



# Fundacja "Microfinance Centre" Group

**Independent Auditor's Report**

**Financial Year ended**

**31 December 2017**

**AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Annual Consolidated Financial Statements**

We have audited the accompanying annual 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 2017, 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 (the "consolidated financial statements").

### *Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements*


The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and other applicable laws. The Management Board of the Parent Entity is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the accounting act dated 29 September 1994 (Official Journal from 2018, item 395 with amendments) (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility for the audit of the consolidated financial statements*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with:

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the "Act on certified auditors"); and
- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

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Those regulations 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations mentioned above will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, deliberate omission, intentional misrepresentations or override of internal controls.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Group.

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 Group's preparation of the consolidated financial statements that give a true and fair view 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board 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.

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*Opinion*

In our opinion, the accompanying consolidated financial statements of Fundacja "Microfinance Centre" Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS EU, and in accordance with the adopted accounting policy; and
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

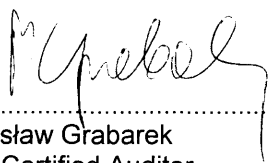
On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

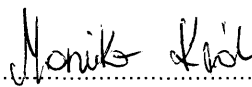
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Mirosław Grabarek  
Key Certified Auditor  
Registration No. 90079  
Limited Liability Partner  
with power of attorney



Monika Król  
Key Certified Auditor  
Registration No. 12202

11 June 2018

## **FINANCIAL STATEMENTS**

**FUNDACJA "MICROFINANCE CENTRE"**

**Consolidated Financial Statements**

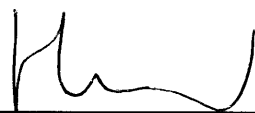
**as of and for the year ended 31 December 2017**


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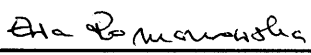


**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2017**  
**(All amounts are stated in PLN rounded to nearest zł)**

	Note	12 months ended 31 December 2017	12 months ended 31 December 2016
<b>Earned revenue</b>			
Membership fees		109 725	156 339
Program revenue	6	5 073 166	3 998 886
Other operating income	5	26 223	25 870
<b>Total revenue</b>		<b>5 209 114</b>	<b>4 181 095</b>
<b>Program expenses</b>			
Staff expenses	11	391 068	492 269
Non-staff expenses		2 924 883	1 987 213
<b>Total program expenses</b>	7	<b>3 315 951</b>	<b>2 479 482</b>
<b>Administrative expenses</b>			
Staff expenses	11	404 532	415 584
Non-staff expenses		425 886	344 007
Other operating expenses	9	62 404	7 872
<b>Total administrative expenses</b>	8	<b>892 822</b>	<b>767 463</b>
<b>Total expenses</b>		<b>4 208 773</b>	<b>3 246 945</b>
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>1 000 341</b>	<b>934 150</b>
Finance income	10	1 488	541 342
Finance costs	10	(820 571)	(25)
<b>Net finance income</b>		<b>(819 083)</b>	<b>541 317</b>
<b>Profit before income tax</b>		<b>181 258</b>	<b>1 475 467</b>
Income tax expense	12	64 899	214 534
<b>Net result after tax</b>		<b>116 359</b>	<b>1 260 933</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>116 359</b>	<b>1 260 933</b>

  
 Grzegorz Galusek  
 Executive Director

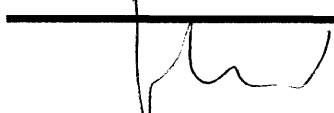
  
 Katarzyna Pawlak  
 Deputy Director

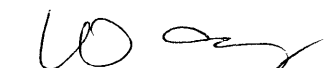
  
 Ewa Romanowska  
 Finance & Administrative Manager

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 24

**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Financial Position as at 31 December 2017**  
**(All amounts are stated in PLN rounded to nearest zł)**

		2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	-	482
Deferred tax assets	16	19 784	-
<b>Total non-current assets</b>		<b>19 784</b>	<b>482</b>
<b>Current Assets</b>			
Accounts receivable	15	1 031 564	1 741 594
Cash and cash equivalents	14	11 973 201	13 529 217
<b>Total current assets</b>		<b>13 004 765</b>	<b>15 270 811</b>
<b>TOTAL ASSETS</b>		<b>13 024 549</b>	<b>15 271 293</b>
<b>Equity</b>			
<b>Own Funds</b>			
Founding capital	20	2 100	2 100
Retained earnings		12 067 599	11 951 240
<b>Total own funds</b>		<b>12 069 699</b>	<b>11 953 340</b>
<b>Total Funds attributable to equity holders of the Fundation</b>		<b>12 069 699</b>	<b>11 953 340</b>
<b>Liabilities</b>			
Accounts payable	18	145 246	117 162
Accruals	19	809 604	3 176 320
Deferred tax liabilities	16	-	24 471
<b>Total Accounts Payable and Accruals</b>		<b>954 850</b>	<b>3 317 953</b>
<b>TOTAL LIABILITIES</b>		<b>13 024 549</b>	<b>15 271 293</b>

  
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 Grzegorz Galusek  
 Executive Director

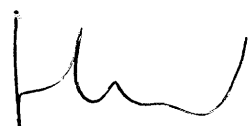
  
 \_\_\_\_\_  
 Katarzyna Pawlak  
 Deputy Director

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 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 24

**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Cash Flow for the year ended 31 December 2017**  
**(All amounts are stated in PLN rounded to nearest zł)**

	12 months ended 31 December 2017	12 months ended 31 December 2016
<b>Cash flow from operating activities</b>		
Net profit	116 359	1 260 933
Adjustments:		
Depreciation and amortisation	482	1 157
Exchange rate differences	312 934	(621 089)
Interest income	(1 488)	(22 638)
Income tax expense	144 295	266 472
	<u>572 582</u>	<u>884 835</u>
Change in receivables and deferred tax assets	690 246	239 979
Change in accounts payable and accruals	(2 363 103)	807 601
Change in deferred income related to dedicated and general funds	-	-
	<u>(1 100 275)</u>	<u>1 932 415</u>
Interest received	1 488	22 638
Income tax received / (paid)	(144 295)	(266 472)
<b>Net cash flow from operating activities</b>	<b>(1 243 082)</b>	<b>1 688 581</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>(1 243 082)</b>	<b>1 688 581</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>13 529 217</b>	<b>11 219 547</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(312 934)</b>	<b>621 089</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>11 973 201</b>	<b>13 529 217</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 24

**Fundacja "Microfinance Centre"**  
**Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2017**  
 (All amounts are stated in PLN rounded to nearest zł)

	2017	2016
<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	11 951 240	10 690 307
Net profit of the year	116 359	1 260 933
<b>Retained earnings closing balance</b>	<b>12 067 599</b>	<b>11 951 240</b>
<b>Total own funds</b>	<b>12 069 699</b>	<b>11 953 340</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 24

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2017**  
**(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 2017 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 31.12.2017 by: Mr. Cristian Jurma, Mrs. Lucija Popovska, Mrs. Izabela Norek, Mr. Armen Gabrielyan, Mr. Kalin Radev, Mrs. Sanavbar Sharipova and Mr. Alisher Akbaraliev.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2016 and the year ended 31 December 2017 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 Law of 2018, item 395 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 11 June 2018.

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

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 15 Revenue from Contracts with Customers** - Effective date for periods beginning as the date or after that date 1 January 2018

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2017**  
**(All amounts are stated in PLN rounded to nearest zloty)**

- **Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** - Effective date for periods beginning as the date or after that date 1 January 2018
- **IFRS 16 Leases** - Effective date for periods beginning as the date or after that date 1 January 2019
- **Annual improvements to IFRS 2014-2016 Cycle** - Effective date for periods beginning as the date or after that date 1 January 2018 except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017
- **Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions** - Effective date for periods beginning as the date or after that date 1 January 2018
- **Amendments to IAS 40 Transfers of Investment Property** - Effective date for periods beginning as the date or after that date 1 January 2018
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** - Effective date for periods beginning as the date or after that date 1 January 2018

Standards, interpretations and amendments not yet endorsed by the EU:

- **Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture** – The European Commission decided to defer the endorsement indefinitely
- **IFRS 17 Insurance Contracts** - Effective for annual periods beginning on or after 1 January 2021
- **IFRIC 23 Uncertainty over Income Tax Treatments** - Effective for annual periods beginning on or after 1 January 2019
- **Amendments to IFRS 9: Prepayment Features with Negative Compensation** - Effective for annual periods beginning on or after 1 January 2019
- **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures** - Effective for annual periods beginning on or after 1 January 2019
- **Annual Improvements to IFRS 2015-2017 Cycle** - Effective for annual periods beginning on or after 1 January 2019
- **Amendments to IAS 19: Employee Benefits** - Effective for annual periods beginning on or after 1 January 2019

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, except for IFRS 15 the impact of which will depend on the specific facts and circumstances relating to the agreements with the clients.

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:

- **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)** - Effective for annual periods beginning on or after 1 January 2017
- **Disclosure initiative (Amendments to IAS 7 Statement of Cash Flows)** - Effective for annual periods beginning on or after 1 January 2017

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.

**(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 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).

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2017**  
**(All amounts are stated in PLN rounded to nearest zloty)**

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.

The grants are recognised in the statement of comprehensive income when there is reasonable assurance that such grant will be received and all related conditions are complied with. Revenues from government grants are recognized as net of expenses.

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 than 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.

**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.

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 2017 were initiated several new activities and continued peer learning and sharing events as well as coaching and mentoring for the CEOs:

In March CEO Forum organized *a workshop for Human Resources Managers* in Warsaw, Poland. The HR workshop focused on the topic of succession planning in microfinance organizations. The workshop allowed the HR managers to gain new skills and tools how to organize succession planning in their organizations. Several case studies were developed for the workshop that were used for training purposes. There is a lack of information and cases on the topic of succession planning and HR in general. These cases were the first step in filling in the knowledge gap in this area.

The CEO Forum held *CEO Summit* in conjunction with the MFC's 20th anniversary conference in Sarajevo, Bosnia and Herzegovina on 26-27 May 2017. The one day-and-a-half event brought together over 30 CEOs to discuss various issues from fintech to CEO challenges to developing MFIs as developmentally oriented organizations.

In addition we organized *a peer sharing event for board members* on October 4 in Warsaw. The agenda was set around the models and the roles of the boards, and gave ample space for dialogue and debate on how to make the boards more effective and accountable.

In September 2017, was launched the *CEO Forum Webinar* with Matthew Gamser (SME Finance Forum) discussing the trends in SME lending market and opportunities for microfinance institutions in this area.

Each month MFC shared with CEOs an interview with an interesting and experienced CEO (CEO Talk) and recommend a book to read that focuses on leadership and management issues that are relevant for the CEOs (CEO Library). The aim of these two programs was to bring some new ideas from outside of microfinance space and broaden CEOs leadership experience.

**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.

15 MCPs from 9 countries have been received technical assistance in 2017.

***Supporting 2017 research and analysis, capacity-building/technical assistance, convenings and other activities to advance financial inclusion and financial health for low-income people in Europe and Central Asia (Rockefeller Foundation project) - support of MFC annual work plan of 2017***

***Alternative Finance Forum: Fin-tech, Social finance & more (AFF)*** - the Alternative Finance Forum took place on the 5th of October in Warsaw, Poland.

The purpose of the Forum was to discuss:

- current trends in the development of alternative finance institutions in Europe;
- opportunities and risks associated with continued growth of the alternative finance sector;
- public policy perspectives in relation to alternative finance (job creation and inclusion);
- advantages and disadvantages of various country-level approaches to regulation of alternative finance sector;
- regulatory needs, constraints and trade-offs in various EU countries.

The Forum featured 22 speakers and over 200 registered participants.

***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 2017, 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 22 new local trainers to deliver the MFC Plan Your Future module, 18 local trainers went on to become certified that year in MFC Debt Management module. MFC also conducted post training-delivery feedback workshop 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 and Debt Management approach to building financial capacity within Belarus.

***Housing loan product development for: Salym Finance (Kirgizstan), Sunrise (Bosnia and Herzegovina), JSC Microfinance Organization Crystal (Georgia), SC Vitas IFNB (Romania), Lebanese Association for Development-AIMajmoua, Lebanon, Microfund for Women (Jordan) (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.

***Financial Inclusion for Inclusive Growth in Europe (EU project)*** – the program has several objectives including: establishing and ensuring effective communication with the European Commission; 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;

The 2017 activities included: intensifying communication with the EU representatives in Brussels, strengthening cooperation with European Microfinance Network, organizing various country events and workshops including 3<sup>rd</sup> Microfinance European Days. The MFC continued research about start-ups environment in Albania, Montenegro, Serbia, Macedonia resulting with case studies and recommendations being published. The project was funded by the European Commission.

***Preparation of case studies in Bosnia and Lebanon (HFHI project)*** – MFC developed case studies of two institutions : Sunrise from Bosnia and Herzegovina and Microfund For Women from Jordan. The case study covered the experience of these microfinance institutions with housing microfinance: the history, the impact on institution and on clients. The case study was shared by Habitat for Humanity International with broad international sector.

***Borrow Wisely Campaign 2017*** - In October 2017, for the fourth time, we were kicking off our annual Borrow Wisely Campaign! This year, 26 leading financial institutions, across 17 countries in Europe and Central Asia worked to improve clients' financial literacy knowledge and skills. As with previous years, we focused on delivering key messages around how to borrow safely, how to harness the potential power of loans and how to avoid the pitfalls of too much debt. We used posters, leaflets, seminars, brochures and videos to do so – and also leverage our outreach through SMS, social media, websites, and local media.

This year, for the first time, selected partners conducted also innovative new “financial health checks”. By taking the test, clients were be able to see how effectively they manage income and expenses, how resilient

they are to financial shocks, and how well they plan financial future with a long-term perspective. As a result we engaged with over 250 00 clients and potential clients

**SP Fund 3** (*Ford Foundation III project*) – this 30 months project has 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 promotes the systematic integration of SPM in order to ensure responsible and inclusive microfinance. As a result of our work 12 national associations published social performance country reports, 33 microfinance institutions conducted SPI4 audit, we provided off-site support to 78 organizations. Furthermore we conducted 5 webinars, provided 14 scholarships.

**The competition for the best microentrepreneur 2016** (*Citi project*) - The competition, funded by Citi Foundation, is dedicated to promote innovative and traditional micro-enterprises and encourage people to set up new businesses in Poland. It provides a network to discuss future business opportunities, promote entrepreneurship locally and discuss challenges and barriers to entrepreneurship. The Competition, announced in February 2017 was open to all registered micro- enterprises in Poland employing no more than 10 people and not exceeding yearly sales of Euro 2 million. Micro-enterprises could enter the Competition by nominating themselves or could be nominated by a public institution supporting entrepreneurship. In May 2017 special jury consisting representatives of organizations working with businesses and promoting entrepreneurship selected the winners. In addition the awards were given in 5 categories: Start, Progress, Senior, Female Entrepreneur and Young Business. On June 13th during special ceremony in Warsaw which gathered people from business, academy, public sector, winners were announced. The winner of the main award was Nakatomi, the advertisement agency.

Additionally, prizes were given in the following categories:

- Category START - Many Mornings
- Category PROGRESS - AQUA-TECH Smile Tuz
- Category SENIOR - ATLANTA small polygraphy
- Category YOUNG BUSINESS - Agrotur Marta Kołodziej
- Category WOMEN'S ENTERPRISE - Bartnik's Manor

Furthermore, special awards were given to: Brewa, Gymstation Breguła Laber, Smart Pharma, ULANKA Katarzyna Ulańska, Torqway.

The award for the organization supporting micro-enterprises was given to the Gornoslaski Fund.

**Taking Financial Health Tools to the Customer in Eastern Europe and Central Asia** (*ACCION/MetLife project*) - the project seeks to develop and test practical applications to assist consumers to better understand their financial health status and offer behaviorally-informed nudges, reminders and suggestions on how to improve it. Additionally, the project will work to optimize and embed these applications into the practises of financial institutions and NGOs carrying out financial education work to increase their programs' cost-effectiveness and create knowledge about the financial health of their clientele that can be used to tailor and refine products to address the needs of specific client groups. The project activities involves MFC members and partners in Poland, Romania, Armenia and Serbia, as well as involves MFIs from other European and Central Asia countries.

**Strategic Advice for Setting-up a Financial Literacy Center in Kosovo** (*EFSE Kosovo project*) - MFC supported Central Bank in Kosovo to develop a business plan for Financial Education Centre. The project was financed by EFSE.

**The 8<sup>th</sup> European Microfinance Award "Microfinance for Housing"** (*e-MFP project*) - MFC supported the European Microfinance Platform in launching the 8<sup>th</sup> European Microfinance Award – the 2017 topic covered housing microfinance. MFC role was to develop the award criteria and processes, support the Selection Committee in selecting the applications by initial review and recommendations, as well as to pitch the 3 nominated MFI's cases to High Jury.

**SME Banking Summer Academy by Frankfurt School of Finance:** 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.

**Migrant Acceleration for Growth Network for Entrepreneurship (Magnet project)** - There is a growing body of evidence that (aspiring) migrant entrepreneurs require a different set of core competences to successfully set up and run their businesses in a changing society in dynamic economic and labour market circumstances. To address this challenge MFC, along with 7 European partners, kicks off a new project aimed at linking and training organisations supporting migrant entrepreneurship. The so-called MAGNET project (Migrant Acceleration for Growth Network for Entrepreneurship Training) focuses on networking and bringing together various stakeholders capable of providing holistic support for migrant entrepreneurs in Europe: this includes humanitarian aid organisations, migrants' training providers, financial institutions and policymakers.

The 3-year project covers the following activities:

- Facilitating broad and holistic networking activities in the migrant entrepreneurship support field, both on regional and transnational levels;
- Developing and pilot-testing peer-learning programme for people, organisations and other parties active in the field of migrant entrepreneurship support;
- Developing an Open Toolkit for Migrant Entrepreneurship Support on the basis of good-practice analysis.

The role of MFC in the project is to introduce the perspective for access to finance for migrants, such as facilitating the interest and involvement of financial institutions that wish to learn more or offer services to this niche-yet-growing segment of the market.

**Partnership for Financial Education in Poland (Mazovia and PREF projects)** - Recognizing its importance as one of the crucial skills in 21<sup>st</sup> century, the Partnership aims at contributing to increasing the access and quality of financial education delivery to all inhabitants of Poland. The financial education should be available to everyone no matter their age and should be aligned with their educational needs. The Partnership identifies the knowledge sharing, cooperation and coordination of stakeholders as driving factors to achieve its vision.

This informal network, initiated by MFC, is not a first initiative to try to bring together in dialogue the diverse range of actors involved in financial education across Poland, but is definitely the most successful so far. We managed to gain interest and engagement of different stakeholders, working together and producing tangible outcomes such as the standards of work of financial education trainers and educators, standards of financial education programmes, the map of trainers and educational tools available publicly.

The partnership is well position to eventually unite the sector of financial education in Poland in order to achieve greater scale of better quality intervention for various target groups.

During 2017, successful enlargement of the network (membership increased by 50%) and gained interest from public institutions, including Ministry of Finance, Civil Rights Spokesman, Financial Rights Spokesman. Within the partnership, various members hosted a series of meetings, devoted to sharing experience and developing solutions to identified needs of the sector. The partners organized to events: capacity building event for trainers and educators and a working seminar for all the sector stakeholders, well attended and attracting key decision makers.

#### **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.

Current tax is the tax payable on the taxable income for the year, using tax rate applicable for the reporting period.

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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>2017</b>	<b>2016</b>
Unutilized bonus provision	24 530	24 465
Other operating income	1 693	1 405
	<b>26 223</b>	<b>25 870</b>

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

	<b>2017</b>	<b>2016</b>
Non-governments grants	2 396 838	1 411 414
Trainings	996 920	1 161 793
Consultings	1 212 983	959 646
Annual Conference	465 045	466 033
Other	1 380	-
	<b>5 073 166</b>	<b>3 998 886</b>

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

	<b>2017</b>	<b>2016</b>
Marketing, web page, newsletters, other publications	39 728	38 705
SP-Fund ( <i>Ford Foundation III project</i> )	1 167 292	701 936
Fundacja im. S.Batorego ( <i>Batory Foundation project</i> )	-	52 393
ACCION International project	20 376	-
EU AMFA project	-	56 605
MetLife Foundation	-	63 056
Microentrepreneur of the year ( <i>Citi Foundation project</i> )	327 501	4 082
Governments grants	218 949	198 714
Annual Conference expenses	107 149	140 376
Training expenses	592 816	596 266
Consulting expenses	795 255	626 241
Other projects	46 885	1 108
	<b>3 315 951</b>	<b>2 479 482</b>

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**8. ADMINISTRATIVE EXPENSES**

	<b>2017</b>	<b>2016</b>
Staff salaries, bonuses and benefits	404 532	415 584
Travel and conferences	53 625	14 376
Office and administrative	112 528	122 000
Amortisation	482	1 157
Accounting and auditors services	188 046	162 136
Other	71 205	44 338
Other operating expenses	62 404	7 872
	<b>892 822</b>	<b>767 463</b>

**9. OTHER OPERATING EXPENSES**

	<b>2017</b>	<b>2016</b>
Withholding tax (WHT)	51 449	-
Other operating expenses	10 955	7 872
	<b>62 404</b>	<b>7 872</b>

**10. FINANCE INCOME AND FINANCE EXPENSES**

	<b>2017</b>	<b>2016</b>
Interest income	1 488	22 638
Foreign exchange rate income	340 591	1 297 132
Foreign exchange rate loss	(1 157 468)	(778 428)
Finance income	<b>(815 389)</b>	<b>541 342</b>
Interest expenses	3 694	25
Finance expenses	<b>3 694</b>	<b>25</b>
Net finance expenses/income	<b>(819 083)</b>	<b>541 317</b>

**11. PERSONNEL EXPENSES**

	<b>2017</b>	<b>2016</b>
Program staff expenses	1 101 903	1 118 550
Program staff expenses – government grants	(710 835)	(626 281)
Administrative staff expenses	404 532	415 584
	<b>795 600</b>	<b>907 853</b>

**12. INCOME TAX EXPENSE**

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

	<b>2017</b>	<b>2016</b>
<b>Current tax expense</b>		
Current year	109 154	180 203
	<b>109 154</b>	<b>180 203</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(44 255)	34 331
<b>Total income tax expense in the consolidated statement of comprehensive income</b>	<b>64 899</b>	<b>214 534</b>

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**Reconciliation of effective tax rate**

	<b>2017</b>	<b>2016</b>
Pre-tax result	181 258	1 475 467
Without the Parent Entity result and eliminations made for consolidation purposes	116 178	(303 418)
Pre-tax result of subsidiary (MFC)	297 436	1 172 049
Income tax using the Group's domestic tax rate (15% in 2017; 19% in 2016)	44 615	222 689
Permanent differences	20 284	(8 155)
	<b>64 899</b>	<b>214 534</b>
Effective tax rate	21,82%	18,30%

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 2016	297 587
Additions	-
Disposals	-
As at 31 December 2016	<b>297 587</b>
As at 1 January 2017	297 587
Additions	-
Disposals	-
As at 31 December 2017	<b>297 587</b>

**Depreciation**

As at 1 January 2016	295 948
Depreciation charge	1 157
Disposals	-
As at 31 December 2016	<b>297 105</b>
As at 1 January 2017	297 105
Depreciation charge	482
Disposals	-
As at 31 December 2017	<b>297 587</b>



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**Carrying amount**

As at 1 January 2016	1 639
As at 31 December 2016	<u>482</u>
As at 1 January 2017	482
As at 31 December 2017	<u>0</u>

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

**14. CASH AND CASH EQUIVALENTS**

	<u>2017</u>	<u>2016</u>
Cash in hand	19 100	30 106
Cash at bank	<u>11 954 101</u>	<u>13 499 111</u>
Cash and cash equivalents	<u>11 973 201</u>	<u>13 529 217</u>
Restricted cash	<u>-</u>	<u>-</u>

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

**15. ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
Trade receivables	544 966	1 135 991
Amounts receivable from European Commission	394 197	391 174
Tax receivables	9 307	9 512
Other receivables	28 691	28 691
Prepayments	<u>54 403</u>	<u>176 226</u>
	<u>1 031 564</u>	<u>1 741 594</u>

The Group has no past due amounts in respect of such receivables. The Group has no receivables due more than 3 years. As of 31 March 2018, 95% of "Trade receivables" were paid by the recipients of services.

The gross value of receivables is equal to its net value as there is no impaired receivables as of 31 December 2017 and 31 December 2016.

**16. DEFERRED TAX**

***Recognised deferred tax assets***

Deferred tax assets are attributable to the following items:

	<u>2017</u>	<u>2016</u>
Reserve for staff holidays compensation	373	636
Staff annual bonus reserve	1 912	6 528
Temporary foreign exchange gain	13 512	83
Reserve for annual audit	3 578	4 532
Reserve for trade payables	<u>810</u>	<u>1 026</u>
Assets	<u>20 185</u>	<u>12 805</u>

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**Recognised deferred tax liabilities**

Deferred tax liabilities are attributable to the following items:

	<b>Liabilities</b>	
	<b>2017</b>	<b>2016</b>
Temporary foreign exchange loss	-	36 541
Other items	401	735
Liabilities	<b>401</b>	<b>37 276</b>
<b>Net tax liabilities (assets)</b>	<b>(19 784)</b>	<b>24 471</b>

**17. CONSOLIDATED STATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2017**

As of 31 December 2017 and 31 December 2016 there were no dedicated funds.

**18. ACCOUNTS PAYABLE**

	<b>2017</b>	<b>2016</b>
Trade payables	94 176	39 795
Social Security	24 112	20 760
Current income tax liabilities	3 947	39 088
Tax liabilities	23 011	17 519
	<b>145 246</b>	<b>117 162</b>
	<b>2017</b>	<b>2016</b>
Accounts payable up to 3 months	127 353	90 195
Accounts payable 3-6 months	-	26 967
Accounts payable 6-12 months	17 893	-
Accounts payable over 12 months	-	-
	<b>145 246</b>	<b>117 162</b>

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

**19. ACCRUAL**

	<b>2017</b>	<b>2016</b>
Prepayments received for future services	15 445	174 503
Prepayments received for Ford Foundation III project	238 006	2 041 304
Prepayments received for HC HFHI project	17 406	20 896
Prepayments received for Rockdale Foundation project	105 170	126 257
Prepayments received for Citi Foundation project	-	443 777
Prepayments received for Magnet project	75 660	-
Prepayments received for membership fee	-	6 636
Staff holidays compensation	102 973	99 739
Staff bonus fund	164 030	173 380
Provision for audits	77 785	77 786
Provisions for other expenses	13 129	12 042
	<b>809 604</b>	<b>3 176 320</b>

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	<b>2017</b>	<b>2016</b>
Balance at 1 <sup>st</sup> January	<b>3 176 320</b>	<b>2 276 431</b>
Accrual for the period	79 980	978 284
Utilisation for the period	2 446 696	78 395
Balance at 31 <sup>st</sup> December	<b>809 604</b>	<b>3 176 320</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 588 thousand (in 2016 PLN 564 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 2017 and 31 December 2016 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.

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**

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 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 2017 by 5% would result in decrease in net profit and equity by PLN 410 thousand. Depreciation of PLN against EURO as of 31 December 2017 by 5% would result in increase in net profit and equity by PLN 410 thousand.

Appreciation of PLN against USD as of 31 December 2017 by 5% would result in decrease in net profit and equity by PLN 105 thousand. Depreciation of PLN against USD as of 31 December 2017 by 5% would result in increase in net profit and equity by PLN 105 thousand.

	2017			2016		
	USD	EUR	GBP	USD	EUR	GBP
<b>Current Assets</b>						
Trade receivables	223 233	321 733	-	54 801	1 079 840	-
Other receivables	-	-	-	-	-	-
Prepayments	41 321	927	-	138 387	22 006	-
Tax receivables	-	-	-	-	-	-
Amounts receivable from EC grants	-	394 197	-	-	391 174	-
Cash and cash equivalents	2 284 331	7 577 723	3 798	4 067 044	6 966 663	1 600
<b>Total current assets</b>	<b>2 548 885</b>	<b>8 294 580</b>	<b>3 798</b>	<b>4 260 232</b>	<b>8 459 683</b>	<b>1 600</b>
<b>Liabilities</b>						
Trade liabilities	(86 170)	-	-	(26 967)	-	-
Tax liabilities	-	-	-	-	-	-
Social Security	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Prepayments received for grants	(360 582)	(75 660)	-	(2 632 235)	-	-
Prepayments received for membership fees	-	-	-	-	(6 636)	-
Other liabilities	-	(15 445)	-	(54 801)	(118 922)	-
<b>Total Accounts Payable and Accruals</b>	<b>(446 752)</b>	<b>(91 105)</b>	<b>-</b>	<b>(2 714 003)</b>	<b>(125 558)</b>	<b>-</b>
<b>NET STATEMENT OF FINANCIAL POSITION EXPOSURE</b>	<b>2 102 133</b>	<b>8 203 475</b>	<b>3 798</b>	<b>1 546 229</b>	<b>8 334 125</b>	<b>1 600</b>

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2017**  
**(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 rates at the reporting date and the periods in which they mature.

		<b>2017</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	0,13%	11 973 201	11 973 201	-	-	-	-

		<b>2016</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	0,21%	13 529 217	13 529 217	-	-	-	-

**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>2017</b>		<b>2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Accounts receivable	1 031 564	1 031 564	1 741 594	1 741 594
Cash and cash equivalents	11 973 201	11 973 201	13 529 217	13 529 217
Accounts payable	145 246	145 246	117 162	117 162

**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>2017</b>	<b>2016</b>
Less than one year	93 648	89 746
Between one and five years	183 393	-
More than five years	-	-
	<b>277 041</b>	<b>89 746</b>

**Fundacja „Microfinance Centre”**  
**Notes to the Consolidated Financial Statements as at 31 December 2017**  
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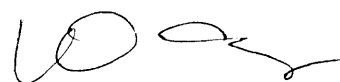
The Group leased one apartment as its shared office at Noakowskiego 10 Street apt. 38 and the lease agreement expires 18 December 2020. The monthly charge remains at rate PLN 7 804 (ca. USD 2,242) per month.

**28. CONTINGENT LIABILITIES**

As of 31 December 2017 and 31 December 2016 there were no contingent liabilities.



Grzegorz Galusek  
*Executive Director*



Katarzyna Pawlak  
*Deputy Director*



Ewa Romanowska  
*Finance & Administrative Manager*

Warsaw, 11 June 2018