to IFRS (2012-2014)** - Effective date for periods beginning as the date or after that date 1 January 2016
- **Disclosure initiative** (Amendments to IAS 1 *Presentation of Financial Statements*) - Effective date for periods beginning as the date or after that date 1 January 2016
- **Equity Method in Separate Financial Statements** (Amendments to IAS 27 *Separate Financial Statements*) - Effective date for periods beginning as the date or after that date 1 January 2016

Standards and interpretations not yet endorsed by the EU:

- **IFRS 9 Financial Instruments (2014)** - Effective date for periods beginning as the date or after that date 1 January 2018
- **IFRS 14 Regulatory Deferral Accounts** - 1 January 2016
- **IFRS 15 Revenue from Contracts with Customers** - 1 January 2018
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*) - 1 January 2016
- **Investment Entities: Applying the Consolidation Exception** (Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*) - 1 January 2016
- **IFRS 16 Leases** - 1 January 2019
- **Recognition of Deferred Tax Assets for Unrealized Losses** (Amendments to IAS 12 *Income Taxes*) - 1 January 2017
- **Disclosure initiative** (Amendments to IAS 7 *Statement of Cash Flows*) - 1 January 2017
- **Amendments to IFRS 15 (Revenue from Contracts with Customers)** - 1 January 2018

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.

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:

- **IFRIC Interpretation 21 Levies** - Effective date for periods beginning as the date or after that date 17 June 2014 (the IASB effective date is 1 January 2014)
- **Improvements to IFRS (2011-2013)** - Effective date for periods beginning as the date or after that date 1 January 2015 (the IASB effective date is 1 July 2014)

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

**(c) Basis of measurement**

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

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zloty)**

**(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) Subsidiaries**

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

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2015**  
**(All amounts are stated in PLN rounded to nearest zloty)**

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.

## (I) Fund summary

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

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

**Building female professionals and promoting women entrepreneurship development in rural regions of Azerbaijan (EU AMFA project)** – reflects the activities related to European Commission funding for activities strengthening women capacities in rural area to enable them to manage household finance or/and increase their employment opportunities through equipping them with skills needed to start own business or find job in financial sector which expands their employment and service offer to them.

This year, 20 local financial education trainers were certified; each had to deliver at least two trainings as part of this process. 513 low-income people (mostly rural women) attended those trainings. Afterwards, MFC held an evaluation meeting with trainers to discuss their experiences, challenges and insights around the training materials. MFC also compared the results of pre- and post-training participant questionnaires; these looked at knowledge and attitudes around budgeting, saving and borrowing.

**Increasing access to finance for rural population in Belarus (FEP Belarus II project)** – reflects the activities to USAID funding for broadening economic opportunities of the rural population in Belarus through raising financial literacy, improving access to credit, and strengthening entrepreneurial skills. In 2015, MFC headed to Belarus to build the capacity of the Republican Microfinance Centre to provide training on budget management and saving to low-income communities. Over the course of the year, MFC trained 39 new local trainers to deliver the MFC Plan Your Future module, 17 of whom went on to become certified that year (the rest will follow suit in 2016). MFC also conducted post training-delivery feedback workshops with newly-minted trainers, to hear about their challenges and successes. MFC trainer also met with representatives of the National Bank, practitioners, international organizations, NGOs and other stakeholders, to promote the Plan your Future approach to building financial capacity within Belarus.

**Developing a national financial literacy strategy for Kyrgyzstan (NBKR project)** - reflects the activities related to National Bank of Kyrgyz Republic (NBKR) funding for activities for developing a national-level financial literacy strategy for the entire population of the country. MFC expert consultant began the process with on-site discussions around international approaches in financial literacy strategies, face-to-face interviews with key stakeholders (including representatives from the NBKR, members of the national Financial Literacy Working Group, international donors, other government agencies and NGOs). MFC expert then analysed the findings of national survey data. Based on the visits and the survey, MFC expert worked with a local consultant to design and present the draft strategy for discussion the Financial Literacy Working Group and NBKR Chairman.

**Regional Cross Border CEO Events and Peer Exchanges (EBRD MFI Forum project)** - the project aims at supporting the growth and sustainability of the microfinance industry in selected EBRD countries of operations by facilitating a series of interactions at two levels, that of CEOs (CEO Events) and of other staff (Peer Exchanges). Participating microfinance institutions (MFIs) have an opportunity to engage on topics of interest and importance for future growth and sustainability, and to share experiences, both positive and negative.

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The overall objectives of the project are to:

- assist MFIs in developing appropriate strategies for sustainability and applying best practices;
- facilitate an effective and efficient exchange of knowledge and experience between the MFIs;
- enable MFIs to enhance their institutional development.

In 2015 MFC organized the CEO Forum in Istanbul, Turkey on January 23-24, 2015 which was a duplicate of the First CEO Forum, organized in September 2014. The Forum explored several aspects of the role of the CEO in the organization as the leading force driving the effectiveness and efficiency, and consequently the growth of MFIs.

In addition to the on-site meeting, MFC conducted the MFI Forum Coaching and Mentoring Survey. The aim of the survey was to learn about CEOs' current experience and interest in receiving executive coaching to help them improve their own performance as CEOs and accomplish the goals of their MFIs.

In addition to its work with CEOs, MFC organized three short technical workshops for the MFIs senior managers:

- The first technical workshop for Chief Credit Officers was organized in Istanbul, Turkey on April 24-25, 2015. The workshop was a unique opportunity for chief credit officers and risk managers of MFIs to discuss their challenges and share their experience in an effort to improve the efficiency and risk strategies.
- The second technical workshop for Human Resources Managers was organized in Istanbul, Turkey on July 3-4, 2015. The workshop gave the HR managers of MFIs an opportunity to discuss their challenges and share their experiences in an effort to manage employee relations and processes in MFIs. They could also check their policies and practices against the experience of other financial institutions.
- The third workshop for MFI Senior Management Teams was organized in Bishkek, Kyrgyzstan on October 2-3, 2015. The workshop was designed for senior management teams of MFIs and their CEOs to discuss the challenges that the senior managers face in their daily work and their relations with the CEOs. The workshop focused on the key strategic functions and responsibilities of the senior managers, the management styles and collaboration styles with their CEOs. The workshop gave an opportunity for the senior managers to share their experiences and frustrations in managing their institutions.

***EaSI Technical Assistance (EaSI project)*** - the project aims at providing capacity building to European microcredit providers (MCPs) as part of a large initiative to support the development of the microfinance sector in Europe.

Microfinance Centre as part of the consortium (together with Frankfurt School of Finance & Management – leading partner and European Microfinance Network) is implementing capacity building for microcredit providers (MCPs) in areas such as good governance (including social performance), Management Information Systems (MIS), Strategic Planning, and Risk Management. MFC also assists MCPs with the implementation of self-regulation guidelines in form of the “European Code of Good Conduct for Microcredit Provision”. These training, advisory and coaching activities make up the operational support the project will be providing. The project also calls for the provision of horizontal support, in the form of a help desk, events, conferences, seminars, to share and disseminate best practices throughout the sector and to increase awareness of microfinance in Europe.

All microcredit providers in the 28 member states of the European Union may respond to dedicated calls for expression of interest to request operational technical assistance and include microcredit providers in the EU, EU candidate and EU pre-candidate countries, as well as Switzerland, Liechtenstein, Norway and Iceland, the latter being members of the European Economic Area.

The EaSI Technical Assistance is part of the Employment and Social Innovation (EaSI) Programme which is an EU level financing instrument.

Through the first call, 25 MCPs from 11 countries have been selected to receive technical assistance in 2016.

***“Invest in people of the cross-border area” – “MicroStars” (KEPA project)*** - the purpose of the project is to create a sustainable structure in order to provide business development services (BDS) in the cross border area that will support micro-entrepreneurs and facilitate the establishment of start-ups, aiming at the enhancement of their productivity, profitability and competitiveness. The target groups that will directly benefit from the project are unemployed that desire to develop business activity as well as new and existing micro-entrepreneurs of the area covered by the program. The location of activities of the project is the Regional Units of Thessaloniki and Kilis on the Greek side and the Region of Pelagonia (Bitola and Prilep) on the former Yugoslav Republic of Macedonia side.

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MFC worked with KEPA on developing their operational systems and processes to launch “MicroStars”, a new microcredit and business development institution that will work with self-employed and small business. The overall objective of “MicroStars” is to support entrepreneurship thorough improved access to finance and appropriate business support services including business counselling and training.

MFC helped KEPA by:

- developing an operational manual, business plan and financial model for microcredit;
- developing an operational manual and a business plan for business development services;
- training staff in microcredit and business development services;
- developing an initial offer of business development services, including a development of a new business start-up course;
- advising KEPA management on the start-up process;
- working with Alpha consulting to develop a suite of an on-line training courses for small businesses.

***Market Consolidation and Quality Improvement within Tajik and Kyrgyz Microfinance Sectors (KfW Tajikistan & Kyrgyzstan project)*** - the objectives of the assignment were as follow:

- to propose possible ways for consolidation and quality improvements by developing various consolidation models for the non-banking financial institutions in Tajikistan and in the Kyrgyz Republic;
- to develop and pilot the implementation of a quality seal for microfinance institutions and credit unions in at least one of the two countries.

MFC coordinated discussion with the relevant stakeholders to:

- define the possible role of the regulator in the process of consolidation, and developing of the quality seal;
- define the roles for the APEX institutions and/ or for the sector associations, which they could potentially play in this process;
- take into account the point of view from within the sector knowing that large and small players might have different attitudes;
- accommodate the views of donors and commercial investors.

As a result, MFC provided recommendations on consolidation of the microfinance and credit union sector in each of the countries as well as recommendations on a quality seal for microfinance institutions and credit unions taking into account sustainability and responsible finance practices.

***SP-Fund 2 (Ford Foundation II project)*** – the project had two core objectives:

- build awareness and commitment around the Universal Standards among a large number of MFIs and identify MFIs ready to adopt the Universal Standards;
- demonstrate that the Essential Practices of the Universal Standards can be implemented by testing the implementation and applicability of Universal Standards for SPM with selected MFIs, supporting MFIs to comply with Universal Standards and documenting good practice.

Through the project technical and financial support in the form of grants to selected microfinance networks support was provided. In 2015 following results were achieved:

- 11 networks received scholarships for SPTF meeting taking place in Cambodia;
- 3 lessons learnt briefs about networks, MFIs experience in SPM implementation captured and documented and later translated to Spanish, French and Russian;
- 2 days even organized for national associations to build their capacities in SPM promotion and implementation;
- 1 day training for UCORA members about SPI4 tool and data usage organized;
- 25 mailings about SP Fund products.

***SP Fund 3 (Ford Foundation III project)*** - the project started in October 2015 as a continuation of SP Fund 2. The core objective of the program is to accelerate the rate of adoption of the Universal Standards for Social Performance by promoting usage of SPI4 – a tool for assessment and reporting. The Fund targets primarily microfinance national associations, microfinance institutions and investors. Through mix of capacity building (awareness raising events, webinars), off-site support (for MFIs, networks, and credit analysts) and financial support (grants to networks, co-financing MFI SPI4 assessments, and SPTF meeting scholarships) the Fund will promote the systematic integration of SPM in order to ensure responsible and inclusive microfinance.

**Borrow Wisely Campaign** – the objective of the campaign is to educate large numbers of clients about how to borrow money safely, harnessing the positive power of loans and avoiding the pitfalls of too much debt. The campaign targets clients and potential clients of microfinance institutions. Campaign partners' field staff of microfinance institutions used posters, leaflets and brochures to communicate the importance of borrowing wisely. In 2015, over 31 days, 21 Campaign partners in 13 countries engaged with 300 888 clients, potential clients and general public through social media.

**Promoting micro-entrepreneurship. The Award for best micro-entrepreneurs in Georgia – Polish Aid (MFA) (Gruzja MSZ project)** - the project aimed at strengthen micro-entrepreneurship in Georgia by promoting good practice and awarding companies that achieve success. This was done by building capacity of Georgian Microfinance Association to organize competition for the best microentrepreneur and secure media and sponsors. As a result 5 most effective micro-entrepreneurs in Georgia were selected and awarded in a special gala award ceremony which took place in Tbilisi in November 2015. Special videos profiling each winner have been created in order to inspire other people to become successful entrepreneurs. Information about competition and award was published by 17 different media. It is estimated that the information reached around 50 000 people.

**Measuring Access to Finance: Country-level Studies in Poland and Turkey (MetLife Foundation project)** - the funding was provided by MetLife Foundation to conduct two country-level studies to address the issue of measuring financial inclusion and to inform stakeholders and a wider audience about the state of financial inclusion in Poland and Turkey. In 2015, a dissemination event was organized in Warsaw, Poland as a half-day conference entitled 'Financial Democracy - Financial Inclusion in Poland', which took place on March 31, 2015. Additionally, the analysis of the level of financial health of Polish households was conducted using the data from 2015 wave of the 'Social Diagnosis' The results of the analysis were summarized in the article entitled 'Financial Health of Households' and included in the comprehensive report of the 'Social Diagnosis 2015'.

**Study on the Indebtedness Levels of Microcredit Clients in Lebanon (SANAD Lebanon project)** - the funding from SANAD Fund for MSME was made available to measure indebtedness levels of active microcredit clients at individual and household level in Lebanon. In light of the limited data availability in Lebanon, the research methodology combines a mix of different methods, including quantitative and qualitative analyses. In 2015, data on the sample of clients were collected from the Credit Registry and from participating microfinance institutions and the analysis of the indebtedness levels and borrowing patterns was conducted. Additionally, focus group discussions were organized with microfinance clients. All findings were summarized in a comprehensive report and distributed among the participating MFIs.

**Support to the Development of the National Strategy for Financial Education in Moldova (EFSE Moldova project)** - the funding from EFSE was made available to support the NBM to develop a national strategy for financial education that would equip Moldovan citizens with the knowledge and understanding of financial terms and concepts which would promote responsible financial behaviour and encourage greater trust in the financial sector. In 2015, MFC carried out the assessment of the current level of financial education in Moldova by conducting the national survey to create a baseline financial competencies. Further, after the consultations with the stakeholders, the draft strategy was prepared by MFC and presented during the strategy workshop in Chisinau, Moldova. The revised version of the National Strategy for Financial Education was submitted to the National Bank of Moldova for approval.

**IFC Azerbaijan, Moldova, Kosovo, Tajikistan:** in each country, the projects presented the same structure. First, MFC conducted sort of feasibility study for conducting financial education by financial institutions, which are the partners of IFC. The study covered desk research, in depth interviews with stakeholders and financial institutions staff, as well as with Focus Group Discussion with clients. Next, based on the recommendations, MFC developed tailored educational tools: workshops and counseling scenarios, to be used by staff in their work with clients. Finally, in selected countries (Tajikistan and Kosovo), MFC delivered trainings: training of trainers and training of counselors for the staff of partnering financial institutions.

**Hamkorbank:** in partnership with Moody's analytics, MFC tested the social performance assessment tool, developed by Moody's. The social performance of Hamkorbank was assessed, and the social rating report was produced.

**TA Turkmenistan:** MFC supported the staff of Gaugarumbank from Turkmenistan in understanding how the available products for SMEs should be adapted in order to attract more female clients. The project covered



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desk research, qualitative research with bank's clients and workshop with staff. The results and recommendations were presented to senior management.

**Summer Academy 2014, MF and SME Banking Summer Academy:** MFC delivered a half day workshop at the Summer Academy of Frankfurt School. The workshop covered the basics of Social Performance Management and targeted global audience of microfinance managers.

**Housing loan product development for: Salym Finance, Kazmicrofinance (KMF), Kompanion, Credo, Finance for Developent, Sunrise, JSC Microfinance Organization Crystal (HFHI projects):** each project aims at providing technical assistance to the MFIs, which are partners of Habitat for Humanity International. The goal of technical assistance is to support the MFIs in housing product development. Each project covers the same steps: current product evaluation (or market research in case there is no housing product), assistance in product development, staff training and end product evaluation.

**My Place, my Responsibility (Batory Foundation project)** - MFC, together with its partners Habitat for Humanity and MOW, conducts an innovative project on financial education and energy efficiency for delinquent youth. A group of young men, aged 16-19, based in youth delinquent center run by MOW, is about to graduate from the center and become almost independent. For the next 1-2 years they are to live in the temporary owned place - an apartment provided together by Habitat and MOW. Under discrete control of MOW, they will take responsibility for managing the apartment: rent and utilities payment, facility management, and providing for themselves. The project undertaken by the partners, aims at equipping them in skills necessary to effectively take responsibility for their own place. This includes the knowledge and skills necessary for effective household budget management as well as for energy efficient apartment management. The developed training material, addressing the educational preferences of young people, will be tested with the first group of youth and their tutors. Next, it will be made available to other foster care centers and youth delinquent centers. The step by step project activities cover:

- Qualitative research of educational needs and preferences
- Training curriculum development
- Tutors training
- Curriculum delivery and testing
- Evaluation meeting
- Scale up

**EU program (EU Y2 project)** – funded by the European Commission. The program has several objectives including: establishing and ensuring effective communication with EC; Increasing capacity of MFC members and non-members to serve more low-income clients, micro-entrepreneurs and social business enterprises; Increasing member institutions awareness of relevant EU policies; Assisting member institutions in reaching out to country level governments in order to raise awareness of the EU policies concerning access to finance; Preventing over-indebtedness.

The 2015 activities included: raising awareness about the European Code and other EU topics through country workshops, conference workshops linked with MFC conference, mailings and publishing information on MFC website, conducting research about job creation and SME sector over-indebtedness resulting with two policy papers, developing Access to finance Ambassador toolkit for institutions, meeting with EU representatives in Brussels and during other conferences to exchange information.

#### **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.

#### **(a) 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.

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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.

#### **5. OTHER OPERATING INCOME**

	<b>2015</b>	<b>2014</b>
Unutilized bonus provision	27 362	33 249
Other operating income	6 353	10 461
	<b>33 715</b>	<b>43 710</b>

#### **6. PROGRAM REVENUE**

	<b>2015</b>	<b>2014</b>
Governments grants	(210 842)	(301 662)
Non-governments grants	840 756	1 827 214
Trainings	535 566	79 338
Consultings	1 532 072	729 150
Annual Conference	396 224	435 635
Other	447	30 447
	<b>3 094 223</b>	<b>2 800 122</b>

#### **7. PROGRAM EXPENSES**

	<b>2015</b>	<b>2014</b>
Marketing, web page, newsletters, other publications	36 497	39 972
SP-Fund ( <i>Ford Foundation II and Ford Foundation III projects</i> )	256 344	1 142 508
Fundacja im. S.Batorego ( <i>Batory Foundation project</i> )	42 642	-
Housing Center ( <i>HC HFHI project</i> )	6 223	-
Rockdale Foundation	-	2 529
EU AMFA project	62 465	99 551
MetLife Foundation	141 890	281 032
Smart Borrowing Campaign	-	41 820
Annual Conference expenses	108 150	241 835
Training expenses	201 260	26 915
Consulting expenses	809 561	339 763
Other projects	20 747	-
	<b>1 685 779</b>	<b>2 215 925</b>

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**8. ADMINISTRATIVE EXPENSES**

	<b>2015</b>	<b>2014</b>
Staff salaries, bonuses and benefits	372 073	382 363
Travel and conferences	19 101	25 937
Office and administrative	98 608	89 827
Amortisation	1 547	2 876
Accounting and auditors services	125 532	123 856
Other	69 216	66 199
Other operating expenses	12 202	30 105
	<b>698 279</b>	<b>721 163</b>

**9. OTHER OPERATING EXPENSES**

	<b>2015</b>	<b>2014</b>
Withholding tax (WHT)	3 183	23 209
Other operating expenses	9 019	6 896
	<b>12 202</b>	<b>30 105</b>

**10. FINANCE INCOME AND FINANCE EXPENSES**

	<b>2015</b>	<b>2014</b>
Interest income	33 515	58 195
Foreign exchange rate income	1 094 919	742 014
Foreign exchange rate loss	(713 354)	(220 970)
Finance income	<b>415 080</b>	<b>579 239</b>
Interest expenses	75	9
Finance expenses	<b>75</b>	<b>9</b>
Net finance income	<b>415 005</b>	<b>579 230</b>

**11. PERSONNEL EXPENSES**

	<b>2015</b>	<b>2014</b>
Program staff expenses	1 023 388	1 045 547
Program staff expenses – government grants	(603 737)	(569 072)
Administrative staff expenses	372 073	382 363
	<b>791 724</b>	<b>858 838</b>

The amount of PLN 569.072 relating to government grants in financial statement for 2014 reduced Non-staff expenses instead of Staff expenses. The change of presentation didn't have an influence on financial result for 2014.

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**12. INCOME TAX EXPENSE**

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

	<b>2015</b>	<b>2014</b>
<b>Current tax expense</b>		
Current year	198 566	55 660
	<b>198 566</b>	<b>55 660</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(10 625)	32 122
<b>Total income tax expense in the consolidated statement of comprehensive income</b>	<b>187 941</b>	<b>87 782</b>
<b>Reconciliation of effective tax rate</b>		
	<b>2015</b>	<b>2014</b>
Pre-tax result	1 318 085	653 107
Without the Parent Entity result and eliminations made for consolidation purposes	(205 994)	(237 446)
Pre-tax result of subsidiary (MFC)	1 112 091	415 661
Income tax using the Group's domestic tax rate (19%)	211 297	78 976
Permanent differences	(23 356)	8 806
	<b>187 941</b>	<b>87 782</b>
Effective tax rate	16,90%	21,12 %

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 2014	297 587
Additions	-
Disposals	-
As at 31 December 2014	<b>297 587</b>
As at 1 January 2015	297 587
Additions	-
Disposals	-
As at 31 December 2015	<b>297 587</b>



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**Depreciation**

As at 1 January 2014	291 525
Depreciation charge	2 876
Disposals	-
As at 31 December 2014	<u><b>294 401</b></u>

As at 1 January 2015	294 401
Depreciation charge	1 547
Disposals	-
As at 31 December 2015	<u><b>295 948</b></u>

**Carrying amount**

As at 1 January 2014	6 062
As at 31 December 2014	<u><b>3 186</b></u>
As at 1 January 2015	3 186
As at 31 December 2015	<u><b>1 639</b></u>

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

**14. CASH AND CASH EQUIVALENTS**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash in hand	67 827	59 011
Cash at bank	11 151 720	10 589 003
Cash and cash equivalents	<u><b>11 219 547</b></u>	<u><b>10 648 014</b></u>
Restricted cash	-	-

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

The Group has no restricted cash as at 31 December 2015 and 31 December 2014.

**15. ACCOUNTS RECEIVABLE**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Trade receivables	1 318 641	260 825
Amounts receivable from European Commission	447 965	121 335
Tax receivables	21 005	-
Other receivables	28 691	31 437
Prepayments	155 411	8 515
	<u><b>1 971 713</b></u>	<u><b>422 112</b></u>
	<u><b>2015</b></u>	<u><b>2014</b></u>
Accounts receivable up to 3 months	778 876	223 446
Accounts receivable 3-6 months	778 401	103 843
Accounts receivable 6-12 months	385 542	66 132
Accounts receivable over 12 months	28 894	28 691
	<u><b>1 971 713</b></u>	<u><b>422 112</b></u>

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The Group has no past due amounts in respect of such receivables. The Group has no receivables due more than 3 years. The gross value of receivables is equal to its net value as there is no impaired receivables as of 31 December 2015 and 31 December 2014.

**16. DEFERRED TAX**

***Recognised deferred tax assets***

Deferred tax assets are attributable to the following items:

	<b>Assets</b>	
	<b>2015</b>	<b>2014</b>
Reserve for staff holidays compensation	1 991	1 968
Staff annual bonus reserve	6 270	5 920
Temporary foreign exchange gain	3	-
Reserve for annual audit	4 531	4 532
Reserve for trade payables	10 300	1 059
<b>Assets</b>	<b>23 095</b>	<b>13 479</b>

***Recognised deferred tax liabilities***

Deferred tax liabilities are attributable to the following items:

	<b>Liabilities</b>	
	<b>2015</b>	<b>2014</b>
Temporary foreign exchange loss	12 528	14 153
Other items	707	90
<b>Liabilities</b>	<b>13 235</b>	<b>14 243</b>
<b>Net tax liabilities (assets)</b>	<b>(9 860)</b>	<b>764</b>

**17. CONSOLIDATED STATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2015**

**Dedicated funds**

	<b>2015</b>	<b>2014</b>
<b>Financial Education in Uzbekistan II (EC) Project</b>		
Opening balance (available at 01.01.)	-	(118 022)
New funds received	-	(10 927)
Total	-	(128 949)
Program expenses	-	-
Program revenue	-	(128 949)
Total charge	-	(128 949)
<b>Financial Education in Uzbekistan II Project closing balance (available at 31.12.)</b>	<b>-</b>	<b>-</b>
<b>Total dedicated funds balance</b>	<b>-</b>	<b>-</b>

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**18. ACCOUNTS PAYABLE**

	<b>2015</b>	<b>2014</b>
Trade payables	21 421	669
Social Security	14 291	24 912
Current income tax liabilities	125 357	40 720
Tax liabilities	72 852	39 879
	<b>233 921</b>	<b>106 180</b>
	<b>2015</b>	<b>2014</b>
Accounts payable up to 3 months	233 921	106 180
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	-
Accounts payable over 12 months	-	-
	<b>233 921</b>	<b>106 180</b>

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

**19. ACCRUALS**

	<b>2015</b>	<b>2014</b>
Prepayments received for future services	27 359	194 696
Prepayments received for Ford Foundation III project	1 683 650	338 031
Prepayments received for MetLife project	-	328 583
Prepayments received for HC HFHI project	19 505	52 608
Prepayments received for Rockdale Foundation project	117 852	105 952
Prepayments received for EU AMFA project	2 337	56 079
Prepayments received for Batory project	26 299	-
Prepayments received for membership fee	-	4 262
Staff holidays compensation	95 443	73 407
Staff bonus fund	164 400	159 000
Provision for audits	77 785	77 539
Provisions for other expenses	61 801	13 948
	<b>2 276 431</b>	<b>1 404 105</b>
	<b>2015</b>	<b>2014</b>
Balance at 1 <sup>st</sup> January	<b>1 404 105</b>	<b>2 862 176</b>
Accrual for the period	1 458 931	259 554
Utilisation for the period	586 605	1 717 625
Balance at 31 <sup>st</sup> December	<b>2 276 431</b>	<b>1 404 105</b>

**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 524 thousand (in 2014 PLN 526 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 2015 and 31 December 2014 the Group has not had any transaction with related parties.

## **23. FINANCIAL RISK MANAGEMENT**

### **Primary policies for managing risk**

Management has overall responsibility for the establishment and oversight of the Company's risk management framework, including identification and analysis of the risks faced by the Company, setting appropriate limits and controls, and monitoring the risks and their adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to maintain a stable and sustainable, in terms of quality and value, portfolio of loans granted and other investments in debt instruments, achieved by the policy of setting credit limits for contract parties. 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**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial instrument. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Company's reputation.

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**

Interest rate risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the value of its financial instruments.

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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 sensitivity analysis**

Currency risk is the risk that changes in market prices, such as exchange rates will affect the Company's income or the value of its financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing return.

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 extent 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 2015 by 5% would result in decrease in net profit and equity by PLN 377 thousand. Depreciation of PLN against EURO as of 31 December 2015 by 5% would result in increase in net profit and equity by PLN 377 thousand.

Appreciation of PLN against USD as of 31 December 2015 by 5% would result in decrease in net profit and equity by PLN 118 thousand. Depreciation of PLN against USD as of 31 December 2015 by 5% would result in increase in net profit and equity by PLN 118 thousand.

	PLN	USD	EUR	GBP	TOTAL 2015	PLN	USD	EUR	GBP	TOTAL 2014
<b>ASSETS</b>										
<b>Non-current assets</b>										
Property, plant and equipment	1 639	-	-	-	1 639	3 186	-	-	-	3 186
Deferred tax assets	9 860	-	-	-	9 860	-	-	-	-	-
<b>Total non-current assets</b>	<b>11 499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 499</b>	<b>3 186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 186</b>
<b>Current Assets</b>										
Trade receivables	7 375	170 418	1 140 848	-	1 318 641	-	18 213	242 613	-	260 826
Advances paid to contractors	-	-	-	-	-	-	-	-	-	-
Other receivables	28 691	-	-	-	28 691	31 437	-	-	-	31 437
Prepayments	12 438	77 627	65 346	-	155 411	6 101	1 757	656	-	8 514
Tax receivables	21 005	-	-	-	21 005	-	-	-	-	-
Amounts receivable from EC grants	-	-	447 965	-	447 965	-	-	121 335	-	121 335
Cash and cash equivalents	1 320 770	3 929 023	5 967 955	1 799	11 219 547	2 435 083	2 743 562	5 467 167	2 202	10 648 014
<b>Total current assets</b>	<b>1 390 279</b>	<b>4 177 068</b>	<b>7 622 114</b>	<b>1 799</b>	<b>13 191 260</b>	<b>2 472 621</b>	<b>2 763 532</b>	<b>5 831 771</b>	<b>2 202</b>	<b>11 070 126</b>
<b>TOTAL ASSETS</b>	<b>1 401 778</b>	<b>4 177 068</b>	<b>7 622 114</b>	<b>1 799</b>	<b>13 202 759</b>	<b>2 475 807</b>	<b>2 763 532</b>	<b>5 831 771</b>	<b>2 202</b>	<b>11 073 312</b>
<b>Equity</b>										
<b>Own Funds</b>										
Founding capital	2 100	-	-	-	2 100	2 100	-	-	-	2 100
Retained earnings	788 786	2 350 893	7 548 829	1 799	10 690 307	2 043 878	1 894 689	5 619 394	2 202	9 560 163
<b>Total own funds</b>	<b>790 886</b>	<b>2 350 893</b>	<b>7 548 829</b>	<b>1 799</b>	<b>10 692 407</b>	<b>2 045 978</b>	<b>1 894 689</b>	<b>5 619 394</b>	<b>2 202</b>	<b>9 562 263</b>
<b>Total Funds attributable to equity holders of the Foundation</b>	<b>790 886</b>	<b>2 350 893</b>	<b>7 548 829</b>	<b>1 799</b>	<b>10 692 407</b>	<b>2 045 978</b>	<b>1 894 689</b>	<b>5 619 394</b>	<b>2 202</b>	<b>9 562 263</b>
<b>Liabilities</b>										
<b>Non current deferred grants related to dedicated funds</b>										
-	-	-	-	-	-	-	-	-	-	-
<b>Total non current deferred grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade liabilities	21 421	-	27 359	-	48 780	669	-	-	-	669
Tax liabilities	198 209	-	-	-	198 209	81 363	-	-	-	81 363
Social Security	14 291	-	-	-	14 291	24 912	-	-	-	24 912
Provisions	90 829	5 168	43 589	-	139 586	90 478	1 009	-	-	91 487
Prepayments received for grants	26 299	1 821 007	2 337	-	1 849 643	-	825 174	56 079	-	881 253
Prepayments received for membership fees	-	-	-	-	-	-	-	4 262	-	4 262
Other liabilities	259 843	-	-	-	259 843	232 407	42 660	152 036	-	427 103
<b>Total Accounts Payable and Accruals</b>	<b>610 892</b>	<b>1 826 175</b>	<b>73 285</b>	<b>-</b>	<b>2 510 352</b>	<b>429 829</b>	<b>868 843</b>	<b>212 377</b>	<b>-</b>	<b>1 511 049</b>
<b>Current deferred grants related to dedicated funds</b>										
-	-	-	-	-	-	-	-	-	-	-
<b>Total deferred income related to dedicated funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1 401 778</b>	<b>4 177 068</b>	<b>7 622 114</b>	<b>1 799</b>	<b>13 202 759</b>	<b>2 475 807</b>	<b>2 763 532</b>	<b>5 831 771</b>	<b>2 202</b>	<b>11 073 312</b>

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**f) Effective interest rates**

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

		<b>2015</b>					
	<b>Average effective interest rate</b>	<b>Total</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Cash and cash equivalents	0,16%	11 219 547	11 219 547	-	-	-	-

		<b>2014</b>					
	<b>Average effective interest rate</b>	<b>Total</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Cash and cash equivalents	0,54%	10 648 014	10 648 014	-	-	-	-

**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:

	<b>2015</b>		<b>2014</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Accounts receivable	1 971 713	1 971 713	422 112	422 112
Cash and cash equivalents	11 219 547	11 219 547	10 648 014	10 648 014
Accounts payable	233 921	233 921	106 180	106 180

**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:

	<b>2015</b>	<b>2014</b>
Less than one year	93 648	93 648
Between one and five years	89 746	183 393
More than five years	-	-
	<b>183 393</b>	<b>277 041</b>

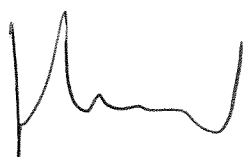


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The Group leased one apartment as its shared office at Noakowskiego 10 Street apt. 38 and the lease agreement expires 17 December 2017. The monthly charge remains at rate PLN 7 804 (ca. USD 2,000) per month.

**28. CONTINGENT LIABILITIES**

As of 31 December 2015 and 31 December 2014 there were no contingent liabilities.



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Grzegorz Galusek  
*Executive Director*



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Katarzyna Pawlak  
*Deputy Director*



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Ewa Romanowska  
*Finance & Administrative Manager*

Warsaw, 20 May 2016