Independent Auditor's Report

To the Supervisory Board of Fundacja "Microfinance Centre"

Opinion

We have audited the accompanying special purpose financial information of Fundacja "Microfinance Centre" Group (the "Group"), whose parent entity is Fundacja "Microfinance Centre" (the "Parent Entity") which comprise:

— the consolidated statement of financial position as at 31 December 2018,

and, for the period from 1 January 2018 to 31 December 2018:

— the consolidated statement of comprehensive income;
— the consolidated statement of changes in fund balances;
— the consolidated statement of cash flows;

and

— notes to the special purpose financial information, including a summary of significant accounting policies ("basis of accounting")

(the "special purpose financial information").

In our opinion, the accompanying special purpose financial information of the Group as of 31 December 2018 and for financial year then ended has been prepared, in all material respects, in accordance with the basis of accounting described in the notes to the special purpose financial information.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

ul. Inflancka 4A, 00-189 Warszawa, tel. +48 (22) 528 11 11, fax +48 (22) 528 10 09, Email kpmg@kpmg.pl, Internet www.kpmg.pl

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the "NSA").

Our responsibilities under those standards are further described in the Auditor's Responsibility for the audit of the special purpose financial information section of our report.

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

Independence and Ethics

We are independent of the Entity in accordance with the Code of Ethics for Professional Accountants ("IFAC Code") issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code.

Emphasis of matter – Basis of Accounting and Restriction on Use and Distribution

We draw attention to Notes 2 and 3 to the special purpose financial information which describes the basis for accounting.

This special purpose financial information has been prepared for purposes of its presentation to Entity's Supervisory Board. As a result, the special purpose financial information may not be suitable for another purpose. This report is intended solely for the Entity's Supervisory Board and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.

Responsibility of the Management Board of the Entity and those charged with governance for the special purpose financial information

The Management Board of the Entity is responsible for the preparation of special purpse financial information in accordance with the basis of accounting and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of special purpose financial information that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial information, the Management Board of the Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the audit of the special purpose financial information

Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial information.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the special purpose financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;
- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the special purpose financial information to the related disclosures in the special purpose financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the special purpose financial information. However, future events or conditions may cause the Entity to cease to continue as a going concern.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Mirosław Grabarek

Key Certified Auditor
Registration No. 90079
Limited Partner, Proxy

Monika Król

Key Certified Auditor
Registration No. 12202

Warsaw, 24 May 2019

FUNDACJA "MICROFINANCE CENTRE"

Consolidated Financial Statements

as of and for the year ended 31 December 2018

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Fundacja "Microfinance Centre"
Consolidated Statement of Comprehensive Income for the year ended 31 December 2018
(All amounts are stated in PLN rounded to nearest zł)

	Note	12 months ended 31 December 2018	12 months ended 31 December 2017
Earned revenue			
Membership fees		146 389	109 725
Program revenue	6	2 314 626	5 073 166
Other operating income	5	40 014	26 223
Total revenue		**2 501 029**	**5 209 114**
Program expenses			
Staff expenses	11	290 147	391 068
Non-staff expenses		1 012 588	2 924 883
Total program expenses	7	**1 302 735**	**3 315 951**
Administrative expenses			
Staff expenses	11	342 451	404 532
Non-staff expenses		336 453	425 886
Other operating expenses	9	10 581	62 404
Total administrative expenses	8	**689 485**	**892 822**
Total expenses		**1 992 220**	**4 208 773**
RESULT FROM OPERATING ACTIVITIES		**508 809**	**1 000 341**
Finance income	10	534 427	1 488
Finance costs	10	(5 977)	(820 571)
Net finance income		**528 450**	**(819 083)**
Profit before income tax		**1 037 259**	**181 258**
Income tax expense	12	(97 511)	(64 899)
Net result after tax		**939 748**	**116 359**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**939 748**	**116 359**

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 2018
(All amounts are stated in PLN rounded to nearest zł)

		2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	-	-
Deferred tax assets	16	-	19 784
Total non-current assets		**-**	**19 784**
Current Assets			
Accounts receivable	15	511 736	1 031 564
Cash and cash equivalents	14	13 684 854	11 973 201
Total current assets		**14 196 590**	**13 004 765**
TOTAL ASSETS		**14 196 590**	**13 024 549**
Equity			
Own Funds			
Founding capital	20	2 100	2 100
Retained earnings		13 007 347	12 067 599
Total own funds		**13 009 447**	**12 069 699**
Total Funds attributable to equity holders of the Fundation		**13 009 447**	**12 069 699**
Liabilities			
Accounts payable	18	121 316	145 246
Accruals	19	1 060 456	809 604
Deferred tax liabilities	16	5 371	-
Total Accounts Payable and Accruals		**1 187 143**	**954 850**
TOTAL LIABILITIES		**14 196 590**	**13 024 549**

Grzegorz Galusek
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 2018
(All amounts are stated in PLN rounded to nearest zł)

	12 months ended 31 December 2018	12 months ended 31 December 2017
Cash flow from operating activities		
Net profit	939 748	116 359
Adjustments:		
Depreciation and amortisation	-	482
Exchange rate differences	(178 683)	312 934
Interest income	(57 726)	(1 488)
Income tax expense	10 569	144 295
	713 908	572 582
Change in receivables and deferred tax assets	539 612	690 246
Change in accounts payable and accruals	232 293	(2 363 103)
	1 485 813	(1 100 275)
Interest received	57 726	1 488
Income tax received / (paid)	(10 569)	(144 295)
Net cash flow from operating activities	**1 532 970**	**(1 243 082)**
Cash flow from investing activities		
Purchase of fixed assets	-	-
Net cash flow from investing activities	**-**	**-**
Net cash flow from financing activities	**-**	**-**
Net inflow (outflow) of cash	**1 532 970**	**(1 243 082)**
Cash and cash equivalents at the beginning of the financial year	**11 973 201**	**13 529 217**
Effect of exchange rate fluctuations on cash held	**178 683**	**(312 934)**
Cash and cash equivalents at the end of the financial year	**13 684 854**	**11 973 201**
- 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 conjuction 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 2018
(All amounts are stated in PLN rounded to nearest zł)

	2018	2017
OWN FUNDS		
Founding capital opening balance	2 100	2 100
- increases in funding capital	-	-
- decreases in funding capital	-	-
Founding capital closing balance	**2 100**	**2 100**
Retained earnings opening balance	12 067 599	11 951 240
Net profit of the year	939 748	116 359
Retained earnings closing balance	**13 007 347**	**12 067 599**
Total own funds	**13 009 447**	**12 069 699**

Grzegorz Galusek
Executive Director

Katarzyna Pawlak
Deputy Director

Ewa Romanowska
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

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 2018 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 31.12.2018 by: Mr. Cristian Jurma, Mrs. Lucija Popovska, Mrs. Izabela Norek, Mrs. Sanavbar Sharipova, Mr. Alisher Akbaraliev Mr. Paul Kalinauckas and Mr. Samir Bajrovic.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2017 amounted to 11 while during the year ended 31 December 2018 amounted to 10.

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 2019, item 351 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 24 May 2019.

(b) Standards, Interpretations and amendments to published Standards

Standards and interpretations not yet endorsed by the EU:

- **IFRS 16 Leases** – effective for annual periods beginning on or after 1 January 2019;
- **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
- **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
- **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
- **Amendments to IFRS 3 Business Combinations** – effective for annual periods beginning on or after 1 January 2019
- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – effective for annual periods beginning on or after 1 January 2020

The Group has elected not to adopt these amendments in advance of their effective dates.

It is expected that the new Standard IFRS 16 Leases, when initially applied, will have a significant impact on the financial statements, since it will require the Group to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Group acts as a lessee.

The Group will recognise new assets and liabilities for its operating lease of office. The nature and expenses related to those lease will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on the lease liabilities. Previously, the Group recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognised. In addition the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include payments due under the lease in lease liability. The amount of additional lease liability is currently analysed by the Group.
The Group plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has not yet completed the calculation of the adjustment.

The Group anticipates that the adoption of the other 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:

- **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
- **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
- **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

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

Changes in accounting policies resulting from the application of new standards

In these consolidated financial statements, for the first time the "Microfinance" Group applied IFRS 9 "Financial Instruments" ("IFRS 9") and IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). The impact of applying new standards is described below.

IFRS 9

IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 introduces changes to the classification of financial instruments (change in the category of financial assets and new classification criteria), introduces the concept of impairment based on expected losses instead of losses incurred as per the current standard and changes guidance on hedge accounting. IFRS 9 is effective for annual periods beginning on January 1, 2018 and later, with the possibility of earlier application.

The "Microfinance" Group assessed that the requirements of the standard regarding the classification and measurement of financial assets and liabilities had no material impact on the classification of financial instruments. Financial assets previously measured at fair value continue to be measured at fair value. Trade receivables held to obtain cash flows arising from the contract are still measured at amortized cost.

IFRS 9 introduces a new approach to estimating the impairment of financial assets. The impairment model is based on expected losses as opposed to the model applied so far resulting from IAS 39, based on the concept of losses incurred.
In the case of trade receivables, the Group applies a simplified approach and measures the write-off for expected credit losses in the amount equal to the expected credit losses throughout the life of the financial instrument.

The Group estimates the expected credit losses on an individual basis, taking into account the estimates resulting from aging analysis. The basis for creating write-offs is individual analysis.

Due to the characteristics of trade receivables and other financial assets, as well as the main source of revenue based on the awarded grants, a change in the approach to the assessment of impairment did not significantly affect the valuation of these financial instruments.

IFRS 15

The new Standard **IFRS 15 Revenue from Contracts with Customers** provides a framework that replaces existing revenue recognition guidance in IFRS. Group had to adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) a Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

The new Standard **IFRS 15 Revenue from Contracts with Customers** introduces uniform requirements for entities from various industries in the scope of recognizing revenues from contracts with clients based on the so-called five steps model. The standard requires that entities evaluate contracts with customers and identify in them elements that constitute separate obligations to perform the service within the meaning of the definition in IFRS 15. In the case of contracts containing more than one such obligation, each of them will be assigned the expected remuneration and the income will be recognized at the time (or during) its fulfillment. The standard contains new guidelines on the basis of which it is determined whether the obligations in the contract are met

in time or at a specific moment. The revenue recognition method reflects how the customer is given control over the goods and services provided by the entity.
According to the above standard, revenues are recognized in the amount of remuneration that the entity is entitled in exchange for transferring the promised goods or services to the client.

The standard applies to annual reporting periods beginning on January 1, 2018 and later with the possibility of earlier application. IFRS 15 introduces new requirements regarding the presentation and disclosure. The fundamental principle of the new standard is the recognition of revenues at the time of the transfer of goods and services to the client in the amount of the transaction price. Goods or services that can be identified as part of a package of goods and services should be recognized separately. In addition, any discounts and rebates on the transaction price are, in principle, allocated to the individual elements of the package.

Group has analysed that the new Standard, when initially applied, had no material impact on the Entity's financial statements. The timing and measurement of the Group's revenues have not changed under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns. The Group does not sell goods, there are no returns, guarantees or loyalty points. The main stream of sales revenues falling under IFRS 15 is trainings and consulting services and income from organising an annual conference.

(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. The accounting principles adopted in the preparation of these consolidated financial statements were consistent with the principles adopted for the preparation of the consolidated financial statements for 2017, except for accounting principles resulting from the application of new IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers, as described in Note 2 (b).

(i) <u>Subsidiaries</u>

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

(c) Financial instruments

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

(d) Property, plant and equipment

(i) Owned assets

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

(ii) Depreciation

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

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

(e) Contributed materials and services

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

(f) Impairment

Financial assets

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

Non-financial assets

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

(g) Short-term benefits

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

(h) Provisions

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

(i) Accruals

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

(j) Finance income and expenses

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.
Finance expenses comprise interest expense on borrowings, foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest rate method.

(k) Revenue recognition

The main sources of MFC income include the fees from the annual conference for Microfinance Institutions, training courses and consulting as well as grants for various research and policy projects financed by donors.
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 services rendered is recognised in the statement of comprehensive income at a point of time, when the control of the service is transferred to the customer (e.g. when the agreed upon services have been provided).
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.

(l) 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 CEO Forum)* – the project aims at supporting the growth and sustainability of the microfinance industry 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. In addition, CEO Forum offers online webinars that focus on important microfinance industry developments and trends, and two monthly blogs that showcase leadership development and new ways of managing organizations.
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.

The overriding goal is to enable MFIs to transfer skills and strategies among themselves and to assist each other in finding solutions to common issues.

In 2018 were continued peer learning and sharing events:
On March 22-23 CEO Forum organized *a workshop for Chief Credit Officers* in Warsaw, Poland. The workshop was devoted to the alternative credit scoring and big data analytics for microfinance. In addition to the peers sharing information, the two-day event featured four case studies of leading alternative credit scoring applications, and technical presentations on the methodology of developing alternative credit scoring approaches.
The peer learning technical *workshop for Human Resources Managers* was organized in Warsaw, Poland on July 25-26. The workshop gave the HR managers of MFIs an opportunity to discuss their challenges and share their experiences to manage employee relations and processes in MFIs. The two-day workshop explored the application of structured peer learning as an innovative and effective way of professional development of managers and employees.
The CEO Forum held *CEO Summit* in conjunction with the MFC's annual conference in Bilbao, Spain on 5-6 October 2018. The theme of the Summit was technology. Participants had a chance to hear how other microfinance institutions use technology as an opportunity to grow and diversify their business, experience the live case study by one of the leading organizations in Europe that is adopting novel solutions, and discuss with the experts in the field who advise MFI how to become fintech strategic and savvy. The CEO Summit was financed by EFSE *(EFSE CEO Forum).*
In addition we organized *CEO Forum Webinars* on topics that are of current and emerging importance to the CEOs of MFIs. The topics of the webinars focus on trends and new developments in the microfinance and social finance sector. In 2018, the CEO Forum organized four webinars:

- *Crowdfunding and Microfinance* – February 26, organized in collaboration with the European Crowdfunding Network (ECN), and presented by Oliver Gajda, ECN's CEO
- *Uniting Tech and Touch: How Centaur Products Are Better for Consumers and Providers – evidence from Kenya* – March 6, organized in collaboration with the Center for Financial Inclusion (CFI), presented by Alexis Beggs Olsen CFI's Fellow
- *Transforming Microfinance Operations for a Digital World* – June 13, presented by Nicole Van Der Tuin, CEO of First Access
- *How to formulate and implement a digital strategy for your MFI's digital journey* – June 26, presented by Kaiser H. Naseem, International Finance Corporation (IFC)

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.
Four MCPs (Good.be, TISE, FED Invest and Purple Shoots) received technical assistance within EaSI TA program in the 1st quarter 2018. In addition, in December 2018 one MCP (OMRO) received Code technical assistance within EaSI TA program, one day workshop for Albanian MFIs was organized, and a webinar was organized.

Housing loan product development for: Salym Finance (Kyrgyzstan), Microfund for Women (Jordan), KEP (Kosovo) and in Transcapital (Mongolia) *(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.

Mapping Housing Microfinance Investment at the Country Level (Europe, the Middle East and Africa Region):
The main objective is to understand key housing microfinance (HMF) trends and contributing factors in four countries (Bosnia and Herzegovina, Georgia, Kazakhstan and Lebanon).
The areas of examination shall included:
1. What are general trends in the four countries of the evaluation year-over-year (YoY), using Political, Economic, Social, Technological, Environmental, and Legal (PESTEL) analysis?
2. What are the MFI portfolio trends at a national level (YoY), for the four countries?
3. What are the HMF portfolio trends (YoY), at a national level, for the four countries?
4. What is the veracity and availability of data in the: microfinance reporting systems and the central bank for each country?
The study was conducted through secondary research (desk review) supported by interviews with key informants in each country.

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 practices 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.

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 Enterpreneurship *(Magnet project)* – the project 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. In 2018, MFC actively participated in two networking forums (February in Austria and September in the Netherlands), facilitated the cooperation with other similar projects and European level stakeholders, as well as developed a research guide to interview national level experts – to be used by project partners in 2019. MFC also kicked off the work on training curriculum on access to finance for migrant entrepreneurs.

Annual conference of e-MFP: MFC was invited to speak and share it experience during the annual conference of European Microfinance Platform, which took place in November 2018. MFC spoke in three different sessions, devoted to the following topics:
- Digtalisation
- Financial health
- Supporting migrants' access to finance.

SP Fund 3 (*Ford Foundation III project*) – this 30 months project has started in October 2015 and ended in March 2018. The core objective of the program was 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 targeted 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 promoted 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. In addition MFC has prepared a SP European regional report, based on data collected from 25 members. The report was published in March 2018. The program was supported by Ford Foundation

***Financial Inclusion for Inclusive Growth in Europe* II 2018-2021** *(EU II Y1 project)* **–** The overall objective of the program is to widen and deepen financial inclusion of the European citizens. To achieve this, the MFC program encompasses advocacy and capacity building for EU practitioners and policymakers. The specific objectives of the program are: to increase MFI awareness of the current EU policies and programmes existing (e.g.: the EaSI Programme) that support improvements in providing finance to excluded groups, and engaging with policy-makers on improvements to legal and regulatory frameworks for inclusive finance. To develop the capacity of MFC members and non-members to overcome barriers in access to finance for micro-entrepreneurs and social enterprises. To deliver relevant data and analysis on important themes to practitioners and EC stakeholders.
The 2018 activities included:

- intensifying communication with the EU representatives in Brussels,
- publishing four research papers and case studies:
  - Between the Needs and Availability: The External Financing Gap Indicator
  - Case study research on BDS models relevant to the Eastern European context
  - The Tech-and-Touch Mix in Microfinance
  - Experimenting with Digital Solutions: Initial Lessons from European Microfinance
- co-hosting the MFC-EMN Annual Conference in Bilbao, Spain, attended by more than 600 participants, including one workshop that proved very popular with delegates: New financial instruments for EU MFIs, as well as a special working lunch meeting organized between EC representatives and MFC members to discuss trends and developments and allow informal exchange.
- holding nine country meetings/visits in Albania, Bulgaria, Greece, Hungary, Republic of North Macedonia, Poland, Romania, Serbia and Turkey to discuss with local stakeholders topics related to financial inclusion.
- Creating three working groups: The EU Code Working Group, which submitted its recommendations in May 2018 to the EC; the Digitalization Working Group which among other things helped to select topics for case studies, and the BDS Working Group.
- Creating two national working groups in Albania and Romania.
- Hosting eight webinars on current trends and best practice on key sector topics such as digitalization.

The project is funded by the European Commission.

Innovation in Social Finance *(Rockefeller Foundation project)* - The project supports a number of regional activities that enable MFC to bring together traditional microfinance institutions with new players in financial technology to build partnerships in order to better serve low- and moderate-income populations in Europe.
This project significantly contributes to building alternative social finance sector in Europe. Through 18 months of the project, MFC plans to strengthen own and members capacities through learning about new digitalization opportunities thanks to planned workshops, online trainings, presentations at the digitalization group. It will also create a space through online digital working group, workshops, country meetings and regional conference to allow actors: new and traditional finance to meet and learn about each other, discuss potential cooperation. Lastly thanks to the project MFC is able to provide relevant knowledge to sector actors: traditional MFIs, fintech organizations highlighting new finance organizations operating in financial inclusion space in Europe, examples of partnerships and use of new technologies and exploring opportunities for more innovation thanks to regulatory and technological changes under way.

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.

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

(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.

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

	2018	2017
Unutilized bonus provision	39 139	24 530
Other operating income	875	1 693
	40 014	**26 223**

6. PROGRAM REVENUE

	2018	2017
Governments grants (*EU projects*)	1 055 915	782 287
Net revenue of governments grants	(1 055 915)	(782 287)
Non-governments grants	913 590	2 396 838
Trainings	352 283	996 920
Consultings	479 781	1 212 983
Annual Conference	568 135	465 045
Other	837	1 380
	2 314 626	**5 073 166**

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

7. PROGRAM EXPENSES

	2018	2017
Marketing, web page, newsletters, other publications	55 117	39 728
SP-Fund *(Ford Foundation III project)*	139 628	1 167 292
ACCION International project	114 517	20 376
Rockefeller Foundation	165 226	-
Microentrepreneur of the year *(Citi Foundation project)*	-	327 501
Governments grants	260 111	218 949
Annual Conference expenses	82 001	107 149
Training expenses	223 551	592 816
Consulting expenses	261 747	795 255
Other projects	837	46 885
	1 302 735	**3 315 951**

8. ADMINISTRATIVE EXPENSES

	2018	2017
Staff salaries, bonuses and benefits	342 451	404 532
Travel and conferences	12 427	53 625
Office and administrative	116 177	112 528
Amortisation	-	482
Accounting and auditors services	194 215	188 046
Other	13 634	71 205
Other operating expenses	10 581	62 404
	689 485	**892 822**

9. OTHER OPERATING EXPENSES

	2018	2017
Withholding tax (WHT)	-	51 449
Other operating expenses	10 581	10 955
	10 581	**62 404**

10. FINANCE INCOME AND FINANCE EXPENSES

	2018	2017
Interest income	57 726	1 488
Foreign exchange rate income	748 281	340 591
Foreign exchange rate loss	(271 580)	(1 157 468)
Finance income	**534 427**	**(815 389)**
Interest expenses	(5 977)	(3 694)
Finance expenses	**(5 977)**	**(3 694)**
Net finance income/expenses	**528 450**	**(819 083)**

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

11. PERSONNEL EXPENSES

	2018	2017
Program staff expenses	1 158 292	1 101 903
Program staff expenses – government grants	(868 145)	(710 835)
Administrative staff expenses	342 451	404 532
	632 598	**795 600**

12. INCOME TAX EXPENSE

Recognised in the Consolidated Statement of Comprehensive Income

Current tax expense	**2018**	**2017**
Current year	72 355	109 154
	72 355	**109 154**
Deferred tax expense		
Origination and reversal of temporary differences	25 156	(44 255)
Total income tax expense in the consolidated statement of comprehensive income	**97511**	**64 899**

Reconciliation of effective tax rate

	2018	2017
Pre-tax result	1 037 259	181 258
Without the Parent Entity result and eliminations made for consolidation purposes	(369 464)	116 178
Pre-tax result of subsidiary (MFC)	667 795	297 436
Income tax using the Group's domestic tax rate (15%)	100 169	44 615
Permanent differences	(2 658)	20 284
	97 511	**64 899**
Effective tax rate	14,60%	21,82%

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.

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

13. PROPERTY, PLANT AND EQUIPMENT

Cost	
As at 1 January 2017	297 587
Additions	-
Disposals	-
As at 31 December 2017	**297 587**
As at 1 January 2018	297 587
Additions	-
Disposals	-
As at 31 December 2018	**297 587**
Depreciation	
As at 1 January 2017	297 105
Depreciation charge	482
Disposals	-
As at 31 December 2017	**297 587**
As at 1 January 2018	297 587
Depreciation charge	-
Disposals	-
As at 31 December 2018	**297 587**
Carrying amount	
As at 1 January 2017	482
As at 31 December 2017	-
As at 1 January 2018	-
As at 31 December 2018	-

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

14. CASH AND CASH EQUIVALENTS

	2018	**2017**
Cash in hand	41 609	19 100
Cash at bank	13 643 245	11 954 101
Cash and cash equivalents	**13 684 854**	**11 973 201**
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.

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

15. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	173 010	544 966
Amounts receivable from European Commission	294 295	394 197
Tax receivables	11 601	9 307
Other receivables	28 691	28 691
Prepayments	4 139	54 403
	511 736	**1 031 564**

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 2019, 90 % 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 2018 and 31 December 2017.

16. DEFERRED TAX

Recognised deferred tax assets

Deferred tax assets are attributable to the following items:

	Assets	
	2018	**2017**
Reserve for staff holidays compensation	584	373
Staff annual bonus reserve	2 956	1 912
Temporary foreign exchange gain	18	13 512
Reserve for annual audit	3 578	3 578
Reserve for trade payables	810	810
Assets	**7 946**	**20 185**

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	Liabilities	
	2018	**2017**
Temporary foreign exchange loss	13 216	-
Other items	101	401
Liabilities	**13 317**	**401**
Net tax liabilities (assets)	**5 371**	**(19 784)**

17. CONSOLIDATED SATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2018

As of 31 December 2018 and 31 December 2017 there were no dedicated funds.

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

18. ACCOUNTS PAYABLE

	2018	2017
Trade payables	16 490	94 176
Social Security	20 980	24 112
Current income tax liabilities	65 733	3 947
Tax liabilities	18 113	23 011
	121 316	**145 246**

	2018	2017
Accounts payable up to 3 months	121 316	127 353
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	17 893
Accounts payable over 12 months	-	-
	121 316	**145 246**

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

19. ACCRUAL

	2018	2017
Prepayments received for future services	16 253	15 445
Prepayments received for Ford Foundation III project	-	238 006
Prepayments received for HC HFHI project	18 799	17 406
Prepayments received for Rockdale Foundation project	-	105 170
Prepayments received for Rockefeller Foundation project	660 632	-
Prepayments received for Magnet project	45 717	75 660
Staff holidays compensation	65 238	102 973
Staff bonus fund	163 750	164 030
Provision for audits	77 785	77 785
Provisions for other expenses	12 282	13 129
	1 060 456	**809 604**

	2018
Balance at 1st January	**809 604**
Accrual for the period	916 650
Reversal of provisions for the period	- 71 249
Utilisation for the period	- 594 549
Balance at 31st December	**1 060 456**

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 573 thousand (in 2017 PLN 588 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 2018 and 31 December 2017 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 2018 by 5% would result in decrease in net profit and equity by PLN 447 thousand. Depreciation of PLN against EURO as of 31 December 2018 by 5% would result in increase in net profit and equity by PLN 447 thousand.
Appreciation of PLN against USD as of 31 December 2018 by 5% would result in decrease in net profit and equity by PLN 148 thousand. Depreciation of PLN against USD as of 31 December 2018 by 5% would result in increase in net profit and equity by PLN 148 thousand.

	2018			2017		
	USD	*EUR*	*GBP*	*USD*	*EUR*	*GBP*
Current Assets						
Trade receivables	80 230	92 499		223 233	321 733	-
Other receivables	-	-	-	-	-	-
Prepayments	-	-	-	41 321	927	-
Tax receivebles	-	-	-	-	-	-
Amounts receivable from EC grants	-	294 295	-	-	394 197	-
Cash and cash equivalents	3 557 859	8 613 779	3 803	2 284 331	7 577 723	3 798
Total current assets	**3 638 089**	**9 000 573**	**3 803**	**2 548 885**	**8 294 580**	**3 798**
Liabilities						
Trade liabilities	-	(4 720)	-	(86 170)	-	-
Tax liabilities	-	-	-	-	-	-
Social Security	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Prepayments received for grants	(679 430)	(45 717)	-	(360 582)	(75 660)	-
Other liabilities	-	(15 923)	-	-	(15 445)	-
Total Accounts Payable and Accruals	**(679 430)**	**(66 360)**	**-**	**(446 752)**	**(91 105)**	**-**
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**2 958 659**	**8 934 213**	**3 803**	**2 102 133**	**8 203 475**	**3 798**

(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.

2018

	Average effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Cash and cash equivalents	0,21%	13 684 854	13 684 854	-	-	-	-

2017

	Average effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Cash and cash equivalents	0,13%	11 973 201	11 973 201	-	-	-	-

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:

	2018		**2017**	
	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	511 736	511 736	1 031 564	1 031 564
Cash and cash equivalents	13 684 854	13 684 854	11 973 201	11 973 201
Accounts payable	121 316	121 316	145 246	145 246

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:

	2018	**2017**
Less than one year	95 513	93 648
Between one and five years	91 534	183 393
More than five years	-	-
	187 047	**277 041**

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 7 959 (ca. USD 2 117) per month.

28. CONTINGENT LIABILITIES

As of 31 December 2018 and 31 December 2017 there were no contingent liabilities.

Grzegorz Galusek
Executive Director

Katarzyna Pawlak
Deputy Director

Ewa Romanowska
Finance & Administrative Manager

Warsaw, 24 May 2019