MEDICAL CREDIT FUND AFRICA

Stichting Medical Credit Fund

Annual Report 2016

28 April 2017

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Amsterdam, 28 April 2017

MEDICAL CREDIT FUND AFRICA

Medical Credit Fund in 2016

LOANS

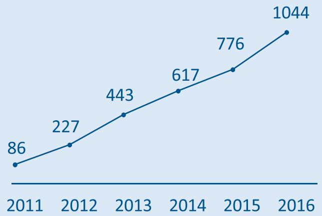
97%
Historical loan repayment performance

USD 20,913
Average loan size

226
Number of loans disbursed to female entrepreneurs

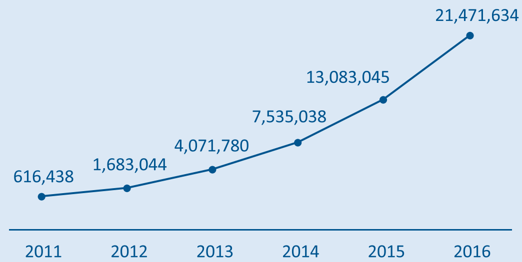
NUMBER OF DISBURSED LOANS

1044
Disbursed loans



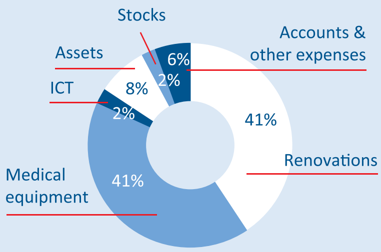
DISBURSED AMOUNT (USD)

USD 21,471,634
Disbursed



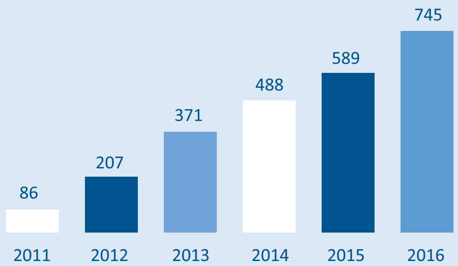
TYPE OF INVESTMENTS FINANCED THROUGH LOANS

MEDIUM AND LARGE LOANS



NUMBER OF HEALTHCARE FACILITIES RECEIVING A LOAN

745
Healthcare facilities receiving a loan



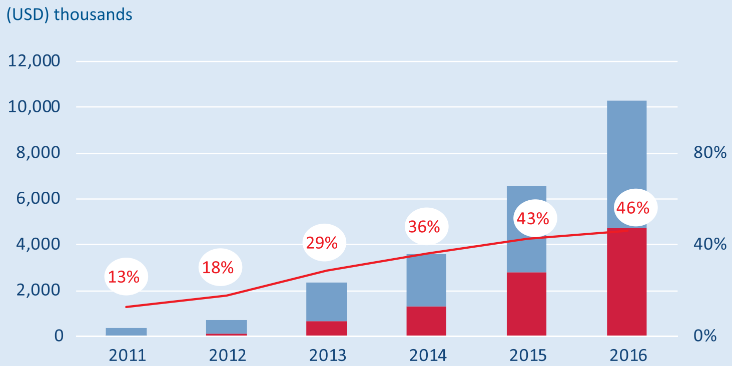
RISK SHARING (USD)

RISK SHARING BETWEEN MEDICAL CREDIT FUND AND BANKS

USD 5,519,264
Risk portion Medical Credit Fund

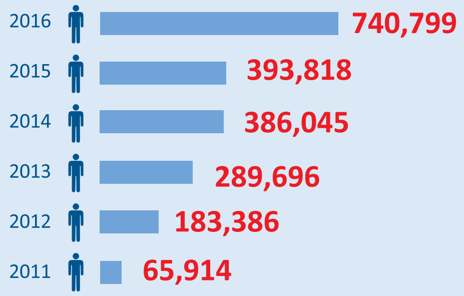
USD 4,759,787
Risk portion Banks

46%
Risk sharing by Banks

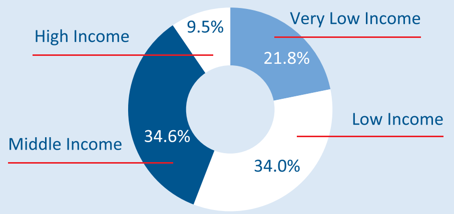


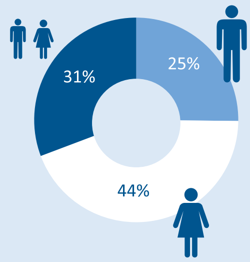
SOCIAL IMPACT

NUMBER OF PATIENT VISITS PER MONTH



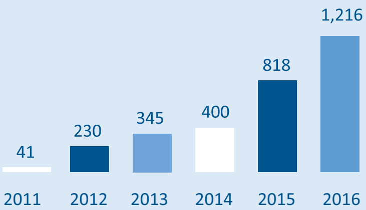
TARGET BENEFICIARY PROFILE FOR SMES REACHED





CAPACITY BUILDING

NUMBER OF SME HEALTH STAFF TRAINED



NUMBER OF BANK STAFF TRAINED

1,839
Bank staff trained

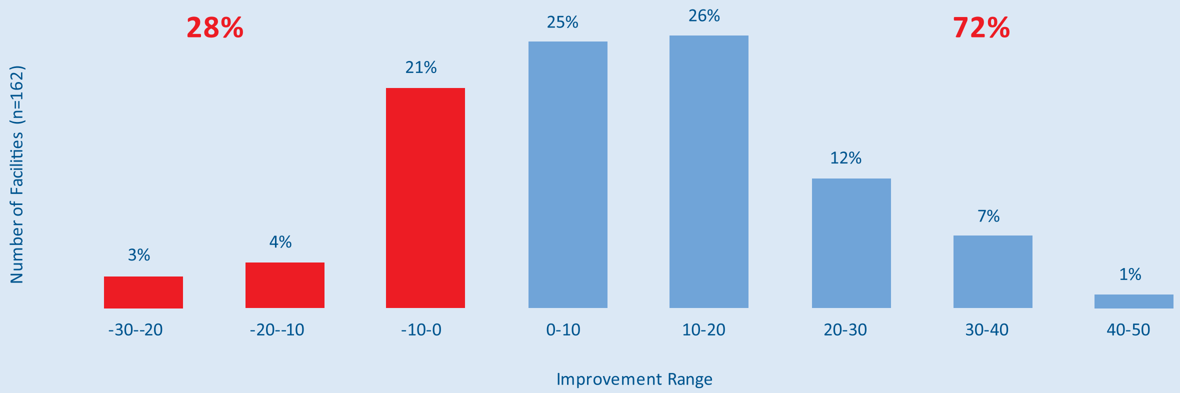
NUMBER OF APPROVED ASSESSMENTS

1,737
Business Assessments

882
SafeCare Assessments

QUALITY IMPROVEMENT

IMPROVEMENT RANGE OF HEALTHCARE FACILITIES




& FEMALE
CAL WARD
DREN HOSPITAL
MATERNIT
EMBU CHILDREN HOSPITAL (TENRI)
EMBU CHILDREN HOSPITAL
(TENRI)
EXECUTIVE SERVICES
NOW OPEN
MATERNITY
THEATRE
PAEDIATRIC WARD
GYNAECOLOGIST
CT. SCAN
MALE WARD
MEDICAL FEMALE WARD
MALE & FEMALE
SURGICAL WARD

Index


SafeCare
BASIC HEALTHCARE STANDARDS
Clean hands sav

1. Objectives and approach

1.1 INVESTING IN THE QUALITY OF CARE OF PRIVATE SME HEALTH FACILITIES IN AFRICA

The Stichting Medical Credit Fund (hereafter to be called the Medical Credit Fund, MCF) is the first and only fund dedicated to providing loans to small and medium-sized healthcare facilities in Africa. The Fund makes investment capital available for healthcare providers and combines this with technical assistance (TA), enabling healthcare providers to strengthen their business case, increase capacity, and improve the quality of their healthcare services.

Contrary to popular belief, low-income groups in sub-Saharan Africa generally turn to the private sector for healthcare, because of the better care and customer service, amongst other things. However, the segment of the private sector that serves low-income groups faces many challenges as well, such as below-standard infrastructure and equipment, lack of skilled medical staff and poor quality of the services provided. Healthcare providers serving low-income groups are generally SMEs (ranging from smaller hospitals and diagnostic and health centers to dispensaries, maternity homes and nurse-driven clinics) that provide basic, primary level healthcare services. One thing they have in common is the fact that they are not (yet) bankable. Healthcare facilities have limited or no access to credit facilities to finance the required improvements because the costs are generally too high and they have great difficulty living up to banks' administrative and collateral requirements. Banks are generally reluctant to provide financing to the lower-tier private healthcare providers as the prevailing financial and reputational risks are unknown or considered too high. As a result, progress is stifled while the private healthcare sector does serve a substantial and growing share (around 50%, IFC 2011) of the African population.

1.2 THE MEDICAL CREDIT FUND MOBILIZES INVESTMENTS FOR SME HEALTH FACILITIES BY REDUCING INVESTMENT RISKS

To address these constraints the Medical Credit Fund was founded in 2009 by the PharmAccess Group, a group dedicated to improving access to healthcare in Africa with innovative financing mechanisms. Together with PharmAccess and its local partners, the Medical Credit Fund works to reduce investment risks for lower-tier healthcare providers through an innovative, integrated approach that combines performance-based financing with Technical Assistance (TA) to improve the bankability of healthcare facilities and stimulate quality improvements.

Through its activities, the Medical Credit Fund seeks to achieve a triple bottom line of financial, clinical and social outcomes:

- Financial: Local financial markets start financing the private health sector because it has a stronger financial basis. Trust in the sector increases, financing becomes affordable and investors can expect a reasonable return.
- Clinical: Enhanced clinical performance measured by certified quality assurance fosters trust among patients as well as other stakeholders (investors, insurers, governments etc.).
- Social: Better healthcare services are available to more people, including people in urban slums and rural areas who are currently underserved.

The Medical Credit Fund has been widely recognized for its innovative approach. It received the G20 Financial Challenge Award from President Obama in November 2010 and the OPIC Impact Award in February 2014. In October 2014, the Fund was also selected as first runner-up for the SME Finance

Innovation Award 2014 of DEG, a subsidiary of the German development bank KfW, the Dutch development bank FMO and PROPARCO, a subsidiary of the French Development Agency dedicated to financing the private sector. In March 2016 the Medical Credit Fund and SafeCare, its partner in improving clinical quality, were awarded a Finalist Award in the OECD DAC prize contest.

Blended Capital structure

The Medical Credit Fund is financed by a mix of grants and debt financing from public and private parties. By using public funds to catalyze funding from private sources, the Medical Credit Fund has been able to significantly increase its impact. The Fund's capital base of first loss is funded by grants from public and private parties and this serves as a risk cushion for investors, comprising a mix of private investors and semi-public development finance institutions.

The Fund had its first close in 2012, having raised a total of 28 million (EUR 25 million) in US dollars. In 2016, the Medical Credit Fund expanded its mandate in response to the market demand for more flexible financing solutions and the growing interest from banks and investors to serve a broader pool of borrowers. Medical Credit Fund can now accommodate loans up to USD 2.5m, provide loans to other geographic areas in sub-Saharan Africa and to other healthcare enterprises in the value chain, and grow the partner network to include non-bank financial institutions. To finance the expanded mandate, the Medical Credit Fund restructured financing arrangements with its lenders, closing a second round of USD 17.5m in debt financing for the next seven years and an additional USD 1m in first loss. This comes on top of USD 5.6m in first loss from the Dutch Government (through FMO), USAID, and high-net-worth individuals. In the second quarter of 2017, the Medical Credit Fund expects to further increase this capital base with investments from five more investors and further expand its first loss capital.

1.3 A UNIQUE APPROACH OF COMBINING CAPITAL PROVISION WITH TECHNICAL ASSISTANCE

The Medical Credit Fund's two-pronged approach comprises a Loan Program in combination with a Technical Assistance (TA) program.

Loan Program

The purpose of the Medical Credit Fund is to help healthcare facilities borrow in local capital markets. The Medical Credit Fund mitigates risks for banks and non-banking financial institutions (NBFI) in order to bridge the financing gap, for early stage borrowers in particular, through co-financing or co-guaranteeing loans. It facilitates standardized, small loans and tailor-made larger loans.

The Medical Credit Fund employs a policy of incremental lending. By starting with the provision of smaller loans to less experienced healthcare facilities, these facilities are protected from over-stretching their repayment capacity. It also helps them to establish a positive repayment track record. These so-called entry and small loans do not require any collateral and can be used for simple and necessary business and quality improvements. This in turn increases their chances of meeting the more stringent collateral requirements for larger loans and entering into a long-term growth and improvement path.

Moreover, together with its partners, the Fund improves or develops new loan products and services if the existing ones are posing barriers to access for health SMEs. It does not shy away from unconventional partners and technologies if they contribute to developing flexible solutions that work for its clients. In this role the Medical Credit Fund has successfully launched a loan product with the Ghanaian National Health Insurance Agency that finances receivables on insurance claims. Moreover, it has developed a loan product that uses revenues on M-PESA mobile payment tills as collateral for financing working capital shortages.

The loan portfolio of the Medical Credit Fund is segmented into small loans and larger loans. Both segments require a different recruitment and appraisal approach.

- **Standardized Loans < USD 200,000**

The Fund builds on the presence and capacity of its financial partners to provide health SMEs with capital for their investments. To reach a large number of relatively small healthcare providers, standardization of processes and support services is key. The loans are offered in local currency. Contracts with the banks follow market developments, yet stipulate affordable interest rates for the healthcare providers and prevent hidden charges. The Medical Credit Fund seeks to charge interest rates at the very low end in the SME market.

- **Tailor-made Loans >USD 200,000**

These mostly tailor-made loans are senior (partially) secured loans larger than USD 200,000. They can either be entered with the Medical Credit Fund's existing partner banks, but also in syndicated loan arrangements with other banks and non-banking financial institutions. Larger loans are mostly used for more complex investment needs, often including construction of new infrastructure and/or specialized medical equipment.

Overall, the Medical Credit Fund and its financial partners offer a number of loan products with different sizes and tenures.

Exhibit 1 Medical Credit Fund loan products

LOAN PRODUCT	LOAN SIZE (USD)	TENURE	SECURITIES
Entry Loan	< 5,000	6 months	Chattel mortgages, personal guarantees
Small Loan	5,000 - 15,000	<12 months	
Medium Loan	6,000 - 50,000	<36 months	Conventional collateral, such as landed property and marketable assets
Large Loan	50,000 - 200,000	<60 months	
Extra Large Loan	200,000 - 2.5M	<120 months	
Receivable financing	25,000 - 200,000	<9 months	Approved insurance claims
Mobile cash advance	100 - 15,000	<6 months	Digital revenues on M-PESA and M-TIBA tills

1.4 OUR TECHNICAL ASSISTANCE PROGRAM

The provision of TA to healthcare providers has been an intrinsic part of the Medical Credit Fund's approach since its inception. The Technical Assistance Program is aimed at reducing risk, improving quality, and enhancing trust in the sector.

Our TA is threefold:

1. Objectively assessing clinical and hence financial risks through external verification and evaluation of clinical quality using SafeCare standards.
2. Providing support through training and consultancy to improve clinical performance and business skills based on the SafeCare assessments of the healthcare provider.
3. Building and expanding local expertise through partners on the ground to i) benefit from local experience; ii) to secure buy-in; and, iii) to contribute to functioning healthcare systems.

Over the past few years this approach has proven its added value: repayment rates of Medical Credit Fund loans are high at above 95% and are often among the best performing of the partner banks' SME loan portfolios. At the end of 2016 the Fund's repayment rate was 95.3% on the loan portfolio outstanding. Furthermore, more than 70% of the clinics have experienced an improvement of its SafeCare score, indicating a reduction in clinical risks.

1.5 PARTNERS

The Medical Credit Fund aims to be a catalyst for access to finance for the smaller and medium-sized healthcare facilities and to enable local entities to partner in its mission. To achieve its objectives, the Fund works with strong local and international partners in the financial and healthcare sectors. Banks and NBFIs are partners in its lending activities, while local health organizations and NGOs provide technical assistance services to healthcare facilities. Exhibit 2 provides an overview of Medical Credit Fund partners.

Exhibit 2 Current Medical Credit Fund Partner Organizations

	Tanzania	Kenya	Ghana	Nigeria	Other countries
Financial Partners	National Microfinance Bank (NMB), BancABC, Equity for Tanzania (EFTA)	Sidian Bank, Chase Bank, Guaranty Trust (GT) Bank, CarePay	uniBank, Home Finance Company (HFC), Fidelity Bank	First City Monument Bank (FCMB), Diamond Bank	TLG
Technical Partners	Association of Private Healthcare Facilities Tanzania, (APHFTA), Christian Social Services Committee(CSSC), AMPC International Health Consultants	Kisumu Medical and Education Trust (KMET) Population Services Kenya (PSK), Mary Stopes Kenya (MSK), Strathmore, Capital Tool Company (CTC), AMPC	Mary Stopes Ghana (MSG), National Health Insurance Agency (NHIA), AMPC	Society for Family Health (SFH), Mary Stopes Nigeria (MSN), Lagos State Government, Bank of Industry, AMPC	Uganda Healthcare Federation (UHC)
Strategic Partners	The PharmAccess Group				

2. The loan program: trends, disbursement and portfolio performance

2.1 TRENDS IN SUB-SAHARAN AFRICA IN 2016

Sub-Saharan Africa faced many challenges in 2016, such as a sharp decline in commodity prices, tighter financing conditions, and severe droughts in southern and eastern Africa. Annual economic growth fell again, to an estimated 1.2%, well below the average 5% to 7% annual growth recorded between 2005-2015. The International Monetary Fund expects a moderate economic rebound of 2.8% GDP growth in 2017 and further acceleration to 3.7% GDP growth in 2018.

The Medical Credit Fund experienced tough local market conditions in the four countries where it is operating, hampering loan disbursement and portfolio performance to different degrees. At the same time strong structural developments are underpinning its business: the ongoing growth of Africa's private healthcare markets and the steadily improving confidence of financial partners in investing in the private healthcare sector. The Medical Credit Fund has a lot of room for growth looking at the sheer size and growth rate of the private healthcare sector in Africa. This is further enhanced by the continent's rapid population growth, a continued growth of the middle class, and an increased recognition among policymakers that the private sector is a key and indispensable provider of care and a driver for efficiency and innovation in the sector. Furthermore, the Medical Credit Fund anticipates the unprecedented rise of mobile technology and the digitalization of Africa's economies will help it make its operations more efficient, transparent, and reach scale faster than ever before.

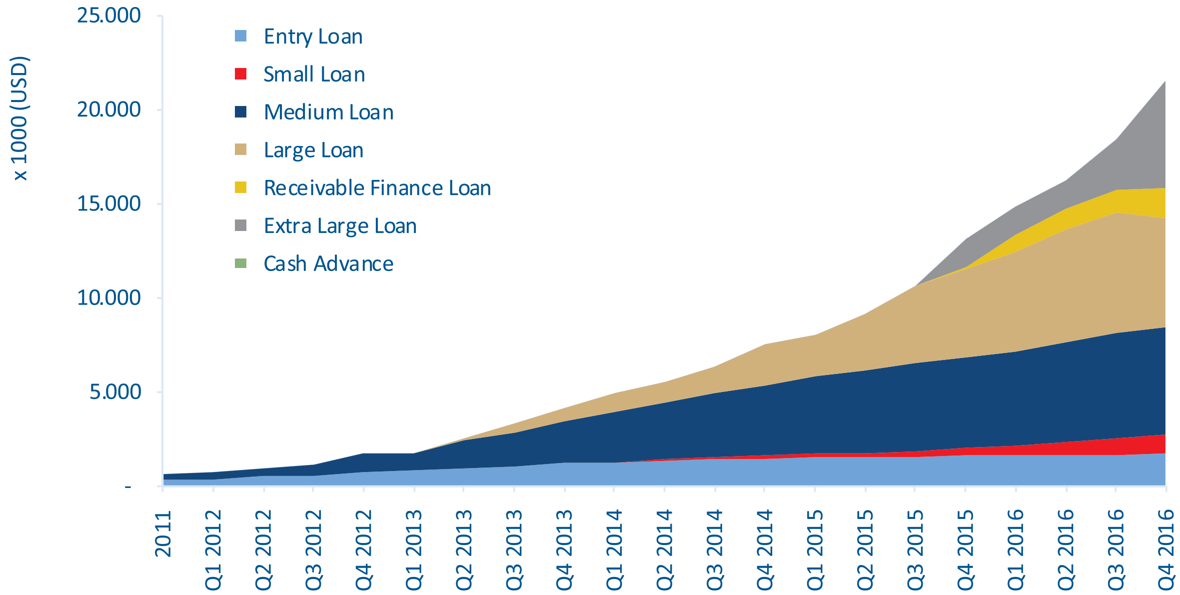
In the financial markets, there are several signs that are clearly pointing to an increased trust of the financial sector in healthcare investments. First, the bank-in-the-lead model, where banks actively recruit clients for loans (mainly follow-up) as opposed to the Medical Credit Fund's business advisors bringing in the clients, became the key source of recruitment for smaller loans in 2016. Second, an increasing number of banks in the Fund's network have started branding loans to health SMEs as a mainstream SME product as opposed to a Medical Credit Fund product. Third, the trend of banks increasing their risk participation in the loan portfolio continued, which shows an increased appetite of partner banks to take a stake in the game. With total capital outstanding to the value of USD 10.2m (compared to 5.1m in 2015), the Medical Credit Fund's partner banks now participate for about 46% in the funding and repayment risk, a further increase from 40% in 2015.

2.2 LOAN DISBURSEMENTS

Since its inception, the Medical Credit Fund has disbursed 1,044 loans to 745 healthcare providers in Ghana, Kenya, Nigeria, Tanzania and Liberia. The Fund disbursed USD 8.4m in 2016, 30% of its 2016 target of USD 28m. Compared to 2015, disbursement grew in volume by 64 % to a total cumulative amount of USD 22.6m at the end of 2016, with an average loan size of USD 30,000.

As seen in Figure 1 below, loan disbursements in the Fund have diversified over time with the introduction of new loan products. In general a trend can be observed of increasing loan sizes over time as well as increasing risk participation by the bank, which amounted to 46% of the loans disbursed in 2016, pointing at an increased trust in lending to health SMEs.

Exhibit 3 Cumulative loan disbursements since 2011



2.3 PORTFOLIO PERFORMANCE

Portfolio at Risk

The quality of the loan portfolio can be measured in Portfolio at Risk (PAR) terms. PAR is a standard international metric of portfolio quality that measures the portion of a portfolio, which is deemed at risk because installments are overdue by a number of days. The repayment performance of the Medical Credit Fund portfolio has historically been stable. The percentage of loans in arrears by more than 90 days (PAR90) has historically remained below 3%. However, due to an increase in the PAR in Kenya whose portfolio represents 73% of the overall MCF credit exposure (see Exhibit 4), the MCF PAR90 followed an upward trend starting with Q3 and reached 4.7% at the end of the year. With slow portfolio growth, the impact of a small number of non-performing large loans (3) on PAR percentages is significant.

Exhibit 4 Overview Portfolio at Risk (PAR 2016)

	TANZANIA	KENYA	GHANA	NIGERIA	TOTAL
Portfolio share %	*4.0%*	*72.9%*	*9.8%*	*10.6%*	*100%*
PAR 30	15.7%	8.3%	8.0%	4.3%	**7.9%**
PAR 90	15.7%	4.8%	5.8%	0.0%	**4.7%**
PAR 180	14.4%	1.8%	3.0%	0.0%	**2.2%**
Loan losses %	14.9%	6.1%	6.4%	4.5%	**6.4%**
Write-offs	5.9%	0.2%	2.7%	0%	**0.7%**

Loan losses[1]

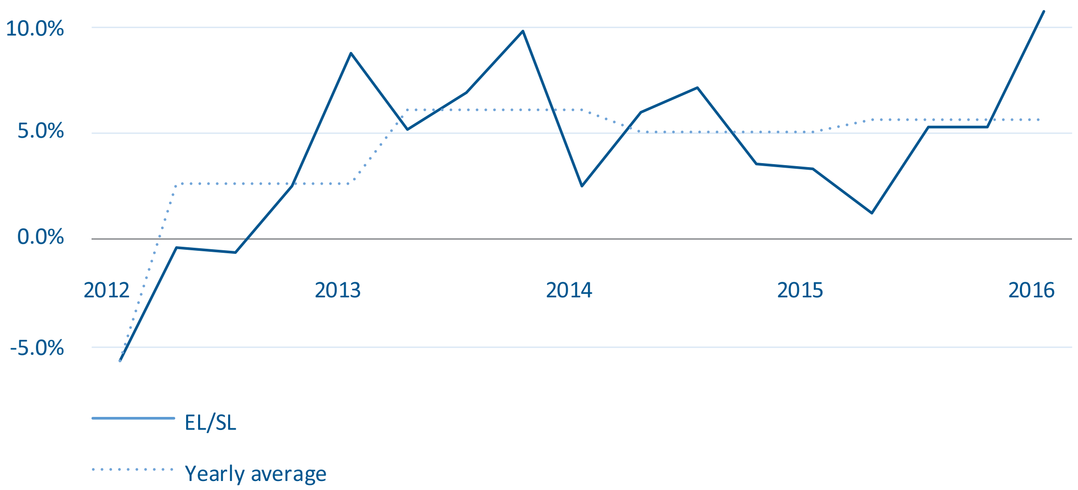
Over 2016, the Medical Credit Fund wrote off USD 39,385, which is 0.7% of average outstanding credit risk exposure. Loan losses on the average outstanding credit risk exposure increased gradually to 5.9% at year-end 2016, up from 1.6% the year before due to an increase in loan provisions, mainly as a result of increased arrears in the Chase Bank portfolio. From 2015 on, the Medical Credit Fund also adopted a

1 Loan losses are defined as additions to impairments on the funded portfolio and costs on the guaranteed portfolio. These impairments and costs are recognized through the Statement of Comprehensive Income.

more conservative approach towards calculating its impairments by adjusting its provisioning policies. It now also calculates provisions for performing loans (PAR0 and PAR1), i.e., for every active loan in the portfolio with no repayments overdue that is not technically in arrears. As such, provisions on Entry/Small loans in PAR0 are calculated at 3% and for Medium/Large/Extra Large/Receivable Finance loans at 1.5%.

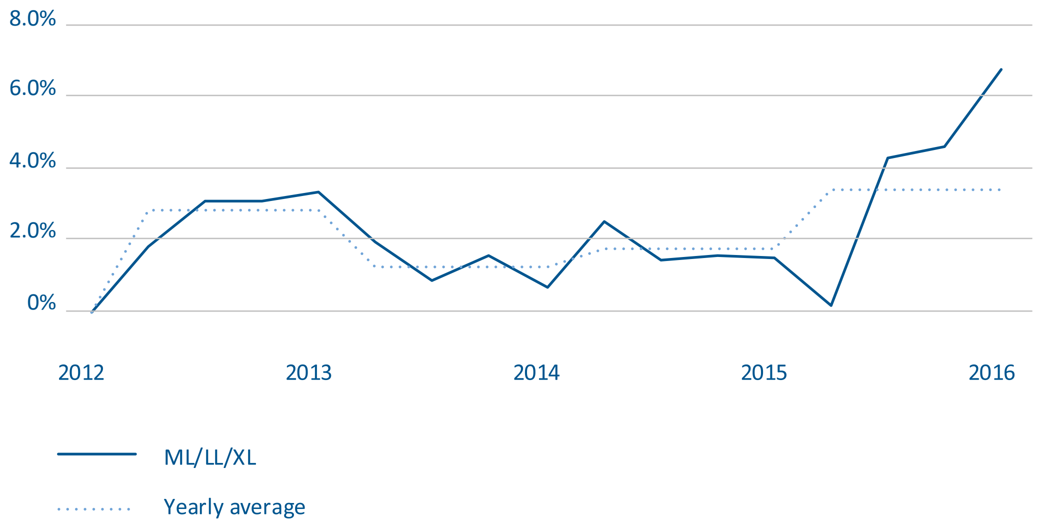
Since the Fund has no exposure on entry loans in Tanzania and Kenya, the increase in loan losses in entry/ small loan portfolio as observed in Exhibit 5 (below) were mainly due to arrears on small loans in Ghana and Kenya. Also, a slow growth of the small loan portfolio in both countries contributed to the loan losses, as well as the introduction of 3% provisioning for performing loans. The non-performing small loans borrowers in Ghana are applying for the NHIS Receivable Finance Product in order to liquidate their arrears.

Exhibit 5 Loan losses entry and small loans (EL/SL)



The loan loss percentages on securitized Medium/ Large/Extra Large loans gradually increased in 2016 as shown in Exhibit 6. Also here, the rise is largely due to the increase in loan provisions in the Chase Bank portfolio. As soon as the receivership is lifted, one of the large loans will be liquidated, which should relieve the loan provisions.

Exhibit 6 Loan losses Medium, Large and Extra Large loans (ML/LL)



3. Country overview

3.1 KENYA

Loan activities and Financial Markets

The Kenyan economy has been relatively stable with an end of year inflation rate of 6.35% well within its benchmark target of 5.00% +/-2.50%. The country has been least affected by the global macroeconomic downturn in the year 2016. However, the market was taken by surprise on 24 August 2016 when an interest rate cap was introduced by the government, whereby the interest rate cannot exceed 400 basis points above the Central Bank Policy Rate, which currently stands at 10%. This makes the interest rate effectively 14% and restricts the flow of credit for borrowers, most particularly to those with lower credit quality and higher administrative costs, such as the SME sector. The cap has hampered the Medical Credit Fund's operations as it decreased the spread and decreased the banks' appetite for (higher risk) SME loans. The law does not apply to less stringently regulated institutions such as Micro Finance Institutions (MFI), investment funds, SME lenders etc. Therefore, within its expanded mandate, the Medical Credit Fund is currently also seeking to partner with non-bank partners to have an alternative distribution channel for its clients, should they not be served at the banks.

The Medical Credit Fund has its largest operations in Kenya, and in 2016 it met 50% of its annual target there, despite the challenges posed by receivership of a partner bank and the national interest rate cap. In 2016 the Medical Credit Fund disbursed 72 loans, totaling USD 5,180,806 (Exhibit 7). The pipeline of loans has grown to a total of over USD 10m, of which the majority already has been approved by the Fund. Following the Medical Credit Fund's expanded mandate, the Fund disbursed its first syndicated loan with a value of USD 2m in Kenya with GT Bank. The increased flexibility in the mandate opens up a welcome alternate loan distribution channel and is decreasing the Medical Credit Fund's dependency on its partner banks. In line with the size of its operations, the country represents the largest share in the Fund's portfolio with 73% in credit risk exposure. Loan activities were affected when one of the Fund's partner banks, Chase Bank was placed under receivership by the Central Bank of Kenya (CBK). No disbursements were made by Chase bank after it was placed under receivership.

Exhibit 7 Overview loan portfolio in Kenya

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Volume of loans disbursed in 2016 (USD)	Outstanding portfolio per 31 December 2016 (USD)	PAR90	Banks contracted (type of contract)
471	13,643,007	5,180,806	7,884,322	4.8%	Sidian Bank Chase Bank

* Funded by bank and the Medical Credit Fund

Portfolio performance

Repayment performance in Kenya has historically been strong with PAR90 below 2% (for Medium/Large loans below 1%). As of mid-2016 however, due to the effects of the receivership of Chase Bank, PAR90 gradually increased towards 4% - 5%. The Medical Credit Fund has had to work hard to convince the borrowers to continue servicing their loans, as they often also had deposits at Chase that could not be touched. This has in part contributed to a higher PAR 90 at the end of 2016 (4.8%). The slowdown on disbursements due to the interest rate cap also had a negative impact on the PAR in the last quarter of the year.

LOAN PRODUCT INNOVATIONS: MOBILE CASH ADVANCE PRODUCT

In 2016, the Fund started a successful pilot of another short term financing product: The Mobile cash advance. It is a working capital facility with a tenor of less than six months. The Medical Credit Fund has developed this in partnership with CarePay, a mobile exchange platform company that enables payments to the healthcare providers through their mobile phones, using the M-Pesa mobile payment system. The advance product expects to address the financing needs of small providers who are not able to securitize a bank loan. This product has no formal collateral requirements and comes without an administrative burden. A mobile financing solution, the cash advance is offered to small healthcare providers on the basis of their historical revenues received via their M-Pesa tills; future M-Pesa revenues are repaying the cash advance. During the pilot, which started in the last quarter of 2016, eleven cash advances were disbursed to eight clinics with a total value of USD 11,000 and a repayment rate of 100%. In 2017, the Fund is looking to test and launch similar products in Tanzania.

Of the four countries where the Fund is operating, Kenya has the highest loan retention rate: half of the loans disbursed in 2016 were to new borrowers, while the other half were follow-up loans to existing borrowers. The Medical Credit Fund expects the graduation rate to increase further with the launch and rollout of the cash advance product; cash advance tenors are considerably shorter and the loan renewal process is automatic. Several innovative loan products are under development, such as the cash advance and invoice financing products.

LOAN PRODUCT INNOVATIONS: PHARMACEUTICAL INVOICE FINANCING PRODUCT

In response to the growing demand for financing from other healthcare players than providers, such as pharmaceutical wholesalers/distributors, the Medical Credit Fund designed an invoice-financing scheme for the pharmaceutical supply chain. In partnership with Capital Tool Company and the World Bank the Fund is working on this product in Kenya. The scheme uses a comprehensive technology platform to register invoices and payments and information from other sources (such as SafeCare and the credit reference bureau) to determine the probability of default in a portfolio of invoices. The platform offers banks and other financiers real-time insight into the risk of the invoices financed. The Medical Credit Fund has the first transactions in the pipeline and expects this to be closed in the first half of 2017.

Operations

In 2016, the Medical Credit Fund expanded its team to handle the increased number of loan applications. Three new people joined in December 2016. Following the receivership of Chase Bank, the Medical Credit Fund brought most of its deals to Sidian Bank. In addition, it reached out to other financial partners, including Grofin and GT Bank.

3.2 GHANA

Loan activities and Financial Markets

In Ghana, the economy grew at an annualized rate of 4% in Q3 2016, despite the slow pace in consumer spending and wobbly financial markets as Non-Performing Loans in the Ghanaian banking system rose further to a high 19%. Inflation remained at a record high, amounting to 19% in January 2016. Interest rates rose to an unprecedented high of 36% and the elections were accompanied with the typical government spending sprees, which led to an increase in fiscal deficits of 2%. On the bright side, the peaceful elections brought increased economic stability and removed investor uncertainty. Inflation decreased to 13% and the T-bill rate took a downward trajectory to 18% in the first quarter of 2017, from a previous month's high of 22%, indicating renewed business confidence by investors.

The total volume of disbursed loans in 2016 was USD 1.6m. This is below target, mainly due to harsh economic conditions and presidential elections. The installation of the new government, however, is expected to contribute to an improved economic climate and a steep increase in loan activity. In Ghana, 88% of the loan volume disbursed in 2016 was attributable to the Receivable Finance loan product, which was rolled out after a successful pilot in 2015. The loan graduation rate is moderate at 40% in Ghana but also expected to improve due to the attractiveness of the receivable finance product.

Exhibit 8 Overview loans portfolio in Ghana

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Volume of loans disbursed in 2016 (USD)	Outstanding portfolio per 31 December 2016 (USD)	Banks contracted
209	3,257,496	1,633,135	863,381	Unibank, Fidelity, HFC

* Funded by bank and the Medical Credit Fund

Portfolio performance

In Ghana PAR90 has historically been an issue due to long delays in insurance claim reimbursements to healthcare providers by the National Health Insurance Agency. In 2016, however, repayment performance improved considerably as several providers that applied for a receivable finance loan used the proceeds to clear their term loan arrears. PAR90 improved to 5.8% by the end of 2016, sharply down from 11.9% in 2015. The receivable finance loans have all been liquidated before their expiration tenor of nine months. This makes the Medical Credit Fund portfolio one of the best performing portfolios and compares favorably with the country's high non-performing loan ratio of 19%. This ratio is calculated across all sectors. The healthcare providers' need for liquidity resulted in a high appetite for loans despite high interest rates. Interest in the Fund's newly launched receivable finance loans was particularly high as these loans are automatically settled when insurance claims are reimbursed and repayment performance is 100%.

Operations

The Medical Credit Fund is working with three banks in Ghana; uniBank, HFC, and Fidelity. The most active bank in 2016 has been uniBank with whom the receivable finance loan has been developed and successfully piloted. In 2016 renewed commitment to health SME financing of the top management of Fidelity bank gave a boost to the MCF-Fidelity Partnership, resulting in the first MCF/Fidelity loan being disbursed at the end of 2016. A pipeline of promising loan applications has been built up since and disbursements are expected in the beginning of 2017.

LOAN PRODUCT INNOVATIONS: NHIS RECEIVABLE FINANCE PRODUCT

In the second half of 2016, the Medical Credit Fund launched an innovative loan product in Ghana that it had started to design and pilot the year before. The product addresses working capital shortages at healthcare providers caused by long turnaround times in insurance claim reimbursement under the National Health Insurance Scheme (NHIS). This loan is automatically settled when claims are paid by the National Health Insurance Agency (NHIA). To scale up countrywide and reduce the administrative burden, the Medical Credit Fund and NHIA are working on the development of a digital claims handling tool. This receivable finance (RF) product has had a successful start; the Medical Credit Fund disbursed 45 RFs with a value of USD 1.4m and 40 were still in the pipeline at the end of the year.

3.3 NIGERIA

Loan activities and Financial Markets

An inflation rate of 19%, the highest in eleven years, combined with the Nigerian Naira plummeting versus the US dollar on the black market and liquidity constraints on foreign exchange, resulted in a contraction of 1.5% of Africa's biggest economy – the first annual decline in growth in the past 25 years. Nigeria's macro-economic turbulence sent the country into a recession. The volatility of the Naira negatively affected banks' risk appetite with banks charging increased interest rates. The weakened Naira against the dollar led to increased costs of imported equipment. This led to most Healthcare providers putting larger investments in medical equipment and construction on hold.

However, for the entry, small, and medium loans (constituting 81% of total disbursements) loan disbursements and volume showed an upward trend despite the harshening economic conditions. Diamond Bank continued to successfully sell the "Mediloan", the MCF-Diamond Bank loan for pharmacies, as a retail product to the market. Of the four countries where the Medical Credit Fund operates, the highest number of loans disbursed has been in Nigeria: a total of 115 loans, 65% of which were to pharmacies. As a result, the total loan volume disbursed increased by 12%, with 64% (74) of the total number coming from pharmacies.

Exhibit 9 Overview loans portfolio in Nigeria

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Volume of loans disbursed in 2016 (USD)	Outstanding portfolio per 31 December 2016 (USD)	PAR90	Banks contracted
181	1,915,111	920,139	886,477	0.0%	FCMB, Diamond Bank

* Funded by bank and the Medical Credit Fund

Portfolio performance

The Medical Credit Fund portfolio performed exceptionally well considering the harsh economic conditions. The Fund kept a steady pace of disbursement month on month, although the loan sizes were small. PAR90 remained stable at 0% throughout 2016, marking the fourth consecutive year of outstanding repayment performance in the Nigerian portfolio. However, an increase in PAR30 and PAR60 observed towards the end of the year can be attributed to the economic recession, high currency volatility, and the resulting lack of liquidity in the market.

Operations and Innovation

The partnerships with FCMB and Diamond Bank remain strong. Given the instable economic monetary conditions, the Medical Credit Fund will continue to only partially guarantee loans with financial partners, hereby mitigating convertibility risk and risk on its financial partners. In view of liquidity issues in the local market the Fund has also been talking to investment funds and other financial institutions. The Fund has hired a senior business development manager, to capitalize on the opportunities of the Nigerian market, especially for large loans, beyond the southern region that has traditionally been the primary focus of the Fund's activities.

One major development is the agreement on a financing scheme for small and medium-sized healthcare providers in Lagos State with the World Bank IFC Health in Africa Initiative, the Lagos State Government (Ministry of Wealth Creation and the Employment Trust Fund) and the Bank of Industry. A substantial share of the loan capital will be provided by the Nigerian government at close to zero interest, with commercial banks co-financing against market rates and the Medical Credit Fund (partially) guaranteeing the loans. This will enable health SMEs in the lowest income areas to access financing at single digit interest rates.

3.4 TANZANIA

Loan Activities and Financial Markets

The inflation rate in Tanzania remained stable at 7%. Despite the continued robust real economic growth, averaging 7% over the last few years, there are a lot of daily-life signs of an economic downturn. The price of lending increased due to the requirement of the central government to hold local government bank accounts at the central bank instead of at commercial banks. This resulted in interest rates increasing to between 26%-36% for SMEs.

In Tanzania volumes remain low, this is due in part to the lack of a proactive partner, as well as the absence of an effective countrywide distribution channel in the first six months of 2016. In the second quarter banks had liquidity issues. Banks facing liquidity-constraints are unlikely to give a high priority to the healthcare sector; they perceive lending to the government and corporate organizations as less risky and less cumbersome. The government's sizeable fiscal deficit remains a cause of concern and could become a pressing issue going forward due to a projected fall in aid inflows and volatile global financial markets.

Exhibit 10 Overview loans portfolio in Tanzania

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Volume of loans disbursed in 2016 (USD)	Outstanding portfolio per 31 December 2016 (USD)	PAR 90	Banks contracted
182	2,411,421	409,910	395,536	15.7%	NMB, BankABC, EFTA

* Funded by bank and the Medical Credit Fund

Portfolio performance

In Tanzania the Fund's disbursements have been few. This means that non-performing loans are increasing as part of the total portfolio, triggering a negative effect on the PAR percentage. By the end of last year, PAR90 had risen to just over 15% from 6.6% in 2015. Loan disbursements (USD 409,900) resumed slowly in 2016 following the dip in 2015, however, the portfolio growth was not substantial enough to offset the non-performing loans and increase in PAR percentages.

Operations

There were two major developments in 2016. First, National Microfinance Bank (NMB), Tanzania's largest bank, renewed its partnership with the Medical Credit Fund. The agreement, signed in April, gives the Fund access to NMB's large distribution network of over 175 branches. This led to the disbursement of nine loans in 2016, underscoring the potential of the partnership, but also demonstrating that both parties still have work to do to expand the loans portfolio. Second, Equity For Tanzania (EFTA) became a new financial partner in early 2016. EFTA is a leasing company with a focus on agricultural businesses that now wants to expand its target group to include healthcare facilities. With the help of the Medical Credit Fund, two loan applications were processed, which are likely to be disbursed in early 2017.

3.5 OTHER COUNTRIES

Following its ambition to expand to other markets in sub-Saharan Africa, in 2016 the Medical Credit Fund explored business opportunities in multiple countries. In 2016 the Medical Credit Fund initially focused on East African Countries, such as Uganda and Rwanda and English speaking West African countries. The Medical Credit Fund's first loan (USD 244,600) outside of the countries where it is already operating was disbursed in December 2016 to a clinic in Monrovia, Liberia, in partnership with TLG Credit Opportunities Fund, operating from the UK.

4. Technical assistance program

4.1 THE MEDICAL CREDIT FUND TECHNICAL ASSISTANCE PROGRAM: HOW DOES IT WORK?

Through its strategic partner the PharmAccess Foundation, the Medical Credit Fund provides support services or technical assistance (TA) to healthcare facilities in two phases: before and following the loan approval. Before the loan approval, the TA is focused on assessing the clinical and business risks of a healthcare facility. Following the loan approval, the support services aim to help the healthcare facility improve its clinical quality, enhance business and management skills, and support business growth.

Although the two are interlinked, the TA is roughly divided into standardized support services related to clinical quality improvement, and business development support services to improve a healthcare provider's business. For larger investments (> USD 100,000), especially in the case of construction projects, more tailored support is often required to mitigate repayment risks.

Pre-loan approval phase
The loan preparation process starts with a SafeCare Assessment based on which a Quality Improvement Plan (QIP) is prepared. The SafeCare methodology is central to the Medical Credit Fund's objective to assess the clinical risks of a healthcare facility and to improve the quality of care. SafeCare is a comprehensive and internationally (ISQua-) accredited system to assess quality and provide guidance and support for quality improvement. (See Annex 1 for more information on SafeCare.)

The QIP lists high-risk areas that need to be addressed as a prerequisite for receiving funding, e.g., renovations, medical equipment or ICT hardware and software. Most activities in a QIP, however, are "no-budget activities," which means that they need no investments to be implemented, such as the implementation of Standard Operating Procedures (SOPs), the implementation of a hand washing policy, the formation of a quality improvement team, and the development of job descriptions.

Post-loan approval phase
Every six months the clinical and business performance of an investee is monitored during a Monitoring & Evaluation (M&E) site visit, performed by one of the technical support staff employed by PharmAccess or one of its technical partners. During these visits, progress on a number of Key Performance Indicators is registered, such as the number of patient visits per month, the number of prescriptions issued and revenues collected. Technical support also registers in which areas the healthcare facility needs additional support.

For small loans this process is more or less standardized, with healthcare providers attending business trainings and receiving coaching from regional relationship managers employed by PharmAccess. For larger loans, external expertise may be hired for specific subjects. For non-healthcare providers, the technical assistance in relation to quality improvement will be tailored to the specific business. For pharmaceutical distributors for example, a program towards Good Distribution Practice or ISO certification might be warranted. For medical education, links to international accreditation bodies and universities could be established with accompanying technical assistance. Via partners in the PharmAccess Group an extensive network of companies and institutions are available that can provide the necessary TA.

4.2 PARTNERS

The partnership with financial institutions (banks and other financial institutions) is instrumental for the Medical Credit Fund to reach its intended impact. First, one of the objectives is to attract these partners to the health sector and leverage with funds from commercial capital. Second, the partnerships allow the Fund to make use of the extensive branch networks of these financial partners to reach scale and expand its impact. As part of this strategy the Medical Credit Fund trains the staff of financial partners on investing in the health sector and works closely with these institutes during due diligence and thereafter.

As of 2015 the management of TA to healthcare facilities is largely managed and performed by the Fund's strategic partner PharmAccess. In Kenya, Ghana, and Nigeria, PharmAccess partners with KMET and local social franchise organizations for the provision of TA through the AHME program. In Tanzania through the HDIF partnership, PharmAccess works with the Association of Private Health Facilities in Tanzania APHFTA, PRINMAT and Christian Social Services Commission (CSSC), to provide TA to 400 healthcare facilities. See Annex 1 for an overview of the AHME and HDIF programs.

For the larger investments, the Medical Credit Fund and PharmAccess are increasingly working with both local and international consultancy companies and training institutions to provide tailor-made assistance. With regard to health infrastructure development, AMPC, a Dutch health sector consultancy firm, also plays a role in training the Fund's own staff and local consultants. In Kenya a program has been set up that trains a pool of consultants to provide coaching and consultancy services to healthcare managers. The program also encompasses executive healthcare management courses in collaboration with the Strathmore University.

4.3 ACTIVITIES AND RESULTS

Activities

Activities in 2016 have led to the following outputs:

Exhibit 11 MCF activities

	2010	2011	2012	2013	2014	2015	2016	TOTAL
Trained medical professionals	**4**	37	189	115	55	418	398	**1,216**
Trained bank staff	-	-	48	95	55	1,126	515	**1,839**
Business Assessments approved	**4**	104	224	395	351	301	358	**1,737**
FSafeCare assessments	-	69	124	179	99	208	203	**882**

Next to the existing trainings in quality improvement and business skills, more than 100 health SME managers participated in the comprehensive management capacity building program referred to above, which includes executive healthcare management courses at the Strathmore Business School. In 2016 the Medical Credit Fund started to operationalize expert advisory services to clients.

Results

The Medical Credit Fund measures its developmental results using the SafeCare baseline and follow-up assessments of each healthcare provider. These assessments provide insight into the overall performance and hence improvement of a healthcare facility 6 to 12 months after it has received a loan and TA.

When categorizing the results by range of improvement, three groups of facilities can be identified as follows:

- A total of 46% of the facilities managed to improve substantially (>10 points on a scale of 100). They can serve as examples for others. Moreover, they can be used for introducing and testing new initiatives or innovations.

- A second group, comprising 25% of the facilities, showed moderate progress and is likely to improve more with additional support.
- The remaining 28% were not able to improve and may even have shown a decrease. Staff changes and limited commitment of staff to the quality improvement process turned out to be factors contributing to the poor score. Sustaining higher quality levels throughout the facility also appeared challenging.

MINI-MBA WITH STRATHMORE BUSINESS SCHOOL

Working with Nairobi's Strathmore Business School, the Medical Credit Fund developed two Managing Healthcare Business curricula: a four-week Executive Course for academically schooled healthcare managers as well as an entry-level, one-week foundation course for clinical officers, nurses and midwives. With the support of the Dutch government's FDOV program, it also developed and provided a basic course at a lower cost, designed for managers and owners of healthcare facilities operating in the mid and lower segments of the market.

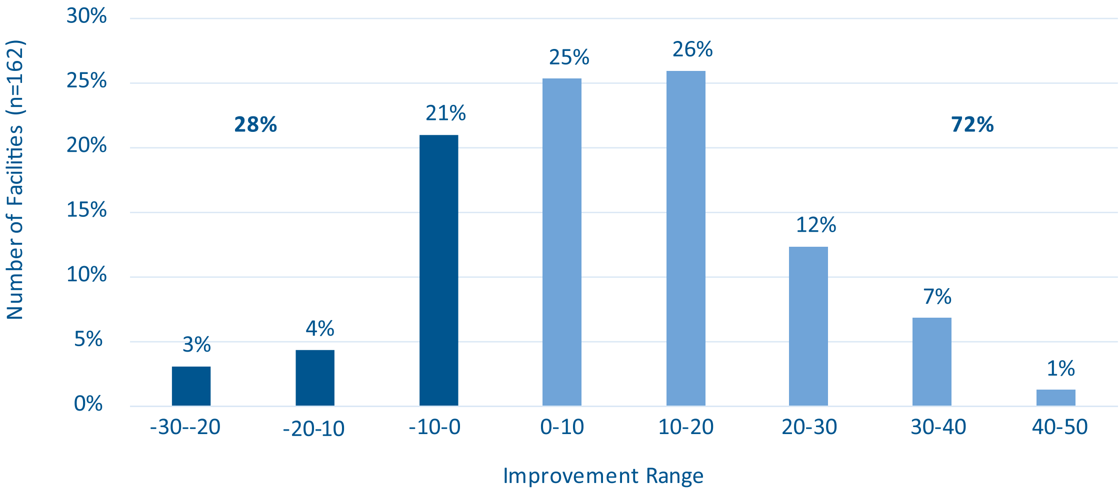
So far, the Fund has celebrated the graduation of 107 participants, also of public hospitals, of two foundations courses and one executive course. It is expected that several counties will include both the Foundation and the Executive course in their 2017 staff-training curriculum.

Testimonials

"Now, in developing my growth strategy I act on the lessons learned from case studies. I have also acquired knowledge on how to raise capital, with equity and funding. It has been very beneficial to listen to the coach's feedback and tap his experience."
- Dr. Ken Okoth, owner and manager of Ruai Family Healthcare Centre, Kenya.

"Our CEO, an alumni of the Executive course, found it strategic to enroll me and other staff into the courses of Managing Healthcare Businesses because she believes that together we will make the relevant adjustments that we learned at the course."
- Margaret Okiro, Administration Manager, Siloam Hospital Kericho, Kenya.

Exhibit 12 Improvement range of healthcare facilities in the Medical Credit Fund Program



Next to its quality improvement programs the Medical Credit Fund has also invested in more business support-oriented support elements, such as business consultancy and the Healthcare Management courses at Strathmore. Although these results may be less tangible in terms of numbers, this form of assistance has led to valuable results for individual healthcare providers, and contributes towards their longer-term clinical and business objectives.

CHERANGANY NURSING HOME IN KITALE, KENYA

"After working with the Government of Kenya at the Ministry of Health, I started this facility in 1994 with 23 beds and six staff members," says Mr Jacob Kisang Kilimo, Director of Cherangany Nursing Home in Kitale, Kenya. "We provided outpatient and in-patient services to around 2,800 patients per month and we had a laboratory for tests."

Investments

"In 2011, we received and repaid our first KES 500,000 (USD 5,000) MCF/Sidian Bank loan, which we used for renovations, equipping our laboratory and stocking the pharmacy. The following year we applied for a larger loan and borrowed KES 4.2 million (USD 42,000). We used it to expand our maternity wing, construct a modern theatre, establish a dental and emergency unit, automate our systems and improve financial management and patient record keeping. Patient visits increased as we offered more services. From this growing cash flow we purchased a CT scan. Later we also applied for an additional loan to acquire an X-ray machine and other medical equipment such as an ultrasound machine."

Higher patient numbers, quality standards and patient and staff satisfaction

The financial and technical support has really changed the operations of Cherangany. "On our first SafeCare assessment in 2011 we scored 44 out of 100 points, which resulted in SafeCare level 1. On the last assessment in 2016 we scored 80 points, bringing us to level 3! Patient satisfaction has increased and the staff are happier in performing their duties because of regular training and getting more knowledge. Our patient flows increased from around 1,800 per day at time of the first loan to over 2,800 today and regular assessments ensure that our standards remain high. Cherangany has set a good standard in the community by providing better services."

5. Financial overview: income, expenditure and funding positions

5.1 RESULT ON LOAN PORTFOLIO

The Medical Credit Fund changed its functional currency to US dollar from the Euro at the start of 2016, because the majority of its funding is in US dollars. Over 2016, the Medical Credit Fund had a modest positive result of USD 84,836, up from USD 17,766 over 2015. This result has been largely negatively influenced by impairments on the loan portfolio and a lower interest income than expected.

The high impairments are caused by three factors. First, an increase in impairments followed from the increase in PAR90 to 4.7% from 3.2% last year. Second, the impairment increased due to a rise in the impairments on the exposure to Chase Bank in Kenya. The impairment increased to USD 274,845 from USD 225,883; an addition of USD 48,962. Third, new IFRS requirements resulted in additional provisioning.

Furthermore, the interest income has been subdued over the last half of 2016, due to the installment of an interest rate cap of 14% (Central Bank Policy Rate +4%) in Kenya. Before the interest rate cap, average interest rate on the Kenyan portfolio was about 18.4%. This has seriously affected the Fund's profitability and is expected to negatively impact interest income in Kenya.

Over 2016, financing costs increased due to the drawing of USD 6,050,000 from the financial close as of the end of the third quarter of 2016. Average costs of these borrowings are 3.92%. Average finance costs, however, are still relatively low as a large part is coming from zero cost grants.

The result on the foreign exchange (hedging and forex result on the loan portfolio – FX result) has been rising to a negative result of USD 261,187. This does seem high, but is in line with projected forex and hedging costs. The Medical Credit Fund projects a cost of around 10% of the funded portfolio size. The 2016 FX costs are about 6.5% of the average outstanding funded portfolio.

Exhibit 13 Results on Loan Portfolio

	2016 (USD)	2015 (USD)
Interest Income	618,950	429,262
Guarantee fee income	19,891	7,106
Interest on deposits	34,859	31,251
Result on investments	59,465	1,864
FX Loan Portfolio	(49,837)	(61,386)
Hedging result	(211,351)	6,182
GROSS INCOME LOAN PORTFOLIO	**471,977**	**414,278**
Amortized Mgt fees partner banks	(28,770)	(25,981)
Impairments loan portfolio	(212,406)	(68,307)
Impairments on Chase bank	(48,962)	(225,884)
Financial Guarantee Contracts costs	(12,659)	(18,539)
RESULT LOAN PORTFOLIO BEFORE FINANCING	**169,180**	**75,568**
Financing Costs	(116,927)	(75,628)
FX LA related cash balances/investments	32,583	24,712
FX Translation differences		(6,885)
RESULT	**84,836**	**17,766**

5.2 FUND MANAGEMENT

Over 2016 the Medical Credit Fund's core expenditure amounted to USD 1,819,965 from USD 1,257,633 last year. This has been fully funded by grants, resulting in a financial result on core operational activities of zero. The expenses can be split into the following categories:

Exhibit 14 Fund Management

COUNTRY/TEAM	AMOUNT (USD)
Amsterdam	1,261,766
Kenya	249,496
Tanzania	41,022
Ghana	132,107
Nigeria	121,589
Liberia	12,559
Rwanda	1,425
TOTAL	**1,819,965**

The rise in costs is mostly related to the expanded team, consultancy and legal costs following from the refinancing process USD 293,789. The increase in team capacity has been necessary to support the large increase in targets and to deal with the larger and more complex transactions following upon the expanded mandate.

Only a part of the expenditure related to third-party Technical Assistance Providers can still be found in the Profit and Loss Account (P&L) of the Medical Credit Fund following the transfer of TA activities to PharmAccess. An amount of USD 156,128 is related to the AHME program, largely concerns the expensing of the remaining deferred income balance of the FMO-BuZa Grant on Technical Assistance partners, and quality and business assistance to clinics. The TA expenditure for the healthcare providers ran mostly through the financial statements of PharmAccess. The Medical Credit Fund is committed to work with PharmAccess and other partners to raise funding for the TA to the healthcare facilities in its portfolio.

5.3 GRANT POSITIONS MEDICAL CREDIT FUND

The Medical Credit Fund's Grant Position was solid at the end of 2016. For 2017, management grants are comfortable with a grant position, reserves, and contracted income of over USD 2m. The first-loss position also remains very comfortable at USD 5.3m. This first-loss cushion is about 100% of the Medical Credit Fund's total credit exposure on loans. It is expected to grow by more than USD 2m as part of the third closing planned in 2017.

For 2017 and beyond, the Medical Credit Fund can find assurance in the contract between PharmAccess and the Dutch Government on a grant of EUR 76m (USD 83m) until 2023. In this grant, about USD 2m annually is earmarked for the Medical Credit Fund and improving access to finance for the healthcare sector. The objective is for the Medical Credit Fund to finance the management costs from the result on its portfolio, but some financial support over the medium term is required to build a sizeable portfolio in this difficult SME segment.

Exhibit 15 Grant Position

	CONTRACTED (31-12-2016) USD (1)	REALISED (CUM. 2012-2016) (USD 2)	Grant Position Buffer USD (1-2)
First-Loss	5,613,998	295,990	5,318,008
Technical Assistance	6,799,025	6,386,719	412,306
Management Costs	6,538,583	4,621,985	1,916,598
AHME	4,272,188	1,948,570	2,323,618
Unrestricted	204,490	-	204,490
TOTAL	**23,428,284**	**14,156,313**	**10,175,020**

5.4 TWO FUNDRAISING ROUNDS TO FUND NEW PRODUCTS AND MARKETS

The Medical Credit Fund piloted the potential of an expanded mandate in 2015 and through the first half of 2016 through A Seed Capital Facility, which was backed by a USD 1m grant from the Pfizer Foundation, a EUR 500,000 loan from the Dutch Good Growth Fund (DGGF), and a USD 3.5m loan from the Calvert Foundation. From the fourth quarter of 2015 until September of 2016, the ASC provided four loans for more than a total of USD 1.5m. At the close of the new fundraising round, the fund's second close (see next paragraph), those investments were transferred to the Medical Credit Fund. Furthermore, the grant capital from the Pfizer Foundation was transferred back to MCF and the loans from DGGF and the Calvert Foundation were repaid (Calvert re-invested the proceeds of this repayment into the Medical Credit Fund fund). Subsequently, the ASC was dissolved.

2016 close

On September 8th, 2016, the Medical Credit Fund completed its second fundraising round since its inception, signing loan agreements with the Overseas Private Investment Corporation, the Calvert Foundation, a Dutch Family Office, and a private foundation for a total of USD 17.45m. The first disbursement of USD 6m under these agreements occurred the following week. This transaction not only provided additional capital to the Fund, but it extended its time to deploy its capital (the "commitment period") to September 2019 and provided the increased flexibility described earlier.

2017 close

A next financing round of the Medical Credit Fund is planned for the first half of 2017. Lenders expected to participate in this close include the International Finance Corporation (IFC), the CDC Group, Agence Francaise de Developpement (AFD), the European Investment Bank (EIB), and three private lenders. The estimated size of this transaction is approximately USD 22m. The Medical Credit Fund also expects additional grants of first loss capital of about USD 2.2m from AFD and the World Bank, bringing its total capital available for lending to more than USD 45m.

6. Risk management and governance

6.1 CREDIT RISK MANAGEMENT

As a credit fund, the Medical Credit Fund is exposed to various financial risk types. Credit risk or repayment risk, foreign currency risk and liquidity risk are the most applicable. The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the healthcare providers in the program, and shares part of this repayment risk with its partner banks. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the banks and the Medical Credit Fund each use their own underwriting procedure.

The Medical Credit Fund uses a standardized business template to analyze the many aspects of a healthcare provider's business profile, market position, investment risk, bank account history, and financial statements. The template focuses on the specialized nature of the healthcare business, including clinical quality aspects. The credit analysis combines healthcare sector specifics with a thorough financial analysis, which is greatly valued by the Medical Credit Fund's partner banks. In turn, the Fund relies largely on the knowledge and handling capacity of the local bank partners for collateral valuation and perfection.

As the portfolio will increasingly comprise larger investments, the credit risk will increase. When appropriate the Medical Credit Fund provides tailored TA before its investment to enhance the investment strategy and mitigate risks. It also contracts external specialist advisors to do so.

Through its technical partners, the Medical Credit Fund performs semi-annual visits to healthcare providers. In case a client falls into arrears, there is a dual follow-up by both the bank's and the Medical Credit Fund staff. When needed clients are monitored more frequently. The Fund also holds monthly portfolio meetings at both the local offices and at its head office in Amsterdam to discuss arrears, write-offs, and the pipeline. Large loans (i.e., with a Medical Credit Fund credit exposure above USD 100,000) are reviewed by a credit committee. The credit committee consists of a minimum of three members, including at least one external committee member and one supervisory board member with veto power.

6.2 FOREX RISK, INTEREST RATES, AND LIQUIDITY MANAGEMENT

The foreign currency and liquidity risk are monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions and currency risk exposure, whereby an individual forex exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar.

Up until the end of 2016, the Medical Credit Fund only had hedges on KES: USD outstanding at a value of USD 2,550,000. Through these hedges, the Medical Credit Fund lowered its exposure on the Kenyan Shilling offset by a USD exposure. As Medical Credit Fund borrowings are also in USD, the Fund hedged the local currencies against the USD exposure instead of towards the EUR exposure.

Hedging costs are mostly driven by interest rate differentials between currencies, the so-called interest rate parity. When interest rates rise in local currency, the hedging costs of the respective currency will also rise, ceteris paribus. The costs of hedging for the Medical Credit Fund, therefore, are to be implicitly covered by the interest income that is earned on the Fund's local loan portfolio. Market inefficiencies and changes in expectations, however, can lead to discrepancies from this mechanism.

HEDGING IN KENYA

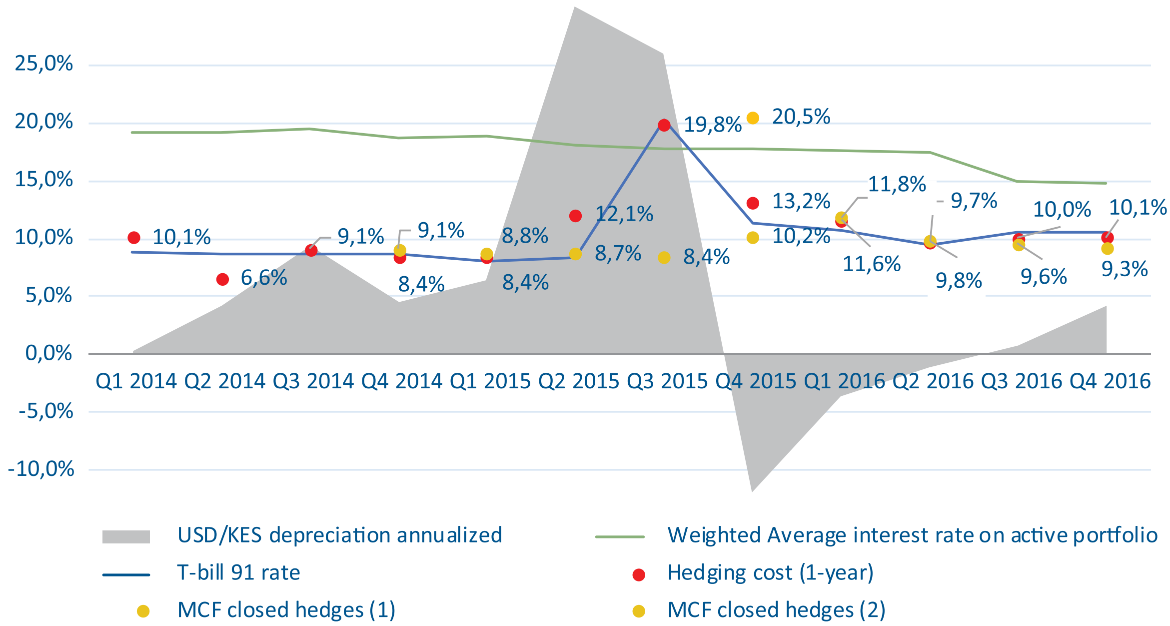
The graph below presents the hedging mechanism over the course of 2014-2016 and its relation to the interest rates developments in the local market.

The light blue line is the interest income percentage over the outstanding loan portfolio. The dark blue line refers to the T-Bill rate of the local currency, which is the reference rate of the hedging costs. The difference between these two lines can be viewed as the gross spread that is being made on the portfolio.

The red dots refer to the indicative quotes that the Medical Credit Fund has received from its hedging counterpart, MFX, whereby the yellow dots are actually hedges that have been closed. These are mostly in line with the prevailing interest rates in the market.

The grey area represents the annualized depreciation rate. If the grey area is above the yellow dots (and dark blue line), the hedging costs outweigh the benefits and if the grey area is below the dark blue line, the hedging costs are higher than the realized depreciation. With the benefit of hindsight, it becomes clear that it would have been preferable to remain unhedged.

Kenya T-bill 3-month rate versus Interest rate earned



As can be derived from the graph, over the course of 2016 the Fund's spread tightened. This is due to the interest rate cap imposed by the Kenyan government at 14%. Hedging costs have remained rather stable (around 10%), because of the stable forex development and T-bill pricing.

6.3 GOVERNANCE

The Medical Credit Fund operates within the scope of the PharmAccess Group, leveraging its existing networks, market knowledge and partners. Following the signing of a Support and Facility Agreement, PharmAccess has equipped a division, including all necessary support staff, which has, amongst other things, the delegated responsibility for the implementation of the Medical Credit Fund TA activities. In addition, PharmAccess's institutional infrastructure in the areas of human resources, administration, IT support, marketing and communication has been placed at the disposal of the Medical Credit Fund. It therefore can fully utilize and reap the benefits of PharmAccess's unique organizational health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities.

Over 2016, MCF had a Supervisory Board consisting of 5 members. The Supervisory Board has appointed an Audit Committee consisting of two of its members. Furthermore, the MCF has established a Credit Committee that reviews and approves all investments with a MCF credit exposure larger than USD 100,000. The Supervisory Board and Credit Committee are composed of a group of senior professionals, representing comprehensive experience in the health sector, non-governmental organizations, finance, investing and banking in Africa, and knowledge of healthcare in general and specifically in Africa.

During 2016, MCF had four supervisory board meetings and two audit committee meetings. During these meetings, the supervisory board reviewed and approved the activity plan, budgets and annual accounts. Furthermore, the progress of the fund in relation to its goals and ambitions was monitored and the challenges faced were deliberated. The supervisory board provided feedback on the proposed product developments with the aim to further innovate and to achieve the mission. The MCF Credit Committee reviewed a total of 16 proposals.

7. Outlook 2017

The Medical Credit Fund expects to strengthen its position as it goes forward. The market's potential is as strong as ever, and it can take more advantage of the opportunities it sees following the expansion of its mandate and after securing new funding for the next seven years. This enables the Fund to enter new markets and offer new products. A thorough analysis of the Medical Credit Fund's pipeline of the last two years also informs its approach for the coming years. In this gap analysis the Fund identifies a number of external and internal factors that hamper its results, some of them are beyond its control, others within its sphere of influence. External factors include vulnerability of the banking sector, limited commitment of some of its partner banks, and unpredictable political developments. Internal factors include the challenge of developing a retail product that appeals to the banks and potential clients alike, and the long processing time of certain loans, particularly the securitized loans.

7.1 STRATEGY AND EXPECTATIONS FOR 2017 AND BEYOND

In 2017, the Medical Credit Fund will benefit from the lessons learned from its operations up to now as well as capitalize on the market opportunities and investments in its resources in 2016 and 2017. The closing of the latest round of financing secured sufficient capital to finance Medical Credit Fund activities.

The Medical Credit Fund plans to focus on five P's – Partnerships, Place, Products, People and Portfolio:

- **Partnerships:** The Medical Credit Fund will develop new partnerships, launch the products that have been developed during the past year, and invest in local team capacity. It will cultivate the Medical Credit Fund portfolio, deepening its relationship with existing clients by issuing new loans to them. It will continue to seek partnerships with other financial institutions, not only commercial banks. This will allow the Fund to be more flexible with regards to security requirements, especially those involving collateral, which continues to be an obstacle to close deals in a timely manner, while continuing to ensure a high quality loan portfolio. It recently guaranteed a loan by TLG Capital, an emerging market investment fund, for a clinic in Liberia. In 2017, additional partnerships with new banks (Syndicated loans), investments funds (partially secured, less stringent collateral requirements) and other market parties (e.g., equipment leasing firms, MFIs) will be sought to i), expand loan distribution and recruitment channels (across SSA) and; ii), to increase resilience (to provide a buffer for unexpected circumstances).
- **Place:** Going forward the Medical Credit Fund will proactively seek and pursue opportunities in the growing healthcare markets in sub-Saharan Africa, outside of the four MCF countries. Uganda and Rwanda are the first countries it is focusing on. It is currently developing partnerships with partner banks and investment funds to jointly recruit large clients. Other markets in both West and East Africa are being explored. The first steps will be to study the markets in more depth and identify suitable financial and technical partners.
- **Product:** The Medical Credit Fund will focus on disbursement efficiency in the "factory" of small and medium loans, firstly boosting the numbers of loans in the range of USD 1,000-USD 200,000. This requires improvements in the loan products and marketing thereof with the bank partners, with clearly defined products that are easy to understand and appeal to bank branch officers. Secondly, loan processes should become much more efficient and swift, and focus more on and repeat loans from the existing portfolio. Thirdly, TA services should also become more efficient to keep them manageable and affordable on a large scale as well.
  A growing number of innovative products have been developed in 2016, such as the mobile cash advance payment and NHIS receivable financing. Work to date has set the stage for both of these products to further conquer the market in 2017, and the Medical Credit Fund will focus on making

each a success before expanding its product offerings to additional markets. Many opportunities are resulting from the digitalization of Africa's economies.

- **People:** To implement its ambitious agenda, the Medical Credit Fund is expanding its team with experienced professionals who have the capability and approach to grab the opportunities that its expanded mandate offers. It has hired a new managing director, Arjan Poels, who has vast experience in the financial sector in Africa. To capitalize on the opportunities in the vast Nigerian market, the Fund has hired a senior business development manager in Nigeria. The team of flexible field staff has also been strengthened, enabling the Fund to strengthen the teams in the markets that provide the most opportunities. In addition to hiring new staff the Medical Credit Fund will also continue to focus on building capacity of the existing teams. A structural training program has been implemented to train the teams in client management skills and in technical fields such as advanced medical equipment and construction finance.
- **Portfolio:** The Medical Credit Fund will cultivate its portfolio, focusing on generating new loans from existing clients. In particular, the Fund will capitalize on the opportunity to provide additional financing to its fast growing borrowers. These are borrowers who already know and appreciate the Medical Credit Fund and have proven themselves creditworthy. They are also known to the partner banks, and therefore can move through the loan processes more easily. Nothing is more satisfying than to see an enterprise that once received a modest loan from the Medical Credit Fund grow to be able to absorb larger and larger amounts of financing.

7.2 TECHNICAL ASSISTANCE

In line with the two track approach of offering standardized small loans and tailored larger loans, the TA program will follow the same route in future.

For the smaller loans the Medical Credit Fund will further standardize and where possible capitalize on the opportunities the digitalization of Africa's economies bring about for enhancing cost efficiency. The thorough revision of the SafeCare standards completed in 2016 (see Annex 1: SafeCare Standards) and the resulting "lighter" SafeCare basic assessment tool is a first step in this direction. Digitalization of the SafeCare tool is a next step that will enable distant monitoring (through self-assessment of clinics, etc.) and more targeted support at clinics (for example, a monitoring visit will only be planned when self-assessment shows that 80% of the improvement plan has been executed).

For the large loans the support provided will be more tailored. Where possible the Medical Credit Fund works with professional consultancy and Business Schools for expert advice and schooling in the field of hospital construction, advanced medical equipment management and hospital management. In Kenya the Medical Credit Fund has successfully developed integrated capacity building programs and it intends to do the same in Nigeria in 2017 in partnership with Enterprise Development Centre, which is part of Lagos Business School. The Fund has the ambition to build similar partnerships in other African countries. In Ghana, the Medical Credit Fund and PharmAccess will provide a training program for healthcare professionals, which has been accredited by the Medical and Dental Council. Accreditation means that participants obtain CME (Continuous Medical Education) points if successful, providing another incentive to join the program.

7.3 GOVERNANCE STRUCTURE

Economically effective as from January 1, 2017 the governance structure of MCF has been revised.

Background
The Stichting PharmAccess International was founded in 2001 and has since expanded into a group of organizations with closely related objectives and activities: the PharmAccess Group.

The PharmAccess Group has developed and grown significantly over the past years, with new initiatives and activities. Some of these were set up in separate legal entities and/or have an 'own' identity. This has been done for pragmatic reasons, but over time this has also resulted in some inefficiencies. Increasingly PharmAccess receive feedback that the coherence and inter-relationship is not always clear, which was also reflected in a report of the Boston Consultancy Group (2015). The Ministry of Foreign Affairs has requested a revised governance model proposal as a condition precedent under the renewed financing 2016-2022.

The key features of the new governance structure are:

All PharmAccess group entities will be managed by the same executive board. For this purpose a new foundation, PharmAccess Group Foundation (PGF), has been incorporated. The statutory responsibility for all PharmAccess group entities (i.e., Stichting PharmAccess International Stichting Health Insurance Fund, MCF, and Stichting SafeCare) is vested with PGF, represented by its executive board (statutair bestuur) under the supervision of one supervisory board, the PGF Supervisory Board.

Consequences for MCF

As a consequence, the existing supervisory board of MCF and the audit committee of MCF have been dissolved. Supervisory duties and responsibilities, and the roles and responsibilities of the previous MCF audit committee relating to MCF are assumed by the newly instituted supervisory board of PGF and its commitees, through supervision of PGF's executive board.

Annex 1 SafeCare standards

SafeCare has introduced standards to provide public and private health facilities with independent quality assessments. The standards are designed to help bridge the gap between today and a better tomorrow, bringing healthcare quality and patient safety to new levels. The SafeCare standards are accredited by the **International Society for Quality in Healthcare** (ISQua), the global leader in healthcare quality that “accredits the accreditors.” Built upon the Donabedian Model of healthcare quality, the SafeCare standards evaluate the structures and processes that guide the delivery of healthcare services. The SafeCare standards were designed specifically to target health facilities in low- and middle-income countries. These facilities operate in challenging environments that are often defined by staffing shortages, resource restrictions and inadequate infrastructure. Reaching international accreditation is often unattainable for these facilities. However, with technical support from SafeCare and its partner organizations, facilities will be equipped to move forward in a stepwise approach that can ultimately result in international accreditation.

SafeCare Service Elements

Management

- Management and Leadership
- Human Resource Management
- Parent and Family Rights and Access to Care
- Management Information
- Risk Management

Clinical

- Primary Healthcare Services
- Inpatient Care
- Operating Theater and Anaesthetic Services

Clinical support

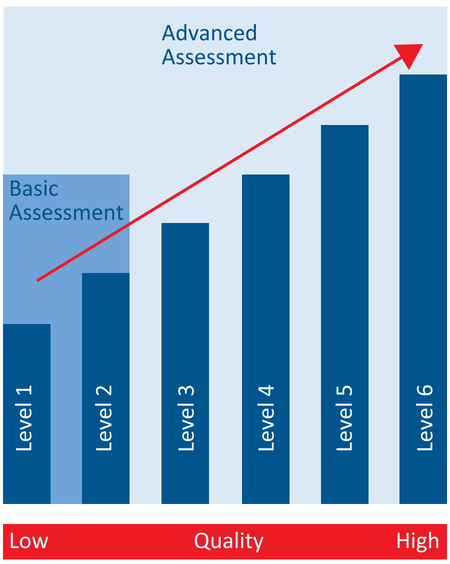
- Laboratory Services
- Diagnostic Imaging Services
- Medication Management

Ancillary

- Facility Management Services
- Support Services

The SafeCare standards cover the full range of clinical services and management functions, as well as infrastructural aspects and ancillary services (e.g., kitchen, cleaning and laundry), enabling a holistic view on all required components for safe and efficient healthcare service provision. The four broad categories are divided into 13 Service Elements (SEs), linked to separate management responsibilities within the healthcare facility. They are in turn represented by 170 standards to be assessed in order to check the level of compliance of the healthcare facility and to identify priority gaps.

SafeCare levels



SafeCare awards healthcare facilities with **Certificates of Improvement** reflecting the quality level, ranging from 1 (very modest quality) to 5 (high quality). The certification process aims to introduce a transparent, positive, and encouraging rating system, which recognizes that each step forward results in an improvement in quality.

The SafeCare Levels can be used for benchmarking of quality between healthcare providers, between regions and even between countries. The results can be used for decision-making on health system management, policy development, financial incentives, etc. The results of assessments are expressed in a score on a scale from 1-100.

In early 2016, a thorough revision of the SafeCare standards was concluded to incorporate lessons learned in the past years. The objectives were to:

- Simplify language and align standards text with scoring guidelines, ensuring objective and comparable scoring throughout organizations and countries.
- Reduce the number of measurable elements, deleting those that have proven redundant in this setting.
- Have a clearer two-tiered approach: a basic assessment tool for rapid, cost efficient screening of quality and an advanced assessment tool for more mature clinics on a journey towards excellence.
- Simplify rating methodology and improve on certificate level allocation allowing a smoother journey through levels as facilities improve in quality and to better achieve the mission of benchmarking and rating between providers of similar scope and services.

The introduction of a new Basic assessment tool allows a comprehensive assessment of all aspects of the healthcare facility, executed within 1 day, coupled with a standardized quality improvement plan to get a facility started on the quality improvement journey. This tool enables more efficient delivery of service and scaling, without compromising the SafeCare principles and methodology. Introduction of a scoring application on the mobile phone for on-site data entry and immediate dissemination of results will further support this.

Signing of the Management Board Report

Stichting Medical Credit Fund

By: non-statutory management board members of Stichting Medical Credit Fund

A.W. Poels, Managing Director

B.L.S. Schaap, Finance Director

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

O.P. Schellekens

M.G. Dolfing-Vogelenzang

J.W. Marees

Amsterdam, The Netherlands, April 28, 2017

FINANCIAL STATEMENTS

Financial statement of financial position as at 31 December 2016

(USD)	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Loan Portfolio	1,2,19	1,768,252	1,299,469
Investments	3	505,348	470,689
Deposits non-current	4	71,810	43,813
Total non-current assets		**2,345,410**	**1,813,971**
Current assets			
Current Portion of Loan Portfolio	1,2,19	1,461,161	693,249
Receivables from Partner Banks		281,173	144,573
Prepayments on projects - TA		-	-
Other receivables, prepayments and accrued income		218,020	110,208
Cash and cash equivalents	5,19	7,517,660	4,297,729
Deposits current	4	1,028,887	678,696
Derivative financial instruments	9	-	25,015
Total current assets		**10,506,900**	**5,949,469**
TOTAL ASSETS		**12,852,310**	**7,763,441**
EQUITY AND LIABILITIES			
Equity	6	**318,215**	**233,379**
Non-current liabilities			
Long-term debts	7	6,050,000	1,506,250
Total non-current liabilities		**6,050,000**	**1,506,250**
Current liabilities			
Current portion of long-term debts	7	-	518,750
Trade creditors		240,568	107,716
Deferred Income	8	5,833,887	5,246,160
Liabilities related to Projects		62,727	18,284
Taxes and social security contributions		17,564	7,827
Derivative financial instruments	9	114,914	-
Financial Guarantees	1,2	36,523	30,304
Other current liabilities and accruals		177,912	94,772
Total current liabilities		**6,484,095**	**6,023,812**
TOTAL EQUITY AND LIABILITIES		**12,852,310**	**7,763,441**

Statement of comprehensive income for the year ended 31 December 2016

(USD)	Note	2016	2015
Income projects	10	2,482,321	1,648,555
Interest Income on Loan portfolio	11	618,950	429,262
Income from Financial Guarantee Contracts	11	54,750	38,356
Total income		**3,156,021**	**2,116,174**
Project costs TA	12	(691,810)	(379,860)
Loan portfolio costs	11	(28,770)	(25,981)
Salaries and wages	13	(1,082,362)	(978,822)
Other operating expenses	14	(691,000)	(317,666)
Other gains and losses	15	(151,886)	8,046
Total operating expenses		**(2,645,828)**	**(1,694,283)**
Operating result before impairment of loan portfolio and financial guarantee contracts		**510,193**	**421,890**
Impairment of loan portfolio	11	(261,368)	(294,190)
Financial Guarantee Contracts costs	11	(12,659)	(18,539)
Operating result		**236,166**	**109,160**
Other finance income	16	9,732	25,955
Other finance expenses	17	(9,246)	(6,497)
Interest costs		(116,927)	(75,628)
Foreign exchange results	18	(34,889)	(35,225)
Total of finance income and finance costs		**(151,330)**	**(91,395)**
Result before taxation		**84,836**	**17,766**
Income tax expense		-	-
Result for the year	19	**84,836**	**17,766**
Other Comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**84,836**	**17,766**

Statement of changes in equity for the year ended 31 December 2016

(USD)	Note	Capital Accounts	Retained earnings	Result for the year	Total
Balance as at 1 January 2015	6	**-**	**215,613**	**-**	**215,613**
Result for the year		-		17,766	**17,766**
Allocation of result to other reserves		-	17,766	(17,766)	-
Balance as at 31 December 2015	6	**-**	**233,379**	**-**	**233,379**
Result for the year				84,836	**84,836**
Allocation of result to other reserves			84,836	(84,836)	-
BALANCE AS AT 31 DECEMBER 2016	**6**	**-**	**318,215**	**-**	**318,215**

Statement of cash flows for the year ended 31 December 2016

(USD)	Note	2016	2015
Cash flows from operating activities			
Result for the year		84,836	17,766
Adjustments for:			
Finance costs recognized		(116,927)	45,893
Fair Value change investment		(34,659)	(1,826)
FX result		(14,948)	(31,696)
Movements in working capital			
Loans		(468,783)	(510,073)
Current Portion of Loans		(767,911)	103,325
Receivables from Partner Banks		(136,600)	(107,317)
Other Current Assets and Liabilities		120,226	(40,478)
TA Projects		44,443	(123,246)
Trade Creditors		132,852	(63,017)
Social Security and Taxes		9,737	(1,561,024)
Deferred Income Realized		(2,482,321)	(1,561,024)
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(3,396,200)**	**(2,279,638)**
Interest paid		(140,484)	(74,085)
Paid Guarantees		-	-
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(3,536,684)**	**(2,353,723)**
Cash flows from investing activities			
Interest received on investments		24,806	24,161
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES		**24,806**	**24,161**
Cash flows from financing activities			
Deferred Income Received		3,070,049	2,599,659
Long-term loans provided		-	-
Movements in deposits (current and non-current)		(378,188)	48,639
Other long term assets and liabilities		4,025,000	
Net cash generated from financing activities		**6,716,861**	**2,648,297**
Net increase / (decrease) in cash and cash equivalents		**3,204,983**	**318,734**
Changes in FX on cash balances		14,948	129,353
Cash and cash equivalents as at January 1	5	4,297,729	3,849,641
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	**5**	**7,517,660**	**4,297,728**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

General information

Foundation

“Stichting Medical Credit Fund”, with its registered address at Trinity Buildings, building C, Pietersbergweg 17, 1105 BM Amsterdam, the Netherlands, hereinafter “MCF” or “the Fund”, was founded on 13 July 2009 as a Stichting (not-for-profit organization) in accordance with Dutch law.

Objectives

MCF was established in 2009 as the first fund in the world to provide a financing mechanism to private health care providers, such as clinics, hospitals, laboratories and pharmacies, in Africa.

The Fund aims to reduce the unknown risks of investing in primary healthcare, leading to increased transparency and trust so that the lower end of the health market becomes financeable and scalable. The Fund offers loans through local financial institutions to private primary healthcare providers serving low-income MCFs, combined with internationally certified clinical and business performance programs. The loans and Technical Assistance (TA) will be used to improve the quality of the health clinics, which will lead to expanded and improved healthcare services for more people.

Summary of significant accounting principles

General

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

Basis of presentation

These financial statements are prepared in accordance with IFRS under the historical cost convention as modified by the revaluation financial liabilities (including derivative instruments) at fair value through statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MCF’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the summary of significant accounting policies.

Application of new and revised IFRSs

MCF applied all new and amended standards and interpretations applicable to the year under review, as determined by the IASB, which took effect for the period commencing on 1 January 2016.

Effect of new financial reporting standards

MCF has early adopted IFRS 9 Financial Instruments and adopted the all relevant standards, amendments or interpretations in 2016, but these latter have had no effect on the financial statements.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets

Financial reporting standards not yet adopted

MCF is in the process of assessing the impact of the accounting standards that are issued but not yet effective. All applicable standards will be adopted in the financial statements in the period in which they become effective. The following standards and amendments are effective for annual reports beginning on or after 1 January 2017 and have not been early adopted by MCF:

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. MCF is still assessing the impact on its financial statements;
- IFRS 16 IFRS 16 Leases (effective 1 January 2019). This standard replaces the existing guidance in IAS 17 Leases and several interpretations (IFRIC 14, SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. MCF is assessing the potential impact on the financial statements;

The following amendments are considered to have minimal or no impact on the financial statements:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018);
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined);
- Amendments to IAS 7 Disclosure Initiative (effective 1 January 2017); and
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017).

Foreign currencies

The financial statements been drawn up in US dollars, which is the functional currency of MCF and the presentation currency for the financial statements. Assets and liabilities denominated in foreign currencies are translated at the official rates of exchange prevailing on the balance sheet date. Income and expenditure denominated in foreign currencies are converted at the rates of exchange prevailing on the transaction date.

Exchange rate differences due to exchange rate fluctuations between the transaction date and the settlement date or balance sheet date are taken to the profit and loss account.

Translation differences on the net investments in foreign subsidiaries and the related long-term financing are added or charged directly to the shareholders' equity of MCF through other comprehensive income.

The exchange rates used are as follows:

	2016	2015
TZS/USD closing rate	2,121.7	2,115.9
TZS/USD average rate	2,147.0	1,960.0
KES/USD closing rate	100.59	100.52
KES/USD average rate	99.92	96.33
GHC/USD closing rate	4.2349	3.8058
GHC/USD average rate	3.9327	3.7884
NGN/USD closing rate	303.04	197.29
NGN/USD average rate	258.16	195.51
EUR/USD closing rate	0.9491	0.9153
EUR/USD average rate	0.9018	0.8966

Critical accounting judgments and key sources of estimation

In the process of applying MCF's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

MCF's management has made an assessment of MCF's ability to continue as a going concern and is satisfied that MCF has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon MCF's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates and default rate assumptions.

Impairment losses on loans

MCF reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, MCF makes judgments about the credit quality, levels of arrears and borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Financial instruments

Impact of application of IFRS 9 Financial Instruments

MCF has early applied IFRS 9 in full in the current year in advance of its effective date. MCF has elected to not restate the comparative information, as the statement of financial position as at the beginning of the earliest comparative period in accordance with IAS 1.10(f) would not materially differ from it comparatives in per 31 December 2014. This is the result of minimal impacts on the loan loss provisions on the loans outstanding per 1 January 2015. The amounts calculated are close to nil and therefore considered immaterial.

The date of initial application is 1 January 2015. Accordingly, MCF has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2016 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2016. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2016 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

All of MCF's financial assets have been classified as debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

MCF has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires MCF to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires MCF to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost, and ii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires MCF to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), MCF is required to measure the loss allowance for that financial instrument at an amount equal to the 12-months ECL.

As at 1 January 2016, the directors of the Company reviewed and assessed MCF's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2015 and 1 January 2016.

The application of the IFRS 9 impairment requirements has resulted in additional loss allowance of USD 68,572 to be recognised in the current year.

IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss. MCF considered that this effect through other comprehensive income is immaterial.

The application of IFRS 9 has had no impact on the classification and measurement of the financial liabilities.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2015.

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
IAS 39 category: Loan Portfolio on Balance Sheet after impairments 2015						
Loan portfolio	217,518	2,008,297	12,920	-	-	2,238,736
Impairments	(14,484)	(180,877)	(13,249)	-	-	(208,610)
BALANCE AS AT 31 DECEMBER 2015	**203,034**	**1,827,421**	**(329)**	**-**	**-**	**2,030,126**

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
IFRS 9 category: Loan Portfolio on Balance Sheet after impairments 2015						
Loan portfolio	217,518	2,008,297	12,920	-	-	2,238,736
Impairments	(17,437)	(213,247)	(15,333)	-	-	(246,017)
BALANCE AS AT 31 DECEMBER 2015	**200,081**	**1,795,050**	**(2,412)**	**-**	**-**	**1,992,719**
ADJUSTMENT FOR IFRS 9 2015	**2,953**	**32,371**	**2,083**	**-**	**-**	**37,407**

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2016.

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
IAS 39 category: Loan Portfolio on Balance Sheet after impairments 2016						
Loan portfolio	144,000	3,107,574	434,913	-	-	3,686,487
Impairments	(33,314)	(341,573)	(13,615)			(388,502)
BALANCE AS AT 31 DECEMBER 2016	**110,686**	**2,766,001**	**421,298**	**-**	**-**	**3,297,985**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
IFRS 9 category: Loan Portfolio on Balance Sheet after impairments 2016						
Loan portfolio	144,000	3,107,574	434,913	-	-	3,686,487
Impairments	(34,763)	(398,648)	(23,663)	-	-	(457,074)
BALANCE AS AT 31 DECEMBER 2016	**109,237**	**2,708,926**	**411,250**	**-**	**-**	**3,229,413**
ADJUSTMENT FOR IFRS 9 2016	**1,449**	**57,075**	**10,048**	**-**	**-**	**68,572**

There were no financial assets or financial liabilities which MCF had previously designated as at FVTPL under IAS 39 that were subject to reclassification, or which MCF has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which MCF has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Financial assets and financial liabilities are recognised when a MCF entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are subsequently measured at FVTOCI:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period,to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

- Debt instruments that do not meet the amortised cost criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. MCF has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Impairment of financial assets

MCF recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

MCF always recognises lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on MCF's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, MCF recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, MCF measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, MCF compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, MCF considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, MCF presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless MCF has reasonable and supportable information that demonstrates otherwise.

MCF regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
MCF considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including MCF, in full (without taking into account any collaterals held by MCF).

Irrespective of the above analysis, MCF considers that default has occurred when a financial asset is more than 90 days past due unless MCF has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, MCF's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to MCF in accordance with the contract and all the cash flows that MCF expects to receive, discounted at the original effective interest rate.

MCF's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts by more than 30-days.	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL –credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and MCF has no realistic prospect of recovery.	Amount is written off

2015 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31 December2015							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	10000%	
Estimated total gross carrying amount at default	2,236,226	101,267.53	73,701.66	6,826.19	49,237.50	29,811.05	
LIFETIME EXPECTED CREDIT LOSS	**(34,369)**	**(3,038)**	**(14,740)**	**(2,389)**	**(24,619)**	**(29,811)**	**(108,967)**

2015 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31 December- 015							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	3,837,923	363,261	29,888	111,882	135,645	110,827	
LIFETIME EXPECTED CREDIT LOSS	**(57,674)**	**(10,898)**	**(5,978)**	**(39,159)**	**(67,823)**	**(110,827)**	**(292,357)**

Financial liabilities and equity instruments

Classification as debt or equity

Debt instruments issued by MCF are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are not issued by MCF.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities
MCF derecognises financial liabilities when, and only when, MCF's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments
MCF enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. MCF has one foreign exchange forward contract and two cross currency swap contracts on Kenyan Shilling outstanding.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash
Cash on hand, non-restricted current accounts with banks and amounts due from banks on demand.

Deferred income
Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

From the date of signing the grant agreement, the grant is disclosed in the off-balance sheet items. The grant agreement has then the status of 'Contracted'.

Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Statement of Comprehensive Income
Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements of the period to which they relate.

Income Projects
Income projects are recognised by reference to stage of progress of the projects and eligible project costs for which grants are received or receivable. The project costs are recognized as they occur; subsequently the Deferred Income is transferred into Income Projects as realised grants.

Interest income
For all outstanding loans, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Management fees banks
Management fees banks relate to fees payable to banks for services related to the outstanding loan portfolio. Management fees are payable up front and subsequently amortized over the life of the loans they relate to.

SPECIFIC ITEMS OF THE BALANCE SHEET

1. LOAN PORTFOLIO

1.1 Loan Portfolio and Guarantee Agreements at partner banks

MCF has two types of agreements with its partner banks: a Funding Agreement and a Guarantee Agreement. Under a Funding Agreement, the MCF (partially) funds the loan and shares in the risk and interest income over the funded portion. Under the guarantee agreement, MCF provides a credit guarantee on the loans and backs this through a USD deposit or investment at the partner bank. Under a Guarantee Agreement MCF received a guarantee fee and interest on the deposit account or investment. The outstanding exposures under the Guarantee Agreements are classified as off-balance sheet items or as a liability on the balance sheet. As according to IFRS, these on-balance items are not included in the loan portfolio as per the Balance Sheet of MCF.

The table below summarizes MCF's Loan Portfolio at 31 December 2016 and also shows the loans issued to clinics by the banks under the guarantee agreement. The amounts for the Loan Portfolio presented are further specified in the tables following this table.

(USD)	Funding Agreements	Guarantee Agreements	Funding Agreements	Guarantee Agreements
	2016	**2016**	**2015**	**2015**
Total outstanding loans to Clinics	8,819,315	1,459,736	4,267,125	852,911
Total outstanding loans Funded Banks	4,229,889	1,459,736	1,770,056	852,911
OUTSTANDING LOANS UNDERWRITTEN MCF	**4,589,426**	-	**2,497,069**	-
Reclassification -transfers to/from banks	(902,939)		(258,333)	
LOAN PORTFOLIO MCF BEFORE IMPAIRMENTS	**3,686,487**		**2,238,736**	
Loan Portfolio MCF – non-current portion	2,095,945		1,455,062	
Loan Portfolio MCF – current portion	1,590,542		783,673	
Impairments – non-current portion	(327,693)		(155,593)	
Impairments – current portion	(129,381)		(90,424)	
LOAN PORTFOLIO MCF AS PER BALANCE SHEET	**3,229,413**		**1,992,719**	
Loan Portfolio MCF – non-current portion	1,768,252		1,299,469	
Loan Portfolio MCF – current portion	1,461,161		693,249	

Outstanding Loans Underwritten MCF

This represents all loans that contractually are to be funded by MCF. The total outstanding loans to clinics are the outstanding loans actually funded by MCF and Partner Banks, combined.

Loan Portfolio MCF

The Loan Portfolio of MCF is defined as the sum of all cash transactions between MCF and the partner banks. Exposure to the loan portfolio is only increased (diminished) when backed by an effectuated cash transfer from MCF to its partner bank (and vice versa). The reclassification represents the difference between the contractual obligation of both parties on payments to be made on the outstanding principal and the actual effectuated cash transfers.

1.2 Loan Portfolio as per balance sheet

The tables below show the roll forward of the Loan Portfolio outstanding as per balance sheet, before taking into account impairments:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Total Loans						
Balance as at 1 January 2015	309,868	1,307,306	7,482	-	-	1,624,656
Cash funding to partner banks on loans underwritten	137,828	1,549,348	-	-	-	1,687,176
Payments on instalments received from partner bank	(193,588)	(832,556)	-	-	-	(1,026,144)
Loans Written Off	(3,852)	3,079	5,964	-	-	5,191
Exchange rate result	(32,738)	(18,880)	(526)	-	-	(52,144)
BALANCE AS AT 31 DECEMBER 2015	**217,518**	**2,008,297**	**12,920**	**-**	**-**	**2,238,735**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Total Loans						
Balance as at 1 January 2016	217,518	2,008,297	12,920	-	-	2,238,735
Cash funding to partner banks on loans underwritten	83,068	1,756,105	1,047,738	-	-	2,886,911
Payments on instalments received from partner bank	(139,470)	(644,371)	(620,377)	-	-	(1,404,218)
Loans Written Off	(16,519)	(11,041)	(4,059)	-	-	(31,619)
Exchange rate result	(597)	(1,416)	(1,309)	-	-	(3,322)
BALANCE AS AT 31 DECEMBER 2016	**144,000**	**3,107,574**	**434,913**	**-**	**-**	**3,686,487**

For the Loans the carrying amount represents a reasonable estimate of their fair values. The fair values are determined in accordance with level 3 of the fair value hierarchy and based on a discounted cash flow analysis with the most significant inputs being the credit risk of counterparties. The tables below show the split of the Loan Portfolio into current and non-current portions, before taking into account loan loss provisioning:

1.3 Loan Portfolio including impairments as per balance sheet

The tables below show the split of the Loan Portfolio into current and non-current portions, after taking into account loan loss provisioning:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Current Portion of Loan Portfolio on Balance Sheet after impairments 2015						
Loan portfolio current portion	125,006	645,747	12,920	-	-	783,673
Impairments	(16,049)	(62,638)	(11,737)	-	-	(90,424)
BALANCE AS AT 31 DECEMBER 2015	**108,957**	**583,109**	**1,183**	**-**	**-**	**693,249**

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Non-current Portion of Loan Portfolio on Balance Sheet after impairments 2015						
Loan portfolio non-current portion	92,512	1,362,550	-	-	-	1,455,062
Impairments	(1,388)	(150,610)	(3,596)	-	-	(155,593)
BALANCE AS AT 31 DECEMBER 2015	**91,124**	**1,211,940**	**(3,596)**	**-**	**-**	**1,299,469**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Current Portion of Loan Portfolio on Balance Sheet after impairments 2016						
Loan portfolio current portion	118,991	1,051,908	419,643	-	-	1,590,542
Impairments	(30,234)	(75,697)	(23,450)	-	-	(129,381)
BALANCE AS AT 31 DECEMBER 2016	**88,757**	**976,211**	**396,193**	**-**	**-**	**1,461,161**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Non-current Portion of Loan Portfolio on Balance Sheet after impairments 2016						
Loan portfolio non-current portion	25,009	2,055,666	15,270	-	-	2,095,945
Impairments	(4,529)	(322,951)	(213)	-	-	(327,693)
BALANCE AS AT 31 DECEMBER 2016	**20,480**	**1,732,715**	**15,057**	**-**	**-**	**1,768,252**

1.4 Loan Portfolio excluding impairments as per partner banks

The tables below show the Loan portfolio and receivables on principal payments from partner banks:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Loan Portfolio on Balance Sheet before impairments 2015						
Non-Current portion	92,512	1,362,550	-	-	-	1,455,062
Current portion	125,006	645,747	12,920	-	-	783,673
BALANCE AS AT 31 DECEMBER 2015	**217,518**	**2,008,297**	**12,920**	**-**	**-**	**2,238,736**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Loan Portfolio on Balance Sheet before impairments 2016						
Non-Current portion	25,009	2,055,666	15,270	-	-	2,095,945
Current portion	118,991	1,051,908	419,643	-	-	1,590,542
BALANCE AS AT 31 DECEMBER 2016	**144,000**	**3,107,574**	**434,913**	**-**	**-**	**3,686,487**

By end-of-year 2016, MCF had 184 active loans underwritten on its book: 13 in Tanzania, 134 in Kenya, 37 in Ghana and 0 in Nigeria. By end-of-year 2015, MCF had 161 active loans underwritten on its book: 19 in Tanzania, 127 in Kenya, 15 in Ghana and 0 in Nigeria.

1.5 Loan Portfolio underwritten to partner banks

The tables below show the roll forward of the total loans underwritten:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Total Loans underwritten						
Outstanding as at 1 January 2015	275,829	1,509,277	20,035	-	-	1,805,142
Exchange rate result on loan	(29,141)	(21,797)	(1,410)	-	-	(52,349)
Disbursed to clinics	135,606	1,436,476	245,218	-	-	1,817,300
Instalments from clinics	(183,125)	(781,233)	(113,858)	-	-	(1,078,216)
Loans written off	(3,852)	3,079	5,964	-	-	5,191
OUTSTANDING AS AT 31 DECEMBER 2015	**195,317**	**2,145,802**	**155,949**	**-**	**-**	**2,497,068**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Total Loans underwritten						
Outstanding as at 1 January 2016	195,317	2,145,802	155,949	-	-	2,497,068
Exchange rate result on loan	(536)	(1,513)	(15,801)	-	-	(17,850)
Disbursed to clinics	83,068	2,997,161	1,093,395	-	-	4,173,624
Instalments from clinics	(130,086)	(1,105,990)	(795,721)	-	-	(2,031,797)
Loans written off	(16,519)	(11,041)	(4,059)	-	-	(31,619)
OUTSTANDING AS AT 31 DECEMBER 2016	**131,244**	**4,024,419**	**433,763**	**-**	**-**	**4,589,426**

1.6 Loan Portfolio excluding impairments maturity per balance sheet

The tables below show the maturity of the Loan portfolio outstanding, before taking into account loan loss provisioning:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Loan Maturity						
Outstanding loans < 1 year	125,007	645,747	12,919	-	-	783,673
Outstanding loans 1 – 5 year	92,512	1,362,550	-	-	-	1,455,062
Outstanding loans > 5 year	-	-	-	-	-	-
OUTSTANDING AS AT 31 DECEMBER 2015	**217,519**	**2,008,297**	**12,919**	**-**	**-**	**2,238,736**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Loan Maturity						
Outstanding loans < 1 year	118,991	1,051,908	413,201	-	-	1,584,100
Outstanding loans 1 – 5 year	25,009	1,642,782	15,270	-	-	1,683,062
Outstanding loans > 5 year	-	412,884	-	-	-	412,884
OUTSTANDING AS AT 31 DECEMBER 2016	**144,000**	**3,107,574**	**428,471**	**-**	**-**	**3,680,045**

The tables below show the split between the types of loans the Loans Underwritten by the partner banks:

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Underwritten Loans per Loan Type as per 31 December 2015						
Entry Loans	-	9,086	-	-	-	9,086
Small Loans	1,524	88,850	8,709	-	-	99,082
Medium Loans	170,110	748,547	34,085	-	-	952,742
Mature Loans	23,683	1,299,321	78,235	-	-	1,401,238
Receivable Finance Loans	-	-	34,921	-	-	34,921
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2015	**195,317**	**2,145,803**	**155,949**	**-**	**-**	**2,497,069**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Underwritten Loans per Loan Type as per 31 December 2016						
Entry Loans	-	-	-	-	-	-
Small Loans	-	119,887	655	-	-	120,542
Medium Loans	83,578	584,449	22,010	-	-	690,037
Large Loans	47,666	1,761,532	44,082	-	-	1,853,280
Extra Large Loans	-	1,553,849	117,916	-	-	1,671,765
Cash Advance Loans	-	4,702	-	-	-	4,702
Receivable Finance Loans	-	-	249,100	-	-	249,100
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2016	**131,244**	**4,024,419**	**433,763**	**-**	**-**	**4,589,426**

Entry Loans are loans with amounts up to USD 6,000 or the local currency equivalent and have a term of 6-months. Small Loans have a maximum loan size of the local currency equivalent of USD 15,000 and a maximum term of three years. Medium loans have a loan amount range between the local currency equivalent of USD 6,000 and USD 50,000 and a maximum term of three years. Large Loans refer to loan sizes between USD 50,000 and USD 350,000 with a five-year term. Extra Large Loans have loan sizes over USD 350,000 and tenures up to ten years. The Medium, Large and Extra Large Loans are secured by tangible collaterals, like land, property, and marketable fixed assets. As of 31 December 2016, 36 Large or Extra Large Loans with an original disbursed amount larger than USD 100,000 were outstanding (28 in Kenya, 4 in Ghana, 3 in Nigeria, 1 in Liberia).

Besides the loan categories based on loan size and tenure, under the MCF program also the loan categories Receivable Finance Loan and Cash Advance Loan are being offered.

The Receivable Finance Loan has been introduced in Ghana in 2015, and aims to cushion the impact of the delayed and irregular payments under the National Health Insurance Scheme (NHIS). The Receivable Finance Loans are issued on the basis of approved claims and are to be repaid through the payments under the NHIS. MCF and its partner bank, however, remain to have full recourse to clinics if the payments under the NHIS are for whatever reason not received.

The Cash Advance Loan has been introduced in Kenya in 2016. This product has been developed in partnership with CarePay, a mobile exchange platform company that enables payment to healthcare facilities through mobile phones, using the M-Pesa mobile payment system. The Cash Advance Loan is a short term loan product that capitalizes on temporary working capital needs with tenure of less than 6 months, where repayments are automatically deducted from the incoming cash flow running over the mobile payment system.

1.7 Financial Guarantee Contracts

Over 2016, MCF impairments on the Financial Guarantee contracts increased by USD 6,219 to USD 36,523. The increase has been recognized as a cost in the Statement of Comprehensive Income and the total impaired amount has been classified as a Liability under the item Financial Guarantee Contracts on the Balance Sheet.

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Financial Guarantee Contracts on Balance as at 31 December 2015						
Total Loans outstanding guaranteed	17,564	-	89,838	745,509	-	852,911
Total Exposure on Loans outstanding guaranteed	13,173	-	71,453	476,031	-	560,657
Of which contingent liabilities	12,975	-	50,427	466,951	-	530,353
Of which on balance as Financial Guarantee Contracts	198	-	21,026	9,080	-	30,304

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Financial Guarantee Contracts on Balance as at 31 December 2016						
Total Loans outstanding guaranteed	180,075	-	148,585	886,477	244,600	1,459,737
Total Exposure on Loans outstanding guaranteed	90,037	-	103,746	585,753	146,760	926,296
Of which contingent liabilities	88,399	-	89,244	567,571	144,559	889,773
Of which on balance as Financial Guarantee Contracts	1.638	-	14.502	18.182	2.201	36.523

1.8 Risk on Loans

The key risks MCF is exposed to are credit risk, currency risk, and liquidity risk.

1.8.1 Credit risk

The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the healthcare providers in the program. The Medical Credit Fund shares part of this repayment risk with its partner banks. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the banks as well as the Medical Credit Fund use their own underwriting procedure.

The partner banks participate in the credit risk of between 20% and 25% for Small and Medium Loans and 50% for Mature Loans, but they do not participate in the credit risk on Entry Loans. This leads to the following credit risk exposure on MCF's Loans Underwritten and Financial Guarantee Contracts (after impairments). For Receivable Finance Loans, MCF is participating for 70% in the credit risk.

The Entry and Small Loans are secured by light collateral such as personal guarantees, and chattel mortgages. Medium and Mature Loans are secured by strong collateral, such as land, property, and marketable assets. The Receivable Finance Loans are covered by more than 125% worth of NHIS approved claims. The Cash Advance Loans are being secured by the revenues that are running over the CarePay platform and benefit from personal guarantees. .

Furthermore, the Medical Credit Fund runs a credit risk on its partner banks as the proceeds from the Loans are being collected by the partner banks.

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Exposure as at 31 December 2015						
Loans Underwritten	191,511	2,145,536	155,949	-	-	2,492,996
Financial Guarantee Contracts	13,173	-	71,453	476,031	-	560,657
TOTAL EXPOSURE	**204,684**	**2,145,536**	**227,402**	**476,031**	**-**	**3,053,653**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Exposure as at 31 December 2016						
Loans Underwritten	131,244	4,024,418	437,305	-	-	4,592,967
Financial Guarantee Contracts	90,037	-	103,746	585,753	146,760	926,296
TOTAL EXPOSURE	**221,281**	**4,024,418**	**541,051**	**585,753**	**146,760**	**5,519,263**

The following tables provide an overview of the risk profile of the Loans before impairments.

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Exposure on Loans not past due more than 30 days	187,504	2,033,015	168,094	473,991	-	2,862,603
Exposure on Loans past due more than 30 days until 90 days	3,730	56,013	32,269	2,040	-	94,052
Exposure on Loans past due more than 90 days until 180 days	-	49,238	1,681	-	-	50,919
Exposure on Loans past due more than 180 days	13,450	7,270	25,358	-	-	46,078
EXPOSURE AS AT 31 DECEMBER 2015	**204,684**	**2,145,536**	**227,402**	**476,031**	**-**	**3,053,653**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Exposure on Loans not past due more than 30 days	186,590	3,690,912	497,889	560,809	146,760	5,082,960
Exposure on Loans past due more than 30 days until 90 days	-	140,500	11,996	24,671	-	177,167
Exposure on Loans past due more than 90 days until 180 days	2,754	121,905	14,918	-	-	139,577
Exposure on Loans past due more than 180 days	31,937	71,101	16,248	273	-	119,559
EXPOSURE AS AT 31 DECEMBER 2016	**221,281**	**4,024,418**	**541,051**	**585,753**	**146,760**	**5,519,263**

All loans outstanding are unquoted as are the underlying counter parties.

1.8.2 Currency risk

The foreign currency risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its currency risk exposure, whereby an individual FX exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar.

Exchange rate exposure on financial assets, all loans plus cash positions and borrowings:

2015	TZS	KES	GHC	NGN	EUR	Total
Currency Exposure						
Funded Loans	217,518	2,008,297	12,920	-	-	2,238,736
Cash	12,789	139,717	10,492	481	910,941	1,074,420
Receivables	(9,065)	67,547	39,705	5,048	-	103,235
Borrowed Funds	-	-	-	-	(2,025,000)	(2,025,000)
Derivative Position	-	(1,850,000)	-	-	1,850,000	-
EXPOSURE AS AT 31 DECEMBER 2015	**221,243**	**365,562**	**63,117**	**5,528**	**735,941**	**1,391,391**

2016	TZS	KES	GHC	NGN	EUR	Total
Currency Exposure						
Funded Loans	144,000	3,107,574	419,783	-	-	3,671,357
Cash	15,782	92,283	89	2,544	186,933	297,631
Receivables	13,255	228,121	41,092	14,343	-	296,811
Borrowed Funds	-	-	-	-	-	-
Derivative Position	-	(2,550,000)	-	-	-	(2,550,000)
EXPOSURE AS AT 31 DECEMBER 2016	**173,037**	**877,978**	**460,964**	**16,887**	**186,933**	**1,715,799**

The analysis below calculates the effect of a substantial movement of the foreign currency rate against the USD, with all other variables held constant, on the statement of income and expenditure and the balance sheet. The functional currency for MCF is the USD. The 2015 and 2016 figures are not fully comparable as MCF has changed its functional currency to the USD over 2016 from the Euro over 2015.

2015	TZS	KES	GHC	NGN	EUR	Total
FX Exposure (20% depreciation)						
Effects on Loans	(43,504)	(401,659)	(2,584)	-	-	(447,747)
Effect on Cash	(2,558)	(27,943)	(2,098)	(96)	(182,188)	(214,883)
Effect on Receivables	1,813	(13,509)	(7,941)	(1,010)	-	(20,647)
Effect on Borrowings	-	-	-	-	405,000	405,000
Effect on Derivatives	-	370,000	-	-	(370,000)	-
TOTAL	**(44,249)**	**(73,111)**	**(12,623)**	**(1,106)**	**(147,188)**	**(278,277)**

2016	TZS	KES	GHC	NGN	EUR	Total
FX Exposure (20% depreciation)						
Effects on Loans	(28,800)	(621,515)	(83,957)	-	-	(734,272)
Effect on Cash	(3,156)	(18,457)	(18)	(509)	(37,387)	(59,527)
Effect on Receivables	(2,651)	(45,624)	(8,218)	(2,869)	-	(59,362)
Effect on Borrowings	-	-	-	-	-	-
Effect on Derivatives	-	510,000	-	-	-	510,000
TOTAL	**(34,607)**	**(175,596)**	**(92,193)**	**(3,378)**	**(37,387)**	**(343,161)**

A 20% appreciation of the currencies leads to exactly the same effect, but of an opposite nature in both tables; negatives become positives and vice versa.

1.8.3 Liquidity risk

The liquidity risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions for both local accounts and cash positions at head office.

Liquidity exposure further results from the cash flows from Borrowings and Financial Guarantee Contracts. We refer to note 7.3 for the maturity tables of non-derivative financial liabilities, and to note 1.7 for the Financial Guarantee Contracts.

2. PROVISIONING ON LOAN PORTFOLIO

2.1 Loan loss provisions on Loan Portfolio

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Balance as at 1 January 2015	24,955	9,146	4,584	-	-	38,685
Additions to provisions	(1,029)	64,108	5,104	-	-	68,183
Write-offs	(3,852)	3,079	5,964	-	-	5,191
Exchange rate result	(2,636)	(134)	(322)	-	-	(3,093)
BALANCE AS AT 31 DECEMBER 2015	**17,437**	**76,198**	**15,331**	**-**	**-**	**108,966**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Balance as at 1 January 2016	17,437	76,198	15,331	-	-	108,966
Additions to provisions	33,892	168,830	13,944			216,666
Write-offs	(16,519)	(11,041)	(4,059)			(31,619)
Exchange rate result	(48)	(54)	(1,553)			(1,655)
BALANCE AS AT 31 DECEMBER 2016	**34,762**	**233,933**	**23,663**	**-**	**-**	**292,358**

The additions to provisioning for 2015 and 2016 exclude Chase provisioning.

2.2 Financial Guarantee Contracts liabilities for partner bank loans guaranteed

2015 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
Balance as at 1 January 2015	-	-	9,807	1,960	-	11,767
Additions to liabilities	198	-	11,911	7,081	-	19,189
Paid Guarantees	-	-	-	-	-	-
Exchange rate result	-	-	(691)	40	-	(650)
BALANCE AS AT 31 DECEMBER 2015	**198**	**-**	**21,027**	**9,081**	**-**	**30,306**

2016 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2016	198	-	21,027	9,081	-	30,306
Additions to liabilities	1,441	-	2,047	12,270	2,201	17,959
Paid Guarantees	-	-	(6,442)	-	-	(6,442)
Exchange rate result	(1)	-	(2,130)	(3,169)	-	(5,300)
BALANCE AS AT 31 DECEMBER 2016	**1,638**	**-**	**14,502**	**18,182**	**2,201**	**36,523**

2.3 Provisions on partner banks

In April 2016, MCF's partner bank Chase Bank has been placed under receivership of the Central Bank of Kenya. As a result, the Medical Credit Fund has provisioned for its exposure to Chase Bank as of December 31, 2016.

(USD)	31 December 2016	31 December 2015
Impairments on MCF exposure Chase Bank, Kenya		
Impairment on funded loan portfolio	164,716	137,049
Impairment on MCF cash balances - KES	66,500	52,805
Impairment on MCF cash balances - USD	43,630	36,030
TOTAL	**274,845**	**225,884**

3. INVESTMENTS

As part of the Guarantee Support Agreement between MCF and FCMB (Nigeria), MCF is keeping a Nigerian Government Eurobond investment in an investment account at FCMB. The nominal amount of the investment is USD 485,000 with 5.125% coupon. Standard & Poor's credit rating for the Bond stands at B with stable outlook. The bond is rated B+- from Fitch with a negative outlook and and B1 by Moody's with a stable outlook. The fair market value of the bond is USD 505,348 and has an implied yield of 3.89%. The investment fair value is stated at the balance sheet. The fair value has been determined based on level 2 of the fair value hierarchy, as the fair value of the investment is based on quotes from independent brokers.

4. DEPOSITS

(USD)	31 December 2016	31 December2015
Current Deposits		
Deposits Tanzania - USD	-	50,000
Deposits Kenya - USD	112,970	100,000
Deposits Ghana - USD	729,056	528,696
Deposits Nigeria - USD	149,133	-
USBank - Interest Reserve Account USD	37,728	-
TOTAL CURRENT DEPOSITS	**1,028,887**	**678,697**
Non-Current Deposits		
Deposits Tanzania - USD	-	-
Deposits Kenya - USD	-	-
Deposits Ghana - USD	20,944	6,085
Deposits Nigeria - USD	50,867	-
USBank - Interest Reserve Account USD	-	37,728
TOTAL NON-CURRENT DEPOSITS	**71,811**	**43,813**

The non-current deposits in Ghana and Nigeria relate to the part of the deposit that serves as the collateral to non-current portion of credit guarantees outstanding. The remaining part of the deposit is classified as Current Deposits.

The USBank – Interest Reserve Account USD was reserved as collateral for MCF's first round of investors. These first round of investors have been repaid. MCF's current lenders do no require a Interest Reserve Account. At 31-12-2016, this amount was to be transferred to MCF and as such has been classified as a current deposit.

In 2016 the interest income on the deposit accounts amount to USD 36,002 with an average interest percentage of 3.5%. Over 2015 interest income on deposits was 3.7%.

5. CASH

(USD)	31 December 2016	31 December 2015
ABN-AMRO Euro accounts	222,704.20	3,066,761
ABN-AMRO USD accounts	5,984,741.90	605,969
Bank accounts Tanzania - TZS	15,781.65	12,789
Bank accounts Tanzania - EUR	15.81	4,062
Bank accounts Tanzania - USD	185,886.31	88,182
Bank accounts Kenya - KES	92,282.70	139,718
Bank accounts Kenya - EUR	-	874
Bank accounts Kenya - USD	789,068.80	191,186
Bank accounts Ghana - GHC	89.00	10,492
Bank accounts Ghana - EUR	-	81,886
Bank accounts Ghana - USD	224,442.00	94,987
Bank accounts Nigeria - NGN	2,544.08	481
Bank accounts Nigeria - EUR	-	-
Bank accounts Nigeria - USD	103.00	343
TOTAL CASH BALANCE	**7,517,659**	**4,297,729**

The balances of the bank accounts in Kenya are after the impaired amounts on MCF's cash exposure at Chase Bank: USD 66,450 on the balances in KES, USD 43,630 on the balances in USD.

6. EQUITY

Equity relates to those amounts that have no restriction regarding the purpose of expenditure, but for the objective of the Stichting. In 2016 Equity increased from USD 233,379 (EUR 213,611) to USD 318,215, equalling the positive result over 2016. The result has been assigned to the other reserves.

7. BORROWINGS

7.1 Summary of Borrowings

(i) Cumulative total borrowings attracted by MCF per 31 December 2016 amounts to USD 6,050,000 (31 December 2015: USD 2,025,000).

(ii) The total amount on borrowings is considered long term debt.

(iii) Interest bearing borrowings of USD 5,850,000 were attracted in September 2016. The current weighted effective interest rate on those borrowings is 3.92%. All These loans have a grace period on principal payments of three years.

(iv) The Loans are Senior to other debts outstanding.

The tables below show the amounts drawn from the committed debts.

Drawn & Received amounts	On Balance as of 31 December 2016		
as of 31 December 2016	**Long term**	**Short term**	**Total**
	USD	USD	USD
OPIC	2,100,000	-	2,100,000
Calvert Foundation	2,150,000	-	2,150,000
Private Investor	900,000	-	900,000
Private Investor	700,000	-	700,000
Private Investor	200,000	-	200,000
	6,050,000	**-**	**6,050,000**

The tables below show the amounts committed, without taking into account the amounts drawn thereof:

Committed amounts	USD	Term	Last Repayment Date	First Repayment Date
OPIC	7,000,000	Linear	2023	2019
Calvert Foundation	5,000,000	Linear	2021	2019
Private Investor	3,000,000	Linear	2023	2019
Private Investor (EUR 2,000,000)	2,250,000	Linear	2023	2019
Private Investor	200,000	Bullet	2019	2019
	17,450,000			

Fair Value of Borrowings	Effective interest rate 2016	Effective interest rate 2015	"Carrying Amount 2016"	"Carrying Amount 2015"	Fair Value 2016	"Fair Value 2015"
Interest Bearing	3.92%	4.13%	5,850,000	1,825,000	5,850,000	1,825,000
Non-Interest Bearing			200,000	200,000	170,094	170,065
TOTAL			**6,050,000**	**2,025,000**	**6,020,094**	**1,995,065**

The non-interest bearing loan has been discounted at the current effective weighted interest rate on interest bearing borrowings; 3.92%. The interest bearing loans are discounted as per the interest percentage payable on the loans and, as such, are valued at their par value.

7.2 Financial ratios and covenants

In the loan agreements with its lender group, MCF has agreed upon various loan covenants. The table below represents the applicable financial covenant ratios as of 31 December 2016 and which are based upon historical financial figures. As per the 31-12-2016, MCF was in compliance with all applicable covenants.

		Ratio 2016
(a)	At all times, MCF Credit Risk Exposure to loans with principal payments past due by more than 90 days, calculated in accordance with Accounting Standards, and, for the avoidance of doubt, excluding trailing twelve month write-offs, shall not exceed seven percent (7%) of MCF Credit Risk Exposure allocated to all loans.	4.7%
(b)	At all times during which MCF Credit Risk Exposure meets or exceeds $12,000,000, MCF Credit Risk Exposure to loans with an outstanding principal amount of $1,500,000 or greater shall not exceed sixty percent (60%) of MCF Credit Risk Exposure allocated to all loans.	N.A.*
(c i)	The Borrowers on a consolidated basis shall maintain at all times a ratio of Total Debt to First Loss Capital of not more than 7 to 1.	1.2 to 1
(c ii)	The Borrowers on a consolidated basis shall maintain at all times a ratio of Amortizing Debt to the aggregate of First Loss Capital, plus Bullet Debt so long as the bullet payment is scheduled after the Loan Maturity Date, plus all Subordinated Debt of not more than 6 to 1.	1.1 to 1
(c iii)	The Borrowers on a consolidated basis shall maintain at all times a ratio of Current Assets to Current Liabilities of not less than 2 to 1, in each case measured quarterly beginning with the fiscal quarter of the Borrowers ending immediately following the date hereof.	16.2 to 1
(d)	The Borrowers on a consolidated basis shall maintain at all times a ratio of Cash to Debt Service for the then immediately succeeding six (6) consecutive months of not less than 1.25 to 1.	64.8 to 1
(e)	During the Commitment Period, the Borrowers on a consolidated basis shall maintain at all times Cash on the balance sheet equal to at least ten percent (10%) of the Total Assets of the Borrowers, and following the Commitment Period, the Borrowers on a consolidated basis shall maintain at all times Cash on the balance sheet equal to the greater of seven percent (7%) of the Total Assets of the Borrowers or $2,000,000. Cash on the balance sheet excludes cash collateral held for hedging arrangements. No more than 20% of the Total Assets of the Borrowers shall be held by the Additional Borrowers.	58.5%
(f)	The Parent Borrower shall ensure that at the end of each of its fiscal quarters, beginning with its fiscal quarter ending immediately following the expiry of the Commitment Period, no more than twenty-five percent (25%) of the Total Assets of the Borrowers on a consolidated basis shall be invested in instruments of any one particular unhedged currency, provided, however, that the Borrowers on a consolidated basis shall be permitted to exceed this limitation with respect to investments in U.S. Dollar- and Euro-denominated or Euro-pegged currency instruments.	6.8%
(g)	At all times, the sum of the aggregate amount of the Total Assets of the Borrowers on a consolidated basis invested in unhedged currency shall not exceed fifty percent (50%) of First Loss Capital; provided, however, that the Borrowers on a consolidated basis shall be permitted to exceed this limitation with respect to investments in U.S. Dollar- and Euro-denominated or Euro-pegged currency instruments.	30.1%
(h)	At all times, the Borrowers' total exposure to an individual unhedged currency position should not exceed $1,250,000.	OK
(i)	MCF Credit Risk Exposure within a single country shall not exceed fifty percent (50%) of MCF Credit Risk Exposure allocated to all Loans, measured quarterly beginning with the fiscal quarter of the Borrower ending immediately following the expiry of the Commitment Period.	N.A. (72.9%)
(j)	The Borrowers on a consolidated basis shall maintain at all times a minimum amount of committed Restricted Grant Capital for Management Costs of at least 1.25 times the Projected Operating Deficit set forth in the current Fiscal Year annual operating forecast until the Borrowers reach breakeven inclusive of Results After Management Costs.	1.28
(k)	MCF Credit Risk exposure to a single Target Health Care Provider shall not exceed $1,250,000.	OK

*N.A.: Not applicable

7.3 Maturity Tables

The following table details MCF expected maturity for its non-derivative financial assets and liabilities. The table has been drawn up and based on the undiscounted contractual maturities of principal payments. The inclusion of information on non-derivative financial assets is necessary in order to understand MCF's liquidity risk management as the liquidity is managed on a net asset and liability basis.

(USD)

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2015			
Interest Bearing Liabilities	-	1,825,000	-
Financial Guarantee Contracts	30,304	-	-
Non-Interest Bearing	-	200,000	-
TOTAL	**30,304**	**2,025,000**	**-**

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2016			
Interest Bearing Liabilities		3,000,000	2,850,000
Financial Guarantee Contracts	36,523		
Non-Interest Bearing		200,000	
TOTAL	**36,523**	**3,200,000**	**2,850,000**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2015			
Outstanding Loans	693,249	1,299,469	-
Deposits	678,697	43,813	-
Investments	-	470,689	-
Cash Position	4,297,729	-	-
TOTAL	**5,669,675**	**1,813,971**	**-**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2016			
Outstanding Loans	1,461,161	1,355,369	412,884
Deposits	1,028,887	71,811	
Investments		505,348	
Cash Position	7,517,660		
TOTAL	**10,007,708**	**1,932,528**	**412,884**

8. DEFERRED INCOME

	31 December 2016	31 December 2015
	USD	USD
Deferred Income (USD)		
1 January	5,246,160	4,207,526
Grants Received	3,070,049	2,599,659
Grants realised and recorded as Project Income	(2,482,321)	(1,561,024)
31 DECEMBER	**5,833,887**	**5,246,160**

The tables below show the amounts contracted, received and realised grants amounts. The Deferred Income is the result from the Received amounts minus the Realised amounts. The balance between contracted and received indicates the off balance grant position.

2015 (USD)	Contracted	Received	Realised before 2015	Realised 2015	Deferred Income	Off Balance
	(A)	**(B)**	**(C1)**	**(C2)**	**(B -/- C1 -/- C2)**	**(A -/- B)**
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	4,614,095	3,594,545	295,990	-	3,298,555	1,019,550
TA	6,799,025	6,799,025	5,881,247	-	917,778	-
Management Costs	4,960,129	3,684,773	1,570,051	1,231,969	882,753	1,275,356
AHME	4,272,188	1,742,139	1,463,386	329,056	(50,303)	2,530,049
Unrestricted	204,490	197,377	-	-	197,377	7,113
TOTAL	**21,752,976**	**16,920,908**	**10,113,723**	**1,561,025**	**5,246,160**	**4,832,068**

2016 (USD)	Contracted	Received	Realised before 2016	Realised 2016	Deferred Income	Off Balance
	(A)	(B)	(C1)	(C2)	(B -/- C1 -/- C2)	(A -/- B)
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	5,613,998	5,441,455	295,990	-	5,145,465	172,543
TA	6,799,025	6,799,025	5,880,490	506,229	412,306	-
Management Costs	6,538,583	4,683,945	2,802,021	1,819,964	61,960	1,854,638
AHME	4,272,188	1,965,348	1,792,442	156,128	16,778	2,306,840
Unrestricted	204,490	197,378	-	-	197,378	7,112
TOTAL	**24,331,333**	**19,990,200**	**11,673,992**	**2,482,321**	**5,833,887**	**4,341,133**

* Compared to 2015 contracts with the Health Insurance Fund regarding TA for the period until 2014 have been excluded from MCF's books in 2016..

The table below depicts the grant position as of 31 December 2016, consisting of the off balance grant position and the deferred income position. The same balance can be derived by deducting total realised expenditure until end of 2016 from the amounts contracted.

2016 (USD)	Off Balance Sheet	Deferred Income	Grant Position
	(A)	(B)	(A + B)
Start-Up	-	-	-
First-Loss	172,543	5,145,465	5,318,008
TA	-	412,306	412,306
Management Costs	1,854,638	61,960	1,916,598
AHME	2,306,840	16,778	2,323,618
Unrestricted	7,112	197,378	204,490
TOTAL	**4,341,133**	**5,833,887**	**10,175,020**

The Off Balance Sheet and Grant Position on Management Costs are excluding the Grant funding available within the Health Insurance Fund Grant for the years 2018 – 2022. Within this Grant a yearly budget of up to EUR 2 mln. (USD 2.2 mln) for the objective of improving access to finance for health SMEs, which is the MCF objective. The exact yearly budgets are to be determined during the yearly activity planning and budgeting process within the PharmAccess Group, and finalized before November 1st prior to the budget year.

Deferred Income

Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

Contracted

From the date of signing the grant agreement, the grant is disclosed in the off-balance sheet items. The grant agreement has then the status of 'Contracted'.

Received

Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Realised

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Grant Position

The Grant Position is made up of all received and un-received funds minus all Realised expenses until end of reporting date. The Grant Position is all MCF's probable future income if MCF complies with the conditions attached to the received and un-received Grants.

The table below shows the total Grant amounts per grantor:

2016 Deferred Income Balance (USD)	Total	Private Donations	HIF	USAID	G20 SME Challenge	FMO – BUZA First Loss	FMO-BUZA Other	DGO / 2011	Pfizer Foun-dation	DFID / BMGF
Start-up	-	-	-	-	-	-	-	-	-	-
First-Loss	5,145,465	784,843	-	905,067	-	2,039,596	-	-	999,903	416,056
TA	412,306	15,159	-	-	340,808	-	56,338	-	-	-
Management Costs	61,960	4,919	(299,904)	-	235,919	-	5,488	115,539	-	-
AHME	16,778	-	-	-		-	-	-	-	16,778
Unrestricted	197,378	197,378	-	-	-	-	-	-	-	-
TOTAL DEFERRED INCOME	**5,833,887**	**1,002,299**	**(299,904)**	**905,067**	**576,727**	**2,039,596**	**61,826**	**115,539**	**999,903**	**432,834**
Received	19,990,200	2,242,968	5,723,940	1,000,000	2,500,000	2,185,080	2,185,080	771,825	999,903	2,381,404
Total Realised until 2015	(11,673,992)	(1,240,670)	(4,798,332)	(94,933)	(1,650,088)	(145,484)	(1,422,057)	(529,985)	-	(1,792,443)
Total Realised 2016	(2,482,321)	-	(1,225,511)	-	(273,185)	-	(701,197)	(126,301)	-	(156,127)
TOTAL DEFERRED INCOME	**5,833,887**	**1,002,298**	**(299,903)**	**905,067**	**576,727**	**2,039,596**	**61,826**	**115,539**	**999,903**	**432,834**
Contracted	24,331,333	2,250,080	7,578,577	1,000,000	2,500,000	2,185,080	2,185,080	771,825	999,903	4,860,788
Received	19,990,200	2,242,968	5,723,940	1,000,000	2,500,000	2,185,080	2,185,080	771,825	999,903	2,381,404
OFF BALANCE	**4,341,133**	**7,112**	**1,854,637**	**-**	**-**	**-**	**-**	**-**	**-**	**2,479,384**
GRANT POSITION (DEFERRED INCOME + OFF BALANCE)	**10,175,020**	**1,009,410**	**1,554,734**	**905,067**	**576,727**	**2,039,596**	**61,826**	**115,539**	**999,903**	**2,912,218**

9. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2016 MCF had four derivatives outstanding.

Derivative	Trade Date	Maturity Date	"Underlying value (KES)"	"Underlying value (USD)"	Value 31 December 2016 (USD)
Currency Swap	20-Nov-15	24-Nov-18	76,950,000	750,000	(11,136)
Non Deliverable Forward	2-Mar-16	4-Mar-19	71,075,000	500,000	(74,350)
Non Deliverable Forward	24-Aug-16	26-Aug-19	66,720,000	500,000	(20,991)
Non Deliverable Forward	8-Nov-16	8-Nov-18	97,136,000	800,000	(8,437)
			311,881,000	**2,550,000**	**(114,914)**

The fair value has been determined based on level 2 of the fair value hierarchy. The most significant inputs are the future cash flows based on forward exchange rates (observable rates) discounted at a rate that reflects the credit risk of the counterparty.

MCF does not apply hedge accounting.

Off balance sheet items

Financial Guarantee Contracts

31 December 2015 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	2,497,069	-	2,497,069
Credit Risk Exposure MCF	2,492,996	560,658	3,053,654
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**4,073**	**(560,658)**	**(556,585)**

31 December 2016 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	4,589,426	-	4,589,426
Credit Risk Exposure MCF	4,592,968	926,295	5,519,263
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**(3,542)**	**(926,295)**	**(929,837)**

Under the funding agreements in 2010-2012 loans have been disbursed for which MCF risk portion was lower than MCF funding portion. This causes MCF's credit risk exposure to be lower than the loan portfolio over which MCF runs a repayment risk. MCF has received credit risk guarantees from its Partner Banks.

Under the guarantee agreement, MCF provides a credit guarantee on the loans and backs this through a USD deposit at the partner bank. As the loan size increases the Partner Banks share in the repayment risk of the Loan Outstanding. For Loans larger than USD 50,000, risk is being equally between MCF and the Partner Bank.

Grant Positions

Refer to Grant Positions above for the off balance item regarding committed but not yet received grants:

(USD)	2016	2015
Start-Up	-	-
First-Loss	172,543	1,019,550
TA	-	-
Management Costs	1,854,638	1,275,356
AHME	2,306,840	2,530,049
Unrestricted	7,112	7,113
TOTAL	**4,341,133**	**4,832,068**

Notes to the specific items of the Statement of Comprehensive Income.

10. INCOME ON PROJECTS

Income projects are realised grants.

(USD)	2016	2015
Income on projects - related to Grants	2,482,321	1,593,544
Income on other projects		55,011
	2,482,321	**1,648,555**

11. RESULT ON LOAN PORTFOLIO AND GUARANTEES

11.1 Result on Loan Portfolio

(USD)	2016	2015
Interest income on Loan Portfolio	618,950	429,262
Management fees banks	(28,770)	(25,981)
Additions to loan loss provisions	(212,406)	(68,307)
Impairment on Chase Bank	(48,962)	(225,884)
Exchange rate result	(49,837)	(61,386)
Result Derivative Financial Instruments	(151,886)	8,046
	127,089	**55,751**

11.2 Result on Guarantees

(USD)	2016	2015
Income from Financial Guarantee Contracts	54,750	38,356
Increase in liabilities on Financial Guarantee Contracts	(12,659)	(18,539)
	42,091	**19,817**

12. PROJECT COSTS TA

(USD)	2016	2015
General TA	23,177	61,761
Tanzania	122,034	27,883
Kenya	372,166	125,867
Ghana	90,646	44,337
Nigeria	83,788	120,013
	691,810	**379,860**

Although in 2015 Technical Assistance activities have been centralized within PharmAccess and do not necessarily have to run through MCF's books, in 2016 still some TA expenditure has been recorded within MCF. An amount of USD 156,128 is related to the AHME program, USD 506,229 concerns the expensing of the remaining deferred income balance of the FMO-BuZa Grant.

13. PERSONNEL EXPENSES

(USD)	2016	2015
Salaries	668,374	539,183
Third party consultants	479,804	432,373
Social security contributions	51,959	70,722
Pension costs	27,248	38,777
Other personnel expenses/travel expenses	3,384	100,563
Coverage personnel expenses in Projects costs TA	(148,407)	(202,796)
	1,082,362	**978,822**

Travel expenses for personnel are included in the personnel expenses in 2015. For 2016, these expenses are included in other operating expenses. (see Note 14.)

14. OTHER OPERATING EXPENSES

(USD)	2016	2015
Legal Advise	178,373	110,209
Office Rent	11,377	11,470
IT costs	75,302	47,282
Audit costs	43,442	40,081
Travel Costs	85,995	-
Other office expenditure	124,808	48,033
Office expenditure third parties	95,208	60,592
Travel Costs third parties	76,495	-
	691,000	**317,666**

The higher operating expenses are due to fund raising costs, legal costs and a relabelling of the travel costs from personnel expenses to operating costs. Travel costs overall increased to the countries, amongst other for accommodating due diligence visits for lenders. Travel costs for personnel in 2015 are included in the personnel costs. (see Note 13)

15. OTHER GAINS AND LOSSES.

Other gains and Losses include the result on Derivatives and Investments.

The result on Investments (see Note 3) consists of interest received and changes in fair values of the instrument. The fair value change of USD 34,659 (USD 505,348 -/- USD 470,689) and the coupon interest amounts received (USD 24,806) have been recognized in the statement of comprehensive income under Investment Income (USD 59,465).

The result on Derivatives (Note 9) was -/- USD 211,351, consisting of a change in contract values of -/- USD 139,930 and settlement payments to/from MFX of -/- USD 71,421.

(USD)	2016	2015
Fair Value Changes on Investments	34,659	(22,799)
Interest Income on Investments	24,806	24,663
Result on Derivatives	-211,351	6,182
	(151,886)	**8,046**

16. OTHER FINANCIAL INCOME

(USD)	2016	2015
Interest on Cash Balances	9.732	25.955
	9.732	**25.955**

The interest income on loans and portfolio related deposits has been recognized under Interest Income on Loan portfolio and Income from Financial Guarantee Contracts (See Note 11).

17. OTHER FINANCIAL EXPENSES

(USD)	2016	2015
Other financial expenses	(116)	(41)
Banking costs	(9,131)	(6,455)
	(9,246)	**(6,497)**

18. FOREIGN EXCHANGE RESULTS

(USD)	2016	2015
FX Result Loan Portfolio	(49,837)	(61,386)
FX Result Cash Balances LA	32,583	123,714
FX Result Cash Balances TA	(17,636)	8,335
FX Result on Deposits	-	60,996
FX on Investments and Derivatives	-	51,306
FX Result on Borrowings	-	(211,304)
FX Translation Differences		(6,885)
	(34,889)	**(35,225)**

FX Translation differences is added due to the conversion from 2015 USD end year rate to 2015 USD average rate. The 2015 and 2016 figures are not fully comparable as MCF has changed its functional currency to the USD over 2016 from the Euro in 2015.

19. RESULT FOR THE YEAR

The net result consists of the financial result from MCF's loan portfolio and related financial income and expenses. This includes the result on MCF's loan book concerning both the funded and the guaranteed loans, the cost of borrowings, and the result on cash balances that are kept for the purpose of MCF's loan activities. Furthermore, this also includes all FX results that are related to the loan book, borrowings, and Loan Activity (LA) cash balances, investments, and deposits.

(USD)	2016	2015
Result on Loan Portfolio	127,089	55,751
Result on Guarantees	42,091	19,817
Interest Costs	(116,927)	(75,628)
FX on borrowings	-	(211,304)
FX on Cash Balances LA	32,583	123,714
FX on Deposits	-	60,996
FX on Derivatives	-	689
FX on Investments		50,617
FX Translation Differences		(6,885)
	84,836	**17,766**

20. SUBSEQUENT EVENTS

New governance structure

Economically effective as from January 1, 2017, the governance structure of Stichting Medical Credit Fund (MCF) has been revised.

Background

The Stichting PharmAccess International was founded in 2001 and has since expanded into a group of organizations with closely related objectives and activities: the PharmAccess Group. The PharmAccess Groups governance and the establishment of new entities was designed as a result of the outcome and consensus with the stakeholders in each fund. A balance had to be reached between alignment of the various activities to ensure maximum cross-pollination on the one hand and on the other hand separation to ensure the protection of the separate interests of different stakeholders. This resulted in separate legal entities for Stichting Health Insurance Fund – 2005, MCF – 2009 and Stichting SafeCare – 2015, in order to allow for separate control of the respective activities thereof, whilst having a certain partial overlap in board positions to allow for alignment.

Increasingly PharmAccess received feedback that the coherence and inter-relationship was not always clear, which was also reflected in a report of the Boston Consultancy Group (2015). In 2016, the Ministry of Foreign Affairs has requested the PharmAccess group to submit a revised governance model proposal. The proposal submitted by the PharmAccess group was well received and has been implemented with an economic effective date of January 1, 2017.

The key features of the new governance structure are:
Management: All PharmAccess group entities will be managed by the same executive board. For this purpose a new foundation, PharmAccess Group Foundation (PGF), has been incorporated. The statutory responsibility for all PharmAccess group entities (i.e., Stichting PharmAccess International, Stichting Health Insurance Fund, MCF, and Stichting SafeCare) is vested with PGF, represented by its executive board (statutair bestuur) under the supervision of one supervisory board, the PGF Supervisory Board.

Consequences for MCF

As a consequence, the existing supervisory board of MCF and the audit committee of MCF have been dissolved. Supervisory duties and responsibilities, and the roles and responsibilities of the previous MCF audit committee relating to MCF are assumed by the newly instituted supervisory board of PGF and its commitees, through supervision of PGF's executive board.

Outcome: new governance structure

The new governance structure of MCF as of January 2017 is described below.

MCF is managed by a management board (Management Board) consisting of two non-statutory management board members: a managing director and a finance director. The Management Board has broad general delegated powers to run the MCF day to day business.

MCF has one statutory board member, which is PGF. The statutory board takes such decisions and resolutions that are outside the scope of the Management Board's representation and decision powers.

MCF is supervised by the Supervisory Board of PGF (Supervisory Board). The Supervisory Board supervises the policies, processes, governance structure, management and the general affairs of the PharmAccess foundations governed by it, including MCF, through supervising the activities of its statutory board in its capacity of statutory board of the individual PharmAccess foundations.

The Supervisory Board has an audit committee (Audit Committee). The Audit Committee duties include to advise the Supervisory Board on the approval of the annual accounts and the annual budget of MCF.

The Supervisory Board has an MCF committee (MCF Committee). The MCF Committee undertakes preparatory work for the Supervisory Board's deliberations and/or decision-making relating to the activities and resolutions of MCF that require Supervisory Board approval, with the exception of the review of the annual report and the annual budget of MCF which will be reviewed by the Audit Committee.

MCF has a credit committee (Credit Committee). Responsibilities of the Credit Committee include approving large credit exposure, financial arrangements, and funding and guarantee arrangements with its financial partners. The Credit Committee consists of members of the Management Board and the Supervisory Board, and external experts.

OTHER NOTES

Number of employees

The average number of employees on the MCF payroll during the financial year 2016 was 4.4 (2015: 5.1).

Remuneration Director and Supervisory Board

The remuneration of Directors during the financial year 2016 amounted to USD 115,871. This remuneration consists of gross salary and a defined pension contribution:

(USD)	2016	2015
Gross Salary	106,272	235,052
Pension Contribution	9,599	24,438
TOTAL	**115,871**	**259,490**

The remuneration costs for individual Directors meet the WNT-norm and the standard DG-norm as set by the Ministry of Foreign Affairs. Both norms set an upper boundary for Board Member remuneration.

During the financial year, the board consisted of 2 directors of which one was on the MCF payroll.

Signing of the Financial Statements

Stichting Medical Credit Fund

By: non-statutory management board members of Stichting Medical Credit Fund

____

A.W. Poels, Managing Director

____

B.L.S. Schaap, Finance Director

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

____

O.P. Schellekens

____

M.G. Dolfing-Vogelenzang

____

J.W. Marees

Amsterdam, The Netherlands, April 28, 2017

Other information

Other information
Independent auditor's report

Reference is made to the independent auditor's report as included hereinafter.

Result appropriation for the year
The result for the year, USD 84,836 has been added to other reserves.

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Independent auditor's report

To the Management Board of Stichting Medical Credit Fund

REPORT ON THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL ACCOUNTS

Our Opinion

We have audited the financial statements 2016 of Stichting Medical Credit Fund, based in Amsterdam.

In our opinion the financial statements included in these annual accounts give a true and fair view of the financial position of Stichting Medical Credit Fund as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards .

The financial statements comprise:

1. The statement of financial position as at 31 December 2016.
2. The following statements for 2016: Statement of comprehensive income for the year ended 31 December 2016, Statement of changes in equity for the year ended 31 December 2016 and the Statement of cash flows for the year ended 31 December 2016.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Stichting Medical Credit Fund in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management of Stichting Medical Credit Fund for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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As part of the preparation of the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

The Management board is responsible for overseeing the foundation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 foundation's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management'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 foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.

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- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 28 April 2017

Deloitte Accountants B.V.

Signed on the original: A. Maalsté

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