

CORDAID ANNUAL REPORT 2016

FINANCIAL STATEMENTS

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ANNUAL ACCOUNTS 2016

INTRODUCTION

These financial statements reflect a detailed accounting of Cordaid's activities in 2016, described in the previous section of this annual report. The annual accounts are an integrated part of Cordaid's annual report.

2016 proved to be a difficult year in terms of finance and organization. In the first year without funding from the co-financing system of the Dutch government (MFS), Cordaid's funding strategy was mostly successful in terms of volume of funding. Only the fundraising amongst large private donors outside The Netherlands showed disappointing results. The level of cost recovery on these financing contracts was on average lower than anticipated. Consequently, not all organizational costs could be covered and a new drastic staff reduction of more than 30% of the workforce at the Head Office was announced in September 2016 for 2017.

The integration of the stand-alone administrations of the Country Office into one financial administration with its central database at Head Office in The Hague proved to be more challenging than expected. Parts of the 2016 administration in South Sudan and Central African Republic were lost during evacuation and a loot of the office. Combined with two reorganizations and the implementation of a new business model, the integration of the administrations and fixing the missing parts of the administration turned out to be a very lengthy process. As a consequence, the audited financial statements 2016 were only finalized in February 2018.

Despite these financial and organizational challenges, Cordaid raised a total income of €135.9m in 2016. This is €16.0m less than the previous year. The main factor causing this decrease is the drop of MFS income from € 29.9m in 2015 to only €0.5m in 2016, partly compensated by the Strategic Partnership contracts with the Dutch Ministry of Foreign Affairs and other donors like The Global Fund.

Overall spending on objectives amounts to €132.8m. The decrease in spending on objectives of €12.6m compared to 2015 is in line with and directly related to the decrease in total income from government grants and third-party campaigns. Total cost of generating funds amounts to €6.2m, only €0.1m higher than 2015. As part of the transition, Cordaid focused its funding strategy towards institutional donors, philanthropic foundations and big private donors. Consequently, the costs to secure government grants and third-party contributions increased with €1.0m. Generating more funds from the mentioned sources requires long-term investment in funding activities. The costs of our own fundraising activities among private donors decreased with €0.9m compared to the prior year. In August 2016, it was decided to cut the costs for fundraising for 2016.

Management and Administration costs went from €5.0m in 2015 to €3.6m in 2016. The decrease is caused by the staff reduction of beginning 2016. The savings were partly offset by the one-off costs for the redundancy provision for the staff reduction that was announced in September 2016.

The Statement of Income and Expenditure shows a negative balance of €6.7m. The negative balance consists mainly of €6.2m of uncovered organizational costs. Furthermore, a one-off addition to the reorganization provisions of €4.0m was done, a loss of €1.4m was realised on the social impact investment portfolio and an amount of. These losses were partly offset by a temporary surplus on semi-restricted and restricted funds of €4.9m.

Cordaid faced serious challenges in 2016 ending with a negative financial balance. This led to the decision to go through a second staff reduction. As a result, Cordaid came to a balanced budget for 2017.

The Hague, February 5, 2018

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

(after proposed appropriation of funds)

X € 1,000	NOTE	31/DEC/2016	31/DEC/2015
Assets			
Fixed assets			
Tangible assets	5	1,136	1,283
Financial fixed assets			
- Issued in connection with the objectives	6	62,705	55,279
- Investments	7	20,863	19,825
		83,568	75,104
Current assets			
Stocks for emergency aid	8	0	96
Receivables	9		
- Subsidies governments / organisations		11,336	22,593
- Receivable from inheritances		6,612	5,395
- Other receivables		6,103	1,772
- Interest receivable		908	753
		24,959	30,513
Cash and Bank	10	65,271	73,128
Total assets		174,934	180,124

X € 1,000	NOTE	31/DEC/2016	31/DEC/2015
Liabilities			
Reserves	11		
- Continuity reserve		5,887	9,875
- Tangible fixed assets reserves		0	1,283
- Earmarked reserves		3,984	8,795
		9,871	19,953
Funds	11		
- Restricted funds		715	1,470
- Semi-restricted funds		14,413	8,859
- Loans & guarantees fund		91,889	93,323
		107,017	103,652
Provisions	12	6,843	2,456
Non-current liabilities	13		
- Project commitments		0	1,176
Current liabilities	13		
- Project commitments		16,890	35,155
- Other current liabilities		34,313	17,732
		51,203	52,887
Total Liabilities		174,934	180,124

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 2016

X € 1,000	NOTE	2016	BUDGET 2016	2015
Income				
- Own fundraising	15	26,402	26,250	26,750
- Third party campaigns	16	9,366	18,062	12,414
- Government grants	17	96,322	95,033	109,573
- Gains on financial assets	18	2,004	4,343	2,133
- Investment income	19	1,420	826	211
- Other income	20	394	344	773
Total incoming resources		135,908	144,858	151,855
Resources expended				
<i>Spent on objectives</i>				
- Program costs:	21			
Health and Resilience		76,876	71,404	66,423
Humanitarian Aid		26,900	26,990	34,634
Security & Justice		7,024	16,450	14,723
Cordaid Netherlands		6,079	6,488	12,184
Education and Economic Opportunities		6,192	6,274	10,303
Investments		5,027	4,381	2,650
Other activities		1,052	0	-4
- Public information / awareness campaigns		3,680	4,487	4,561
		132,830	136,474	145,473
Cost of generating funds				
- Cost of own fundraising activities	22	3,680	4,487	4,561
- Cost of securing government grants	22	2,165	2,635	538
- Costs of obtaining income from 3 rd party campaigns	22	265	475	898
- Investment Costs	22	79	85	90
		6,189	7,683	6,087
Management and administration				
Management and administration cost	22	3,606	2,822	4,966
Total resources expended		142,625	146,979	156,526
Balance of funds		-6,717	-2,121	-4,671

APPROPRIATION OF THE FUNDS

The funds were appropriated as follows:

X € 1,000	2016		2015	
Appropriation of funds				
The balance of funds was appropriated as follows:				
Reserves				
- continuity reserve	-3,988		-2,400	
- tangible fixed assets reserve	-1,283		-62	
- earmarked reserves	-4,811		-2,120	
		-10,082		-4,582
Funds				
- restricted funds	-755		-2,509	
- semi-restricted funds	5,554		3,061	
- loans & guarantees fund	-1,434		-641	
		3,365		-89
Income from operating activities		-6,717		-4,671
		-6,717		-4,671

PERFORMANCE INDICATORS

In 2016 the following performance indicators were derived from the statement of income and expenditure:

PERFORMANCE INDICATORS	2016	BUDGET	2015
Ability to spend income on charitable activities			
- Income-to-spending ratio (% charitable activities vs. total incoming resources)	97.7%	94.2%	95.8%
Overall efficiency of the organization			
- Total program-to-spending ratio (% charitable activities vs. total resources expended)	93.2%	92.9%	92.9%
- Program-to-spending ratio (% of direct program costs vs total resources expended)	82.1%	85.5%	83.9%
- Program-management-to-spending ratio (% of program management costs vs total resources expended)	11.1%	7.3%	9.0%
- Fundraising-to-spending ratio (% of fundraising costs vs. total resources expended)	4.3%	5.2%	3.9%
- Management and administration ratio (% vs. total resources expended)	2.5%	1.9%	3.2%
Efficiency of fundraising			
- Fundraising ratio (% cost of generating funds vs. total incoming resources)	4.6%	5.3%	4.0%
- Own fundraising ratio (% cost of own fundraising activities vs. own fundraising)	13.9%	17.1%	17.1%

- **Income-to-spending ratio:** 97.7%. This is higher than last year (95.8%) and budget (94.2%). The lower income in 2016 is the main reason for the higher ratio. Spending on objectives was close to 100% of the generated funds, while the negative balance was mainly caused by uncovered organizational costs and additions to the reorganization provisions.
- **Program-to-spending ratio:** 93.2%. This ratio is marginally above budget and previous year (92.9%). Although total program expenditure is significantly below previous year and budget, especially savings on costs for own fundraising caused a similar decrease in other costs. As a consequence, the ratio is in line with budget and previous year.
- **Fundraising-to-spending ratio:** 4.3% (budget: 5.2%). The higher ratio compared to previous year (3.9%) is mainly caused by the investments done in the funding strategy, necessary to keep Cordaid's income at desired levels. The ratio is below budget due to the savings on the campaign costs for own fundraising, while the investments in funding strategy were already taken into account in the budget.
- **Management and administration ratio:** 2.5% (budget 1.9%). Lower program expenditure (related to the lower income) and higher other costs coming from the reorganization, cause a higher percentage of Management & Administration costs compared to budget. The lower percentage compared to 2015 is mainly due to the cost reductions coming from the reorganization of 2015 .
- **Own fundraising ratio:** 13.9% (budget: 17.1%). The ratio is below budget as a consequence of the savings made in costs of own fundraising, while income from own fundraising was in line with budget and previous year.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

The movement of the cash and cash equivalents is as following:

X € 1,000	NOTE	2016		2015	
Cash flows from operating activities					
Incoming resources	15-20	135,908		151,855	
Resources expended	21-22	142,625		156,526	
			-6,717		-4,671
<i>Adjustments for:</i>					
- depreciation fixed assets	5	432		391	
- changes in provisions	12	4,387		1,187	
			4,819		1,578
<i>Changes in working capital:</i>					
- Stocks for emergency aid	8	96		315	
- Receivables	9	5,554		23,721	
- Financial fixed assets (connected to the objectives)	6	-7,426		-3,100	
- Project commitments	13	-19,441		-18,996	
- Investments	7	-1,038		15,199	
- Other current liabilities	13	16,581		-8,269	
			-5,674		8,870
Cash flows from operating activities			-7,572		5,777
Cash flows from investing activities					
- Purchases of tangible assets	5	-285		-329	
Cash flows from investing activities			-285		-329
Cash flows from financing activities					
Receipts / repayments of long-term borrowings		0		0	
Cash flows from financing activities			0		0
Net increase/decrease in cash			-7,857		5,448

X € 1,000	2016	2015
Balance at 1 January 2016	73,128	67,680
Changes	-7,857	5,448
Balance at 31 december 2016	65,271	73,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL NOTES

1.1 Activities

Rooted in the tradition of the Catholic Social Teachings, Cordaid seeks to bring about a sustainable world and offer humanitarian aid through professional and efficient international development cooperation. Cordaid focuses on sustainable development relationships with partner organizations all over the world, regardless of faith, origin or political convictions. From this point of departure, Cordaid works in the fields of healthcare, humanitarian aid, disaster risk reduction, security and justice, education, economic opportunities, the provision of public information, lobbying and fundraising. Cordaid is open to cooperation with like-minded organizations.

Cordaid is a foundation. Its objectives as described in its Articles of Association are as follows (translated from the Dutch): *'In accordance with the evangelical message and inspired by the Catholic community in the Netherlands, the purpose of the foundation is to carry out activities focused on:*

- a. providing emergency and refugee aid;*
- b. providing aid to specific groups, such as the elderly people, the disabled and children;*
- c. providing medical aid; and*
- d. all aspects related to structural poverty relief of subordinated groups, especially in developing countries, and in Central and Eastern Europe and the Netherlands.'*

The consolidated annual accounts comprise the figures of the following foundations:

- Stichting Cordaid, The Hague
- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague
- Cordaid Investment Management BV, The Hague
- Corpav BV, The Hague

Stichting Cordaid Expats' objective is to employ expatriates working for Stichting Cordaid and has the same Board as Stichting Cordaid.

The Stichting Social Business Incubator's objective is to find, stimulate and develop new ideas that provide sustainable solutions for environmental problems, aimed at improving the quality of life of people living at the bottom of the income pyramid. The Chief Financial Officer of Stichting Cordaid is the chair of the Board of Stichting Social Business Incubator and has the final say in strategic decisions, according to the articles of the foundation. At the end of 2015, the Board of Social Business Incubator decided to terminate activities in 2016. Running projects will be finalized according to plan, but new activities will not be started. Final liquidation of the SBI is expected at the end of 2017.

Stichting Cordaid Participaties' objective is to invest through loans or participation in social enterprises worldwide. The foundation has the same Board of Directors as Stichting Cordaid.

Cordaid Investment Management BV has the objective to act as manager for one or more investment institutions. Currently Cordaid Investment Management BV manages the social impact investment portfolio of Stichting Cordaid. Stichting Cordaid holds 100% of the shares of Cordaid Investment Management BV.

Corpav BV makes direct and indirect investments in social enterprises all over the world. Stichting Cordaid Participaties is the only shareholder of Corpav BV.

The street address of all foundations and BV's is:
Lutherse Burgwal 10
2512 CB The Hague
The Netherlands

The Board of Cordaid bears ultimate responsibility for the general course of affairs at Stichting Cordaid. With the Supervisory Board, the Board is responsible for Cordaid's corporate governance structure and compliance with good governance rules. The composition of the Supervisory Board is such that its members can act critically and independently of one another, of the Board and of any particular interests. The Supervisory Board is responsible for supervising the Board and the general course of affairs at Cordaid.

The Board is tasked with managing the foundation, including running its day-to-day business and implementing its programs and activities. The budget, the Annual Report and the annual accounts that are prepared by the Board are subject to adoption by the Supervisory Board after advice from the Audit Committee. The Supervisory Board also adopts the strategic policy plan drafted by the Board and approves the Annual Plan.

The board members of Stichting Cordaid at December 31, 2016 are:

- L.C. Zevenbergen, CEO
- W.J. van Wijk, CFO

During 2016, the Supervisory Board members of Stichting Cordaid were:

- E.M.H. Hirsch Ballin, Chair
- J.J.A. De Boer
- M. van Beek
- B.L.J.M. van Dijk
- J.H.M. van Bussel, member Audit Committee
- L.C. Zevenbergen (until September 22, 2016), member Audit Committee
- M.C.T. van de Coevering, member Audit Committee

The Board members of Stichting Cordaid Participaties and Stichting Cordaid Expats are the same as for Stichting Cordaid per December 31, 2016.

Stichting Cordaid Participaties is the only shareholder and Board member of Corpav BV per December 31, 2016.

At December 31, 2016, L.J.E. Chibrac is the only Board member of Cordaid Investment Management BV. Stichting Cordaid is the only shareholder.

The Board members of Stichting Social Business Incubator at December 31, 2016 are:

- W.J. van Wijk, Chair
- B.P. Alberda, Treasurer
- B.P. Meijs, Secretary
- F.V. van der Have

1.2 Notes to the cash flow statement

The cash flow statement is prepared using the indirect method. The funds in the cash flow statement comprise cash and cash equivalents. Cash flows in foreign currencies are translated at an average rate. Exchange differences affecting cash items, interest paid and interest received are included in cash from operating activities.

Cash flows from operating activities

The negative gross cash flow from operating activities was mainly driven by the negative balance of funds in 2016 (€6.7m).

Factors positively affecting cash flow, compared to the balance of funds in the statement of income and expenditure are:

- Provisions for back donors and redundancy that increased €4.4m. An actual cash outflow of €1.3m was offset by an addition of €5.7m to the different provisions (redundancy, unoccupied office space and ineligible expenses);
- Other current liabilities (excluding project commitments) increased €16.6m, mainly driven by late receipts of funds that were not spent before the end of the year and a backlog in spending for several big programs.
- Receivables decreased €5.6m. The decrease is mainly caused by a decrease of €11.3m in receivables of government subsidies, mainly caused by lower project expenditure and receipt of the last MFS payment in 2016. The decrease was partly offset by higher other receivables of €4.3m due to advance payments done by Country Offices.

Factors negatively affecting cash flow compared to the balance of funds in the statement of income and expenditure are:

- Project commitments decreased €19.4m as a consequence of the lower project expenditures in 2016. Related to the lower expenditure, Cordaid granted fewer subsidies to implementing partners.
- Net increase of the value of the portfolio of social impact investments (fixed financial assets related to the objectives) of €7.4m driven by new investments throughout the year from revolved funds in earlier years;

Cash flows from investing activities

Purchases of tangible assets came to €0.3m in 2016. Investments for new IT systems and adjustments to the building to create open workspaces form the greater part of this cash outflow.

Cash flows from financing activities

Cordaid has no non-current liabilities for financing its operations. The non-current liabilities on the balance sheet relate to long-term project financing, which are recognized as cash flows from operating activities.

1.3 Changes in accounting estimates

Cordaid made no changes to its policies for accounting estimates compared to the previous year.

1.4 Estimates

In applying accounting policies and standards for preparing annual accounts, the Board of Cordaid is required to make estimates and judgments that might significantly influence the amounts disclosed in the annual accounts. If necessary for the purposes of providing the view required under Section 362(1), Book 2 of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, are disclosed in the notes to the relevant items.

1.5 Consolidation

The consolidation includes the financial information of Stichting Cordaid and the entities in which it exercises control or whose central management it conducts. All entities in which Cordaid exercises control or whose central management it conducts are consolidated in full.

Intercompany transactions, profits and balances among consolidated entities are eliminated, unless these results are realized through transactions with third parties. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary in order to align them to the prevailing group accounting policies.

The consolidated entities are listed below:

- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague
- Cordaid Investment Management BV, The Hague
- Corpav BV, The Hague

The Board of Stichting Cordaid and Stichting Cordaid Expats and Stichting Cordaid Participaties is the same as the Board of Stichting Cordaid.

The Chief Financial Officer of Stichting Cordaid is the chair of the Board of Stichting Social Business Incubator and has the final say in strategic decisions, according to the articles of the foundation.

Stichting Cordaid is 100% shareholder of Cordaid Investment Management BV.

Stichting Cordaid Participaties shares its Board with Stichting Cordaid and is 100% shareholder of Corpav BV.

2. ACCOUNTING PRINCIPLES

2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. More specifically, the financial statements have been prepared in accordance with the Dutch Accounting Standard for Fundraising Institutions (RJ 650). The financial statements are prepared in euros. Balances and results in 2016 are compared with the budget as approved by the Supervisory Board and 2015 results and balances. Assets and liabilities are generally valued at acquisition cost, production cost or at current value. If no specific valuation method is indicated, the valuation is done at the acquisition price. References are included in the balance sheet and statement of income and expenses.

2.2 Comparison with previous year

The accounting principles used for valuation and recognition of income and expenditure are unchanged from the previous year.

2.3 Foreign currency

Functional currency

The financial statements are presented in euros, which is the functional and presentation currency of Cordaid.

Transactions, receivables and payables

Transactions in foreign currencies during the period are included in the financial statements at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate. The exchange differences arising from the settlement and translation are credited or charged to the statement of income and expenditure.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing at the dates of the transactions.

Translation differences on non-monetary assets such as equities held at fair value through income or expenditure are recognized through income or expenditure as part of the fair value gain or loss.

2.4 Tangible fixed assets

Buildings, IT equipment, furniture and fittings, vehicles and other assets are all valued at historical cost or manufacturing price including directly attributable expenditure, less straight-line depreciation over their estimated useful lives, and impairment losses. Grants are deducted from the acquisition or manufacturing cost of the assets to which they relate.

2.5 Financial fixed assets

Issued in connection with the objectives:

Loans, guarantees and participations

Loans and guarantees disclosed under financial assets are recognized initially at fair value of the amount owed net of any

provisions considered necessary. These receivables are subsequently measured at amortized cost.

Participations are valued at acquisition cost adjusted for impairments at reporting date. These participations do not involve a structural commitment for the purposes of Cordaid's own operations.

Investments:

Bonds and shares

Bonds and shares are stated at fair market value. Any changes in value and transaction costs are recognized through income or expenditure. Transaction costs are charged directly to the statement of income and expenditure.

2.6 Non-current asset impairment

Cordaid assesses at each reporting date whether there is any evidence of assets being subject to impairment. If any such evidence exists, the recoverable amount of the relevant asset is determined. An asset is subject to impairment if its carrying amount is higher than its recoverable amount; the recoverable amount is the higher of net realizable value and value in use. If it is established that a previously recognized impairment loss no longer applies or has declined, the increased carrying amount of the asset in question is not set higher than the carrying amount that would have been determined had no impairment loss been recognized.

The net realizable value is determined based on the active market. An impairment loss is directly expensed in the income statement.

Cordaid assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

If an impairment loss has been incurred on an investment in an equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss

shall be reversed only if the evidence of impairment is objectively shown to have been removed.

2.7 Stocks

Stocks are valued at cost using the first in, first out method (FIFO). As soon as stocks are assigned to a project the related costs are recognized in the statement of income and expenditure as program costs. In case of obsolescence of stock costs are recognized as program management costs.

2.8 Receivables

Receivables are initially recognized at fair value and subsequently carried at amortized cost. Allowances for doubtful debts are deducted from the carrying amount of receivables.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits falling due in less than 12 months. Cash and cash equivalents are stated at face value.

2.10 Reserves and funds

The equity of Cordaid is divided into the following reserves and funds:

- The continuity reserve is created to ensure that Cordaid can meet its legal and moral obligations in case of a significant fall in income in the future.
- The tangible fixed assets reserve is created to set aside capital to finance necessary tangible fixed assets in the future.
- Earmarked reserves are earmarked for future spending on the objectives of Cordaid. The Board of Directors decides on the actual purposes of the reserves, based on internally agreed criteria.
- The restricted funds are earmarked for a specific project as agreed with third-party donors.
- Semi-restricted funds are earmarked for activities related to a certain topic, but not limited to specific projects.
- The loans and guarantees fund has been committed for loans, guarantees and equities connected to the objectives of Cordaid. The result on these financial assets and the costs of managing this portfolio reflect the changes in the fund in a year.

2.11 Provisions

Provisions are recognized for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which will probably require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

A maintenance provision for the future cost of maintenance of the building is not included in the financial statements. If and when cost for maintenance of the building occurs, the costs will be directly charged to the statement of income and expenditure.

2.12 Liabilities

General

Liabilities are initially recognized at fair value. Transaction costs directly attributable to the incurrence of the liabilities are included in the measurement on initial recognition. Liabilities are subsequently measured at amortized cost; this is the amount received plus or less any premium or discount and net of transaction costs.

Operational lease

Liabilities under operating leases (such as the lease of premises) are accounted for in the statement of income and expenditure equally over the term of the contract, taking into account reimbursements received from the lessor.

Project commitments

Project commitments are recognized as soon as a contract is issued or when a grant decision is communicated in writing or otherwise; they are stated at the fair value stated in the contract, net of any payments.

3. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

3.1 General

Income and expenses are recognized in the statement of income and expenditure in the year to which they relate. The allocation is made consistently with previous years. The balance of funds is defined as the difference between income and expenses. Income is accounted for in the year it was realized and losses are accounted for as soon as they are identified.

3.2 Income recognition

Income from own fundraising

Income from own fundraising involves gifts and donations, mailings, collections, legacies and the sale of materials. Income from gifts and donations, mailings and sales of materials are accounted for in the year in which they are received/in which the materials are sold. Exceptions are written undertakings that have been received before year-end as these can be accounted for in the current year.

Legacies are recognized based on a statement received from the executor in the year in which the amount can be determined reliably. The valuation of legacies with property is done based on the most recent correspondence and receipts are included up to the preparation of financial statements. The valuation is done prudently.

Income from third-party campaigns

Income from third parties is accounted as such when Cordaid carries no risk in the fundraising campaign. The income from third parties is recognized in the year in which the income is received or pledged.

Income from government grants

Grants and subsidies are recognized in the statement of income and expenditure in the year in which the subsidized costs were incurred. The grants are recognized where it is likely that they will be received and Cordaid will comply with all attached conditions.

Interest income and income from investments

The line item interest income and income from investments contains the (gross) interest, dividends and realized and unrealized capital gains. Interest income and expense are recognized time proportionally.

Interest income is recognized as investment income exclusive of interest received on loans and guarantees issued in the context of the Loans & Guarantees Program, which is recognized entirely as gains on financial assets issued in connection with the objectives.

Result of loans, guarantees and participations

The result of loans, guarantees and participations is made up of interest received on loans and guarantees under the Loan and Guarantee Program, realized and unrealized changes in the

valuation of loans and participations, dividend and fees for restructuring loans.

Gifts in kind

Gifts in kind are stated at their fair market value in the Netherlands. Where items involving gifts in kind are sent directly to emergency areas, their value is recognized as a gift and as an expended resource. Cordaid accounts for gifts in kind if the discount/gift has a connection with the nature of Cordaid's activities and objectives and Cordaid would have purchased the services or goods if the gift/discount had not been received.

3.3 Exchange rate differences

Transactions denominated in foreign currencies conducted during the reporting period are recognized in the annual accounts at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are recognized through income or expenditure. Non-monetary assets and liabilities stated at cost and denominated in foreign currencies are translated at the rate of exchange at the transaction date (or the approximate rate of exchange).

3.4 Depreciations on tangible fixed assets

Tangible assets are carried at cost less straight-line depreciation over their estimated useful lives. Tangible assets are depreciated from the time they are taken into use over their estimated useful lives. Future depreciation is adjusted if the estimate of future useful life changes. Gains and losses on the sale of tangible fixed assets are included in depreciation.

3.5 Employee benefits

Short-term employee benefits

Salaries, wages and social security contributions are recognized in the statement of income and expenditure based on the pay and benefits package to the extent that they are payable to employees.

Pensions

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund, a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state-pension offset. The pension fund endeavors to index-link any accrued pension entitlements and pensions in payment based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have a retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from the return on plan assets. The coverage ratio was 90.1% at 31 December 2016.

Contributions are recognized as employee benefits expense as soon as they are payable. Prepaid contributions are recognized within prepayments and accrued income if they entail a refund or a reduction in future payments. Contributions payable are disclosed as liabilities in the balance sheet.

3.6 Financial income and expenses

Interest paid and received

Interest paid and received is recognized on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

Changes in financial instruments at fair value

Changes in the value of the following financial instruments are recognized directly through profit or loss:

- financial assets and liabilities that are held for trading;
- purchased loans, bonds (unless held to maturity) and equity instruments that are quoted in an active market;
- decreases in value of financial instruments at fair value are recognized through profit or loss.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1 Market risk

Currency risk

Cordaid operates in the European Union, Africa, Asia, Latin-America and the United States. The currency risk for Cordaid largely concerns positions and future transactions in US dollars and currencies whose rate is closely related to the US dollar. Management has determined that the cost of hedging these currency risks does not outweigh the benefits. Natural hedges exist because receivables and liabilities are often related.

Price risk

Cordaid invests its temporary cash balances according to a defensive to neutral strategy compared to a very conservative policy in previous years. As a consequence, Cordaid faces a limited market risk related to its portfolio of bonds and shares that is valued at market value.

Interest rate and cash flow risk

Cordaid incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets and cash).

Credit risk

Cordaid does not have any significant concentrations of credit risk. Receivables mainly relate to grants from solid governments or multilateral institutions.

Liquidity risk

Cordaid uses several banks to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

5. TANGIBLE FIXED ASSETS

Movements of the tangible fixed assets are as follows:

X € 1,000	BUILDINGS	IT EQUIPMENT	FURNITURE AND FITTINGS	VEHICLES	OTHER ASSETS	TOTAL
Balance at 1 January 2016						
Cost	1,895	4,795	1,541	28	283	8,542
Accumulated depreciation	-1,460	4,122	-1,367	-27	-283	-7,259
Carrying value at 1 January 2016	435	673	174	1	0	1,283
Changes						
Purchases	95	130	60	0	0	285
Disposals						0
Depreciation	-65	-312	-55	0	0	-432
Depreciation on disposals						0
Total changes	30	-182	5	0	0	-147
Balance at 31 December 2016						
Cost	1,990	4,925	1,601	28	283	8,827
Accumulated depreciation	-1,525	-4,434	-1,422	-27	-283	-7,691
Carrying value at 31 December 2016	465	491	179	1	0	1,136
Depreciation percentages	10%	33%	20%	33%	33%	

The total investments in 2016 amounted to €285k. The main investments were related to the investments in a Content Management System and a new HRM system. In addition, investments were done to complete the new Cordaid workspace, enabling staff to work more easily in project teams worldwide.

All assets are held for business operations.

6. FINANCIAL FIXED ASSETS ISSUED IN CONNECTION WITH THE OBJECTIVES

Outstanding loans, participations and guarantees are recognized as financial assets, issued in connection with the objectives. This relates to loans issued to and a number of participations in partner organizations for the purposes of funding usually small-scale economic activities (e.g. through microfinance institutions), for which partner organizations find it difficult or impossible to secure finance from commercial banks. Interest rates on these loans are determined by country and by customer.

Movements in financial assets were as follows in 2016:

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
Value of portfolio at 1 January 2016	30,736	2,481	24,262	57,479
Provision at 1 January 2015	-2,200	0	0	-2,200
Carrying amount 1 January 2016	28,536	2,481	24,262	55,279
Changes				
Loans and guarantees issued	18,495	0	0	18,495
Loans and guarantees repaid	-8,875	-601	0	-9,476
Participations acquired/committed	0	0	305	305
Participations sold/commitments withdrawn	0	0	-1,161	-1,161
Impaired loans and guarantees	-550	0	0	-550
Revaluation of participations	0	0	-983	-983
Currency gains and losses	-139	-1	813	673
Value of portfolio at 31 December 2016	39,667	1,879	23,236	64,782
Changes in the provision				
Impaired loans and guarantees	550	0	0	550
Allocated to/withdrawn from provision for loans and guarantees	-427	0	0	-427
Provision at December 31, 2016	-2,077	0	0	-2,077
Value of portfolio at 31 December 2016	39,667	1,879	23,236	64,782
Provision at 31 December 2016	-2,077	0	0	-2,077
Carrying amount 31 December 2016	37,590	1,879	23,236	62,705

The provision on loans and guarantees decreased by €0.1m in 2016. Both write-offs and new additions to the provision were limited in 2016.

Loans and guarantees

The outstanding loans are the amounts actually transferred to the partner organizations. At balance sheet date an amount of €9.1m was signed as loan but not yet disbursed. This outstanding amount is not included in the figures above.

For all outstanding loans, the amortized cost is equal to cost.

Loans and guarantees will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
< 1 year	4,441		4,441
1-5 years	35,058	1,879	36,937
> 5 year	168		168
	39,667	1,879	41,546

Participations

Cordaid takes a prudent approach to the valuation of its participations. They are carried at acquisition cost adjusted for impairment. Previously recognized impairments can be (partially) reversed, if the original reasons for impairment are no longer valid as long as the value does not become higher than original cost. Payments in foreign currencies are recorded at the current rate.

Cordaid has the policy of selling all foreign currencies, besides US dollars, directly upon receipt.

Cordaid operates in countries where there is no active market for these equity stakes. Their fair value is however determined taking into account suitable valuation methods such as book value principle, price-earning ratios and recent sale prices of similar investments. The fair value of the participations is equal to or above the valuation in the balance sheet according to the valuation at acquisition price adjusted for impairment.

List of participations (in €1,000):

NAME OF ORGANISATION	CITY	COUNTRY	OPENING BALANCE 2016	PURCHASED / COMMITTED	CURRENCY GAINS AND LOSSES	REVALUATION	SOLD	CLOSING BALANCE 2016	ACTIVITIES
Aavishkar	Mumbai	India	1,291				-71	1,220	Investment fund SME in India
Afrinut	Lilongwe	Malawi	-					0	Nut processor
Bank Andarra via Hivos Triodos Fonds	Jakarta	Indonesia	461					461	Loan related to investment in Indonesia
Dia Vikas	Gurgaon (Uttar Pradesh)	India	2,500		65	-377	-646	1,542	Investment fund in MFIs India
Dia Vikas	Gurgaon (Uttar Pradesh)	India	1,324					1,324	Investment fund in MFIs India
Finance South Sudan	Juba	South Sudan	-					0	MFI
FPM SA	Kinshasa	DRC	3,100	406				3,506	Investment fund for Financial Institutions DR Congo
InReturn B.V.	Rotterdam	Netherlands	313					313	Investment fund SME Africa
Kuyichi International B.V.	Den Haag	Netherlands	-					0	SME
Liberation	London	UK	170					170	Nut producer association
Oikocredit	Amersfoort	Netherlands	-					0	Investment social investor
PEAK II LP	Moshi	Tanzania	592	-101			-239	252	Leasing fund SME Africa
PEAK I	Dar-es-Salam	Tanzania	-					0	Investment fund SME Africa
PEF	Manila	Philippines	-					0	Investment fund SMEs in the Philippines
Progression Capital Africa LTD	Port Louis	Mauritius	3,362		627	-113	-9	3,867	Investment fund in MFIs
PYME Capital	Panama City	Panama	1,381					1,381	Investment fund SMEs Latin America
Rabo Rural Fund	Utrecht	Netherlands	2,454					2,454	Small producers trade finance fund
SICSA	Panama City	Panama	454					454	Investment fund in MFIs Central America
SIDI	Paris	France	-					0	Investment social investor
SME Impact Fund CV	Amsterdam	Netherlands	923			-66		857	Investment fund SME Tanzania
Stromme Microfinance East Africa Limited	Kampala	Uganda	1,000					1,000	Investment fund in MFIs Africa
WAVF	Port Louis	Mauritius	3,498		121	-427	-196	2,996	Investment fund SME Sierra Leone / Liberia
WMF	Accra	Ghana	1,439					1,439	Investment fund in MFIs Ghana
			24,262	305	813	-983	-1,161	23,236	

Debt investments carrying the same risk as equity participations are included in the list of participations.

Given the nature and objectives of the participations Cordaid enters into new participations only when an exit strategy on the short or middle longterm can be formulated. Therefore, Cordaid does not consolidate any of the participations in the list above, although for 2 participations Cordaid holds more than 50% of the shares.

At December 31, 2016, the number of participations remained at 18.

In 2016 Dia Vikas, a microfinance investment fund in India, asked Cordaid to disburse €2.5m in Indian Rupees in shares and debentures. Cordaid also sold 25% of our stake comprising €0.6m.

An extra commitment of €0.4m was made to our USD investment in FPM SA because of the currency fluctuations resulting in a higher commitment amount in euro.

Peak II has been valued at the acquisition price in EUR against the rate at the time of the last revaluation (2015) minus distributions of €0.2m.

The total revaluation of intrinsic values amounted to losses of €1.0m:

- The investment in Progression Capital Africa Ltd, an investment fund in MFIs, faced issues with regard to achieving their forecasted investment goals, resulting in a lower than expected performance. In order to allow this fund to be fully invested, the investment period has been extended by a year. A downward adjustment of our intrinsic value of €0.1m was recorded.
- The investment in the SME Impact Fund, offering funding to BDS-trained SMEs in Tanzania, was depreciated by €0.1m. The valuation of the investment is directly related to the value of the equity of the fund. Our equity stake did not change.
- West African Venture Fund (WAVF), a SME fund targeting Sierra Leone and Liberia, was heavily impacted by the Ebola outbreak in West Africa, resulting in a revaluation of the fund's portfolio companies and a depreciation of the intrinsic value by €0.4m. In addition to this Cordaid received a distribution of €0.2m from this investee.

7. INVESTMENTS

Cordaid selected ING and Van Lanschot in 2015 as their asset managers. Both asset managers were instructed to invest following a defensive to neutral profile. The investment strategy has a horizon of 5 to 10 years. Both asset managers receive a fee based on the invested amount only and no performance based fee.

The portfolio investments must meet strict sustainability criteria. Cordaid invests in businesses that have sound staff policies in place, that protect the environment and that respect human rights. Cordaid applies the UN Global Compact and the Standard for Financial Management of Fundraising Institutions of the Dutch Association of Fundraising Institutions (VFI), as well as a range of supplementary product and process criteria based on ASN Bank criteria.

The current portfolio investments can be specified as follows:

X € 1,000	31/DEC/2016	31/DEC/2015
Bonds		
Government bonds	3,849	3,596
Corporate bonds	7,653	7,216
Other bonds	2,105	2,484
Shares	7,256	6,529
	20,863	19,825

The portfolio is carried at fair value. The fair value of the portfolio increased €1.0m to €20.9m. The increase in share prices in 2016 is the main reason for this increase of the fair value of the portfolio.

The originally invested amount for the current portfolio is €20m. The fair value of the portfolio is determined based on the known market prices for the specific bonds and shares in the portfolio.

The movement of the investments during 2016 were as follows:

X € 1,000	SHARES	BONDS	TOTAL
Opening balance 1 January 2016	6.529	13.296	19.825
Purchases in 2016	1.686	921	2.607
Sales in 2016	-1.494	-1.107	-2.601
(Un)realized gains and losses	535	497	1.033
Closing balance 31 December 2016	7.257	13.607	20.863

8. STOCKS FOR EMERGENCY AID

In 2015 Cordaid kept stocks of emergency aid goods in Uganda and South Sudan. The kept stocks allow Cordaid to act quickly in case of an emergency in the region. During 2016 the stock was brought to 0, because more efficient ways of quickly intervening in case of emergencies were found in consultation with suppliers of the emergency aid kits.

Per December 31, 2016 the remaining value of the stock was 0:

X € 1,000	31/DEC/2016	31/DEC/2015
Stocks for emergency aid		
- Tarps	0	49
- Khanga cloth, blankets, bed nets & bags	0	9
- Sanitary Kits/Non-food item (NFI) kits	0	38
- Kitchen sets	0	0
	0	96

9. RECEIVABLES

All receivables have a remaining maturity of less than one year.

X € 1,000	31/DEC/2016	31/DEC/2015
Receivables		
- Dutch Government	5,634	6,548
- Other governments and organisations	5,911	16,254
- Provision uncollectable receivables from governments	-209	-209
- Receivable from inheritances	6,612	5,395
- Other receivables	6,103	1,772
- Interest receivables	908	753
	24,959	30,513

Contracts with back donors lead to a receivable if subsidized costs incurred are higher than advances received from the donor. The related receivables compared to 2015 decreased with €11.3m. The decrease is due to an overall lower level of program expenditure in 2016 and specifically the finalization of three large projects in Afghanistan.

The receivable from inheritances in 2016 was €6.6m (2015: €5.4m). The increase is mainly a consequence of higher real estate market prices that are part of the unsettled inheritances granted to Cordaid.

Other receivables increased to €6.1m (2015: €1.8m) because of advance payments and prepaid expenses at the level of the Cordaid Country Offices.

INTEREST RECEIVABLES

X € 1,000	31/DEC/2016	31/DEC/2015
Interest receivables		
- Banks & deposits	61	229
- Bonds	42	40
- Loans & guarantees (relief efforts)	805	484
	908	753

Interest receivable relates to the bonds in the investment portfolio, outstanding deposits, savings deposits and outstanding loans and guarantees relating to Cordaid's objectives. The receivable increased with €0.2m due to a higher amount of outstanding loans in connection with the objectives, offset by lower regular interest receivables connected to lower interest rates and a decrease in cash compared to 2015.

OTHER RECEIVABLES

X € 1,000	31/DEC/2016	31/DEC/2015
Other receivables		
- Security deposit	64	55
- Prepayments	644	630
- Other receivables	5,395	1,087
	6,103	1,772

The other receivables increased with €4.3m mainly because of prepaid amounts and advance payments to staff members and implementing organizations by the Cordaid Country Offices.

10. CASH AND BANK

Cash and bank comprise cash and bank balances of the Cordaid office in The Hague, in the country offices abroad and deposits falling due in less than one year. Cash and cash equivalents decreased from €73.1m at December 31, 2015 to €65.3m at the end of 2016. The main factors in the movements in cash and bank are explained in section 1.2 Notes to the cash flow statement.

X € 1,000	31/DEC/2016	31/DEC/2015
Cash and cash equivalents		
- Deposits	34,507	45,621
- Bank accounts	30,602	27,450
- Cash in hand	162	57
	65,271	73,128

All cash is at Cordaid's free disposal, except for the guarantee for the rent agreement of €0.2m (one guarantee).

A guarantee of €0.3m deposited at a Cordaid bank account, is presented as financial fixed assets, as it is used as an investment in connection to the objectives as Cordaid. The cash is not at Cordaid's disposal during the duration of the guarantee.

11. RESERVES AND FUNDS

X € 1,000	CONTINUITY RESERVE	TANGIBLE FIXED ASSETS RESERVE	EARMARKED RESERVES	RESTRICTED FUNDS	SEMI-RESTRICTED FUNDS	RESTRICTED FUND LOANS & GUARANTEES	TOTAL RESERVES AND FUNDS
Opening balance 1 January 2016	9,875	1,283	8,795	1,470	8,859	93,323	123,605
<i>Changes</i>							
Extraction	3,988	1,283	6,094	755	0	1,434	13,554
Dotations	0	0	1,283	0	5,554	0	6,837
Closing balance 31 December 2016	5,887	0	3,984	715	14,413	91,889	116,888

Continuity reserve

The continuity reserve is designed to create a sufficiently large buffer to enable Cordaid to complete ongoing programs appropriately, including staffing them with our own people, if one or more key sources of funding were to dry up unexpectedly, and with due observance of existing legal and moral obligations.

Due to the losses in 2016, Cordaid was obliged to reduce its costs in 2017 to come to a balanced budget for the future years. As a consequence, staff was reduced by approximately 30%. An amount of €4.0m was withdrawn from the continuity reserve, to create a redundancy provision and a provision for unoccupied office space. The latter is necessary, because the workforce in 2017 only occupies 60-70% of the office, while the rental agreement for the full building expires in November 2019. The amount of the redundancy provision represents the total costs necessary to compensate redundant staff according to the Social Plan, agreed between the Board of Directors and the labor unions.

In 2016 no new additions were made to the continuity reserve. The necessary continuity reserve will be calculated again in 2017 based on a new analysis of the stability of income and the cost levels of Cordaid, following the reorganization. Given the current instability of the finances and the organization, a proper calculation could not be made. On December 31, 2016, the continuity reserve amounted to €5.9m. This is far below the maximum than 1.5 times total operating expenses as formulated by Centraal Bureau Fondsenwerving (CBF).

Earmarked reserves

Earmarked reserves comprise interest income, income from investments financed with temporary surpluses of semi-restricted funds, other income and income which is not earmarked for specific topics but granted to Cordaid as an organization. The reserves are earmarked for spending on objectives. The allocation of these reserves to different themes, programs and objectives is subject to a decision by the Board of Directors. Decision-making is based on internally agreed upon criteria.

The total amount of earmarked reserves per December 31, 2016 is €4.0m. Organizational costs of €6.1m could not be covered from organizational cost allowances from donors and semi-restricted funds and unrestricted income from investments. Therefore, this amount was deducted from the earmarked reserves that were built from income that does not relate to programs.

Other reserves

The only other reserve was a restricted reserve representing the value of the tangible fixed assets to show which amount of the reserves was not available on the short term.

The Board of Directors proposed to bring this reserve to 0 through the appropriation of the balance of 2016 and add it to the earmarked reserves.

Restricted funds

Restricted funds are funds received for an earmarked purpose, such as incoming resources for specific SHO campaigns or other funds specifically allocated to one or more projects.

Restricted funds decreased €0.8m to €0.7m. The decrease is due mainly to spending of funds for adoption projects for Cordaid Mensen in Nood and Cordaid Kinderstem.

X € 1,000	OPENING BALANCE 1 JANUARY 2016	INCOMING RESOURCES	OVERHEAD FEE	PROJECT RESOURCES EXPENDED	CLOSING BALANCE 31 DECEMBER 2016
Cordaid Mensen in Nood					
SHO Nepal	128	0	0	128	0
Adoptions	506	55	43	464	54
	634	55	43	592	54
Cordaid Kinderstem					
Adoptions	79	236	15	163	137
Personalized fund - van Kasteren	4	0	0	4	0
	83	236	15	167	137
Cordaid Memisa					
Adoptions	353	0	22	312	19
Stop Aids Now!	277	407	41	281	362
Ineke Feitz Foundation	123	0	0	123	0
	753	407	63	716	381
Cordaid Microkrediet					
Adoptions	-	74	0	0	74
Cordaid/General					
Adoptions	-	69	0	0	69
Total restricted funds	1,470	841	121	1,475	715

SHO NEPAL

X €1	2016			UP TO AND INCLUDING 2016		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns			-			2,300,000
Intrest			-			548
Total incoming resources			-			2,300,548
Preparation and coordination costs			0			161,000
Total available for charitable activities			-			2,139,548
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers		128,313	128,313	756,849	1,111,910	1,868,759
- support offered through international umbrella organisation			-	50,000		50,000
- support offered through participant			-	96,012	124,777	220,789
	-	128,313	128,313	902,861	1,236,687	2,139,548
Available commitment capacity			(128,313)			-

X €1	2016			UP TO AND INCLUDING 2016		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	98,736		98,736	756,849	855,280	1,612,129
- support offered through international umbrella organisation			-	50,000		50,000
- support offered through participant			-	96,012	124,777	220,789
Total transferred	98,736	-	98,736	902,861	980,057	1,882,918
Breakdown of resources expended locally						
- support offered through local relief providers		797,184	797,184	756,849	860,839	1,617,688
- support offered through international umbrella organisation			-	50,000	-	50,000
- support offered through participant			-	96,012	124,777	220,789
Total resources expended	-	797,184	797,184	902,861	985,616	1,888,477

A full report of expenditure and activities in the reconstruction phase can be found on the website of Samenwerkende Hulporganisaties (www.giro555.nl).

SHO allocation key

The key for allocating the income from fundraising activities of the SHO is based on 3-year average of the volume of emergency aid and reconstruction activities and the income from own fundraising of the participants of SHO. SHO funds are excluded from both numbers.

In the table below the relevant figures for Cordaid in the period 2014-2016 are provided.

X € 1,000	2016	2015	2014
1. Volume of emergency aid and reconstruction activities	26,772	36,857	22,221
2. Income from own fundraising	26,402	26,750	25,844

The figures of 2015 and 2014 are in line with the separately audited financial overview from 2015, the 2016 figures are deducted from the financial statements 2016.

Semi-restricted funds

Semi-restricted funds are accruals of income from own fundraising that are not earmarked for one specific project, but only earmarked for a broadly defined purpose (usually linked to program purposes). The increase in semi-restricted funds is mainly a result of unspent balances for Cordaid Memisa and the Nationale Postcode Loterij (NPL). An additional amount was granted by the NPL for a specific project. Because the project start was postponed until 2017 an amount of €2.2m from the NPL was not yet spent at the end of 2016.

Loans & Guarantees Fund

The Loans & Guarantees Fund comprises the resources that have been accrued within the scope of the Loans & Guarantees Program. The resources for the Loans & Guarantees Fund stem from the co-financing program and from own resources. As no new funds will be added to the fund by Cordaid, the portfolio can only grow through a positive result from the social impact investments itself. Grant approvals for projects supporting the social impact investments are deducted from the fund Loans & Guarantees. The operating costs consist of the cost of Cordaid Investment Management BV (CIM BV), including overhead charged from Stichting Cordaid to CIM BV based on the service-level-agreement between these parties.

X € 1,000	TOTAL
Opening balance 1 January 2016	93,323
Income from financial assets issued for objectives	2,004
Investment income (assets not issued for objectives)	653
Direct operating costs	-2,222
Allocated overhead costs	-1,376
Grant approvals	-493
Closing balance 31 December 2016	91,889

12. PROVISIONS

The composition of, and movements in, the provisions were as follows:

X € 1,000	REDUNDANCY PROVISION	PROVISION FOR UNOCCUPIED OFFICE SPACE	BACK-DONOR PROJECTS	TOTAL
Opening balance 1 January 2016	2,400	0	56	2,456
Changes				
- Allocated	3,187	800	1,743	5,730
- Withdrawn	1,287	0	0	1,287
- Released	0	0	56	56
Closing balance 31 December 2016	4,300	800	1,743	6,843

Based on the financial prospects for the near future, Cordaid decided to perform yet another reorganization by the end of 2016 (after the one executed during 2016). The total estimated costs for transition, transition fees and redundancy fees for the redundant staff is estimated at €4.3m, mainly due in 2017.

The remaining workforce occupies approximately 60-70% of the office building. Another 10-15% is sublet to other organizations. As a consequence, 30% of the office building will probably be unoccupied during the remaining running period of the rental agreement (until November 2019). With a rent amount of 997k per year, a provision of €0.8m was created for the costs related to the unoccupied office space.

In 2016, Cordaid settled several possible ineligibilities coming from 2014 and 2015. However, during 2016 Cordaid identified five finished projects funded by institutional donors, where probable ineligibilities were detected. Total estimated amount is €0.5m of which €0.4m is repaid to donors in 2017, another €0.1m is still subject to re-audits of the donor. After an evacuation due to the civil war in South Sudan in July 2016, substantial parts of our local financial administration, as well as the administration of implementing partners, were lost. Although efforts to retrieve the full administration are still ongoing, an amount of €1.2m is lacking and can still not be supported with justifying documents. Even though there are no signs of significant misuse of funds, the chance of recovering these amounts from the related donors is very small. Therefore, an amount of €1.2m was added to the provision.

At present, no legal proceedings are pending for which a provision should be formed.

All provisions are expected to be settled within one year.

13. CURRENT AND NON-CURRENT LIABILITIES

The composition of, and movements in, the current and non-current liabilities were as follows:

X € 1,000	31/DEC/2016	31/DEC/2015
Non-current liabilities		
Project commitments	o	1,176
	o	1,176
Current liabilities		
Project commitments	16,890	35,155
Deferred grants from other governments	13,802	6,114
Deferred grants from Dutch government	8,354	1,519
Accounts Payables	4,224	2,113
Taxes and social security contributions	1,220	1,459
Reservation for leave days and holiday allowance	1,458	1,664
Participations payable	1,871	4,454
Other accruals and deferred income	3,384	408
	51,203	52,887

Outstanding project commitments decreased €19.4m compared to 2015 because of a lower volume of projects and project expenditure. The finalization of three projects in Afghanistan through contracted partner organizations contributed largely to the decrease.

Deferred grants increased to €22.2m (2015: €7.6m). Lower spending on 2 strategic partnerships, while full advance payments were received, account for an important part of the increase in the deferred income. Relatively low expenditure compared to receipts on the Global Fund program and other projects funded by the Dutch Government, account for the remaining part of the increase in deferred income.

For the greater part, the increase in other accruals and deferred income of €3.0m is caused by Performance Based Financing-subsidies to be paid by Cordaid Zimbabwe per December 31, 2016. This amount was not part of the accruals in 2015, because at the time not all donor requirements to pay the subsidies were met.

The movement of project commitments in 2016 was as follows:

X € 1,000	2016
Opening balance 1 January 2016	36,331
New commitments 2016	36,517
Released commitments 2016	-1,494
Payments 2016	-54,464
Closing balance 31 December 2016	16,890

All current liabilities are payable within one year. All non-current liabilities fall due in less than five years.

14. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Off-balance sheet rights

Financing contracts with donors

Cordaid signed several large financing contracts with donors to carry out specific projects with end dates in 2017 and beyond. Cordaid recognizes the incoming resources from these financing contracts and grant decisions in accordance with Dutch Accounting Standard 274. This means that incoming resources are recognized at the time resources are actually expended. The difference between the income recognized and the actual amount received in the form of contributions from donors is recorded in the balance sheet. This results in a receivable if more resources have been expended than received or in a deferred grant if incoming resources are greater than those expended. Therefore, the full amount of the contract is not disclosed in the annual accounts.

Below an overview of all the contract with a spendable amount above €2.5m in future years:

X € 1,000 FUNDING ORGANISATION	DESCRIPTION OF THE PROJECT	DURATION	CONTRACT VALUE	CUMULATIVE INCOME	BALANCE TO BE SPENT
Global Fund	Scale up HIV-AIDS prevention, care and treatment in 354 health zones in DR Congo	Jul 2015 - Dec 2017	72,501	40,540	31,961
Dutch Ministry of Foreign Affairs	Capacitating change: Empowering people in fragile contexts	Jan 2016 - Dec 2020	34,500	2,795	31,705
Dutch Ministry of Foreign Affairs	Jeune S3 - My rights to sexual and reproductive health	Jan 2016 - Dec 2020	29,813	8,152	21,661
Dutch Ministry of Foreign Affairs through the Netherlands Red Cross	Partners for Resilience	Jan 2016 - Dec 2020	13,095	2,617	10,478
Dutch Ministry of Foreign Affairs	A bright future for Afghanistan	Dec 2016 - Nov 2021	5,895	59	5,836
The European Union	Building resilience and creation of economic opportunities in Liben cluster under RESET II	Sep 2016 - Feb 2020	4,252	16	4,236
The Embassy of the Netherlands in Burundi through CARE Nederland	Improving the sexual and reproductive health of adolescents and youth in Burundi (Program Conjoint CSE)	Dec 2015 - Dec 2020	4,627	523	4,104
The International Organization for Migration (IOM)	Consortium for the Integrated Stabilization and Peace of Eastern DR Congo	Nov 2015 - Apr 2019	3,756	229	3,527
Grand total			168,439	54,931	113,508

Note: the Dutch Accounting Standards can differ from the reporting requirements of certain donors. Reported income in these statements can therefore differ from what was reported to the related donors.

Other off-balance sheet rights

Cordaid has 12 legacies estimated at €0.8m which are still subject to usufruct at the reporting date and therefore are not reported as income in the statement of income and expenditure.

X € 1,000	USUFRUCT
Receivable:	
- in less than 1 year	0
- in more than 1 year	750
Total	750

Off-balance sheet commitments

All commitments (including project commitments) are recognized on the balance sheet. For organizational costs, Cordaid's policy, wherever possible, is to avoid long-term contracts with suppliers that include fixed commitments. Almost all contracts can be terminated within 1 year or amounts payable are based on actual usage. Contracts for office rent are the only exceptions.

At year-end, off-balance sheet liabilities for overheads were as follows:

X € 1,000	OFFICE LEASE THE HAGUE
Payable:	
- in less than 1 year	715
- between 1 and 5 years	1,310
- in more than 5 years	0
Total	2,025

During the reporting period, lease payments amounting to €997k are included in the statement of income and expenditure.

Cordaid has sublet a section of its office space to Mensen met een Missie and Melania. The rent charged by Cordaid is in line with current market prices for office rent. Transactions are done at arms' length.

15. OWN FUNDRAISING

X € 1,000	CORDAID GENERAL	CORDAID MENSEN IN NOOD	CORDAID KINDERSTEM	CORDAID MEMISA	CORDAID MICRO CREDIT	CORDAID BZN	TOTAL 2016	TOTAL 2015
Donations and gifts	434	5,758	4,234	5,754	261	357	16,798	17,134
Mailing campaigns	0	110	2	75	9	0	196	220
Legacies	415	4,340	601	3,952	15	78	9,401	9,386
Materials sold	0	0	0	5	0	2	7	10
Total 2016	849	10,208	4,837	9,786	285	437	26,402	26,750
Budget 2016	2,900	8,000	4,400	10,950	0	0	26,250	
Total 2015	1,819	8,887	4,481	10,858	318	387	26,750	

Income from own fundraising amounted to €26.4m, €0.2m above budget, and €0.4m lower than in 2015.

The decrease in the income is due to the slowly declining number of fixed supporters, replaced by supporters that prefer to give incidentally. The savings in the costs of fundraising during the year is another explanation for the limited increase in income from own fundraising.

Compared to budget, the results were slightly above target. Due to the higher receivable for legacies the income is slightly higher for this category. Income from individual gifts was in line with budget, although the number of individual donors is still declining.

Net revenue from materials sold amounted to €7k; Costs of materials sold were above this amount resulting in a net loss on sales of materials.

16. THIRD-PARTY CAMPAIGNS

X € 1,000	2016	BUDGET 2016	2015
SHO (Nepal & Stop de ebola-ramp)	0	3,465	2,506
Nationale Postcode Loterij	2,700	2,750	2,700
Nationale Postcode Loterij - additional amount	2,285	0	
Stichting Bisschoppelijke Vastenactie	2,218	1,700	2,509
Stop Aids Now!	407	495	500
Other organizations	1,756	9,652	4,199
Total income third party campaigns	9,366	18,062	12,414

Incoming resources from third-party campaigns decreased €3.0m compared to the previous year to €9.4m. The fact that no SHO campaigns were started in 2016 and disappointing results of fundraising in the US, amongst large individual donors and philanthropic foundations, are the main reasons for the decrease in income. This effect is partly offset by the receipt of an additional contribution from the Nationale Postcode Loterij.

Incoming resources via Stop Aids Now! (SAN!) amounted to €0.4m (2015: €0.5m) and the regular contribution from the Dutch National Postcode Lottery (NPL) was €2.7m in 2016 (2015: €2.7m); Cordaid did receive an additional contribution of €2.3m in 2016 for a food security project. The implementation of this project was postponed till 2017. An amount of €1.6m (2015: €2.5m) recorded in third-party campaigns came from Cordaid Netherlands' matching fund. Various Dutch public interest organizations raise funds for this matching fund and Cordaid matches their donations. Cordaid and the public interest organizations then work together to donate these funds to common charitable causes.

17. GOVERNMENT GRANTS

X € 1,000	2016	BUDGET 2016	2015
Dutch Government - MFS II	705	0	27,335
Dutch Government - Alliances	-222	0	2,561
Dutch Government - Strategic partnerships	13,563	16,473	0
Dutch Government - Other	19,944	22,872	39,997
World Bank	15,114	14,667	528
Global Fund	32,743	30,316	16,483
European Union	2,531	5,758	4,794
Other	11,944	4,947	17,875
Total government grants	96,322	95,033	109,573

Government grants comprise project funding provided by such bodies as the European Union, the Dutch government, the Global Fund and various United Nations organizations. Income is recognized based on the project expenditures made within the framework of the financing contract with the donor. Income from government grants totaled €96.3m in 2016, down €13.3m on 2015. Compared to budget, the income from government grants was €1.3m above target.

The drastically lower income from the Dutch government's co-financing program is the main cause for the lower income compared to 2015. The lower income is a consequence of the lower of the closure MFS II program in 2015. Only income related to small final payments and costs for audits, reporting and monitoring & evaluation, amounting to €0.5m, is included in the figures of 2016. In 2015 the income from MFS was still €29.9m. The loss of income from MFS was partly compensated by income coming from the strategic partnerships with the Ministry of Foreign Affairs.

Cordaid has signed a number of large contracts with other institutional donors over the past years. Income from these grants is only recognized if subsidized costs are incurred or if a legal payment obligation towards partner organizations exists. An overview of the amount to be spent per contract with a total value above €2.5m can be found in note 14.

18. GAINS ON FINANCIAL ASSETS

Gains and losses on financial assets issued in connection with the objectives, comprise interest and commission received on loans and participations, as well as project income and currency gains and losses.

X € 1,000	2016	2015	2014
Approved MFS II grants	0	-439	4,439
Interest received on loans and guarantees	2,730	2,520	1,983
Income from dividends/provision guarantees	12	101	-136
Revaluation of participations	-983	-1,426	228
Currency gains and losses	674	2,705	2,861
Allocated to/withdrawn from provision for loans and guarantees	-429	-1,328	-720
	2,004	2,133	8,655

This item comprises operating gains and losses on the Loans & Guarantees program. The gains on financial assets went down from €2.1m in 2015 to €2.0m in 2016. As no new investments were made with MFS II funding, the contribution from these funds was €0.0m in 2016. The interest income grew with €0.2m compared to 2015 to €2.7m. The revaluation of participations contributed €1.0m negatively to the result (2015: €1.4m) and the net addition to the provision for bad loans amounted €0.4m (2015: €1.3m). All these performances were better than in 2015. The lower currency gains of €0.7m, compared to €2.7m in 2015 fully offset this better performance.

19. INVESTMENT INCOME

Investment income includes interest and other income from bonds, capital gains on shares, interest earned on the bank account and currency gains and losses that are not related to the Loans & Guarantees portfolio. What follows is a five-year summary of this item:

X € 1,000	2016	2015	2014	2013	2012
Interest received on bonds	185	551	954	1,385	1,104
Interest received on cash and cash equivalents	139	457	508	810	969
Realised capital and exchange gains and losses	-75	-680	860	-157	-189
Unrealised capital gains and losses	1,171	-117	1,233	-1,189	869
Gross investment income	1,420	211	3,555	849	2,753
Investment costs	-79	-90	-53	-51	-43
Net investment income	1,341	121	3,502	798	2,710

Compared to 2015, the net income from investments increased with €1.2m to €1.3m. Unrealized capital gains on shares (and to a lesser extent on bonds) are the main driver of this higher income. Due to the further decreased interest rates and the lower average amount of cash available, the income from interest on cash decreased €0.3m.

20. OTHER INCOME

X € 1,000	2016	2015
- VAT refund	0	193
- Consultancies	285	553
- Other	109	27
	394	773

The other income decreased because in 2015 Cordaid received a one-off VAT refund of €0.2m. Furthermore, the income from consultancy was €0.3m below the previous year because of a lower number of consultancy contracts won compared to 2015.

21. SPENT ON OBJECTIVES

Comparison of 2016 program costs and program management costs with the budget and previous year

X € 1,000	ACTUAL 2016			BUDGET 2016			ACTUAL 2015		
	PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL 2016	PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL BUDGET 2016	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COSTS	TOTAL 2015
Health and Resilience	73,261	3,615	76,876	68,939	2,465	71,404	62,536	3,886	66,423
Humanitarian Aid	25,665	1,235	26,900	26,474	516	26,990	32,828	1,806	34,633
Security & Justice	4,796	2,228	7,024	14,685	1,765	16,450	12,600	2,123	14,723
Cordaid Netherlands	4,825	1,254	6,079	5,674	814	6,488	10,809	1,375	12,184
Education and Economic Opportunities	4,703	1,489	6,192	5,441	833	6,274	8,094	2,209	10,303
Investments	428	4,599	5,027	0	4,381	4,381	-72	2,722	2,650
Other	-336	1,388	1,052	0	0	0	-4	0	-4
Total cost of programs	113,342	15,808	129,150	121,213	10,774	131,987	126,791	14,121	140,912

Program costs in 2016 amounted to €129.2m, €2.9m below budget and €11.8m lower than previous year. The lower expenditure goes for all thematic units, except Health and Resilience. This is a mix of lower income to be spent and lower expenditure on certain financing contracts and on semi-restricted and unrestricted funds. For example, all Strategic Partnerships started off slow, leading to lower expenditure than budgeted, a project funded by the Nationale Postcode Loterij was postponed till 2017 and due to the focus on the new funding strategy, expenditure on semi-restricted lagged slightly behind on previous year and budget.

Expenditure on Investments is very low compared to the Program Management Costs. Only returned funds will be used for new investments, so the actual expenditure of investments will always be close to zero.

Total program management costs in 2016 stood at €15.8m, €5.0m above budget. Additional costs for the reorganization and the transition and more labour intensive programs, are the main causes for this overrun.

22. COST ALLOCATION TO THE DIFFERENT ACTIVITIES

Cordaid uses different allocation keys to allocate costs, making allowance where possible for the recommendations of Goede Doelen Nederland. Costs are allocated in two stages.

1. First, costs relating directly to programs, fundraising and management & administration are directly allocated to these activities. This involves the costs of the thematic program units (programs), Private Fundraising & Communication (public information and fundraising), the Board of Directors (management & administration) and Accounting & Reporting (management & administration). Costs incurred by the Quality Assurance department are fully labeled as costs to secure government grants. Costs of the department for Institutional Fundraising are fully labelled as costs for own fundraising.
2. Other costs allocated to programs, fundraising and management & administration include the costs of the departments such as Corporate Communication and Human Resource management, IT and Facility management. FTE of the departments that can be directly allocated is used as key to allocate the costs of the mentioned departments to fundraising, programs or management & administration.

For the 2016 budget, the public information and fundraising costs were categorized, and a list was prepared for each category outlining the specifics of the percentage of costs that should be allocated to fundraising (FR) and to public information (PI). The list of key activities/costs was used to decide on the 2016 budget for both fundraising costs and public information. The relative division between the two activities was:

1. Fundraising Cost: 50.0% (2015: 50.0%);

2. Public Information: 50.0% (2015: 50.0%)

These percentages were used to allocate the total 2016 marketing & funding budgets over the two activities.

Costs incurred by the Cordaid departments by the cost categories disclosed in the statement of income and expenditure:

RESOURCES EXPENDED (X € 1,000)	PUBLIC INFORMATION / AWARENESS CAMPAIGNS	PROGRAM COSTS	COST OF OWN FUNDRAISING ACTIVITIES	COSTS OF OBTAINING INCOME FROM THIRD PARTY CAMPAIGN	COST OF SECURING GOVERNMENT GRANTS	INVESTMENT COSTS	MANAGEMENT AND ADMINISTRATION COST	ACTUAL 2016	BUDGET 2016	ACTUAL 2015
Grants and contributions	0	103,090	0	0	0	0	0	103,090	116,845	114,266
Publicity and communication	2,576	449	2,576	57	468	0	70	6,196	8,057	6,374
Staff	773	16,588	773	154	1,261	0	2,146	21,695	15,441	27,007
Travel and accommodation	6	1,148	6	3	26	0	79	1,268	554	2,165
Housing	89	1,457	89	20	164	0	230	2,049	1,340	1,157
Office & General	236	6,418	236	31	246	0	1,081	8,248	4,657	5,466
Investment costs	0	0	0	0	0	79	0	79	85	90
Total actual 2016	3,680	129,150	3,680	265	2,165	79	3,606	142,625	146,979	156,526
Budget 2016	4,487	131,987	4,487	475	2,635	85	2,823	146,979		
Actual 2015	4,561	140,913	4,561	898	538	90	4,966	156,526		

The overall costs in 2016 are €4.4m below budget and €13.9m below the previous year.

The largest deviations from budget were:

- Grants and contributions were €13.8m below budget due to lower spending on programs and a shift from outsourced implementation to own implementation at the level of the Country Offices. A trade-off can be seen with staff costs and Office & General costs.
- Costs for publicity and communication were €1.9m below budget. During the year the decision was taken to reduce spending on fundraising.
- Staff costs were €6.3m above budget. Next to the mentioned trade-off of costs with Grants and contributions, the main additional costs came from the costs for the redundancy provision of €4.0m and a slightly higher number of FTE compared to budget.
- Housing costs are above budget because of the addition of €0.8m to the provision for unoccupied office space.
- Travel and accommodation costs are €0.7m higher than budget as a consequence of the underestimation of the number of travels to be made. More programs in consortia and more cooperation with the Country Offices, implies more travels than in prior years.

Office, general and administrative expenses include costs incurred for telecommunications, IT, advisory services and field offices. In addition to these costs, office, general and administrative expenses also include fees charged by Ernst & Young Accountants LLP, our independent auditor. Ernst & Young Accountants LLP was appointed as new independent auditor, starting per fiscal year 2016, after an intensive selection. Total audit fees charged by Ernst & Young Accountants LLP stood at € 643k in 2016 (2015: €398k). The audit fee for the annual accounts of Stichting Cordaid and Cordaid Management Investments B.V. amounts to €544k (2015: €195k). This increase in audit costs relates to additional work performed following the

integration of all the administrations of the Country Offices. The other amounts are fees for specific project audits.

No additional services were provided by Ernst & Young Accountants LLP during 2016.

The fees above relate to all the work performed at Stichting Cordaid and entities included in the consolidated accounts by the audit firms and auditors mentioned in article 1, section 1 Wta (Wet toezicht accountantsorganisaties) and the fees charged by the network of the audit firm. The fees relate to the fiscal year 2016, although the related work can be executed in other years.

Additionally, €177k (2015: €159k) was spent on local audits and audits of partner organizations. These audits were carried out by other audit firms than Ernst & Young Accountants LLP.

Fundraising activities

Own fundraising cost was below budget due to cost reductions made throughout the year to keep the fundraising cost in line with the projected income from own fundraising. The cost of securing government grants and third party campaigns is €0.7m below budget due to less time spent and the cancellation of certain activities after the disappointing results in the beginning of the year and the announced reduction of staff in 2017.

Management and Administration

The cost of management and administration was €0.8m above budget. Costs relating to the reorganization, including the addition to the redundancy provision, caused the greater part of this overrun.

23. COST OF STAFF

TOTAL STAFF	2016	2015
Head count in The Hague	214.0	250.0
Head count expats at field offices	35.0	41.0
Total head count	249.0	291.0
Average number of The Hague FTEs throughout the year	229.5	245.8
Program staf	138.8	142.7
Fundrais/Awareness staff	23.0	28.5
Other departments	67.6	74.6
Total average FTE including expats	229.5	245.8

At year-end 2016, Cordaid had a headcount of 249 (2015: 291), of whom were 154 women and 95 men.

X € 1,000	2016	2015
- Salaries and wages	15,330	19,565
- Social security contributions	1,863	2,293
- Pension costs	1,324	1,616
- Temporary staff	240	396
- Cost of training and education	349	521
- Other personnel expenses	2,589	2,617
	21,695	27,007

Salary costs per FTE were stable in 2016 compared to 2015. The lower salary costs can therefore be attributed to the lower number of FTE in 2016 compared to 2015. In both years a one-off addition to the redundancy provision was made.

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund, a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state pension offset. The pension fund endeavors to index-link any accrued pension entitlements and pensions in payment, based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from returns on plan assets. The coverage ratio was 90.1% at 31 December 2016.

Contributions are recognized as employee benefits expense as soon as they are payable. Prepaid contributions are recognized within prepayments and accrued income if they entail a refund or a reduction in future payments. Contributions payable are disclosed as liabilities in the balance sheet.

24. RELATED PARTIES

Introduction

As part of Cordaid's transition to a more social entrepreneurial approach, Cordaid wants to help develop new ideas for start-ups aimed at social impact. In addition, Cordaid wants to professionalize the management of its social impact investments further and aims to increase its impact by finding external investors. To facilitate these changes Cordaid established two foundations and two private limited companies (BV's). Stichting Cordaid has full control in all these entities and they are therefore classified as related parties. In addition, on December 31, 2014 Cordaid established a foundation to pay salaries to expats working for Stichting Cordaid.

Cordaid identified the following related parties:

- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague
- Cordaid Investment Management BV, The Hague
- Corpav BV, The Hague

Related party transaction:

During 2016 all transactions with the mentioned related parties were done at arm's length. The nature of the transactions was mainly funding of the activities of the different entities by Stichting Cordaid. In return the Social Business Incubator developed ideas for social enterprises, Cordaid Investment Management BV managed the Loans & Guarantees fund of Stichting Cordaid and Stichting Participaties held the shares of Corpav BV. Corpav BV holds shares in one local investment in South Sudan (Finance South Sudan), which is part of the financial fixed assets on the consolidated balance sheet of Cordaid.

25. EXECUTIVE REMUNERATION

The Supervisory Board has adopted an executive remuneration policy including the level of executive remuneration and other pay and benefits. The policy is updated periodically and was evaluated most recently in 2016. In determining the remuneration policy and adopting the level of the remuneration, Cordaid follows the regulation for executive remuneration of Goede Doelen Nederland (see www.goededoelennederland.nl).

The regulation uses weighting criteria to set a maximum for an executive's annual income. The most recent VFI standard of 1 January 2016 was used to determine these weighting criteria, which is a responsibility of Cordaid's Controller. This has resulted in a so-called BSD score of 522 points for the CEO, with a maximum annual income of €145,000, and 480 points for the CFO, with a maximum annual income of €129,559.

The actual executive remuneration for 2016 stood at €121,908 per year for the CEO, Simone Filippini (based 1 FTE for a full year) and at €107,118 per year for the CFO, Willem Jan van Wijk (based on 1 FTE for a full year). In other words, their remuneration was within the maximum amounts defined by Goede Doelen Nederland.

The CEO S.L.J.M. Filippini stepped down as CEO on September 22, 2016 and continued her work as executive advisor until the end of the year. She was replaced by a delegate from the Supervisory Board, L.C. Zevenbergen. He worked on a freelance contract until the end of 2016 and received an all-in amount of € 40,463 for his work. This complies with the norms for interim-executives in the regulation of Goede Doelen Nederland.

The total annual income, taxable allowances, pension costs for the employer, pension compensation and other benefits amounted to €133,133 for S.L.J.M. Filippini and €118,300 for W.J. van Wijk. This is within the maximum limits of the regulation of Goede Doelen Nederland of €179,000 and reasonable compared to the annual income.

Executive remuneration comprises gross salary costs inclusive of holiday allowance, social security contributions, pension costs, expense allowances and year-end allowance. As a rule, all employees receive a year-end allowance.

During 2016, the employed members of the Board were:

	S.L.J.M. FILIPPINI CEO	L.C. ZEVENBERGEN CEO	W.J. VAN WIJK CFO
Employment contract			
Duration	permanent	contract	08/31/2018
Number of hours	36	N/A	36
part-time percentage	100	N/A	100
Period in 2016	1/1 - 31/12	22/9 - 31/12	1/1 - 31/12
Gross salary	104,268	40,463	94,208
Holiday allowance	8,304	0	5,173
Year-end bonus	9,336	0	7,737
Variable pay			
Total annual income	121,908	40,463	107,118
Social security contributions (employer's share)	10,910	0	10,675
Taxable allowances (Public transport abonnement)	0	0	0
Pension costs (employer's share)	11,225	0	11,182
Pension compensation	0	0	0
End of contract benefits	0	0	0
	22,135	0	21,857
Total remuneration for 2016	144,043	40,463	128,975
Total remuneration for 2015	142,306	0	45,247

The remuneration of the CFO in 2015 was based on an employment of 4 months instead of a whole year.

The members of the board of directors did not have any outstanding loans, advances or guarantees at December 31, 2016 or during 2016.

Supervisory Board

The cost of the Supervisory Board consists of expenses for general and special meetings, travel costs, reimbursement of costs incurred and the hiring of expertise and advisors on request of the Supervisory Board. In 2016 these costs were €27,185 (2015: €11,029). This amount includes the fixed expense allowances paid to the individual members of the Supervisory Board, as shown in the table below. As per Cordaid's policy for good governance Supervisory Board members do not receive any remuneration for their work. They only have the opportunity to cover their out of pocket expenses through a fixed expense allowance.

Amounts paid for individual members of the Supervisory Board in 2016 were as follows:

AMOUNT IN € 1	SUPERVISORY BOARD		
	E.M.H. HIRSCH BALLIN	B.L.J.M. VAN DIJK	L.C. ZEVENBERGEN
Function	Chair	Member	Member Audit Committee
Duration of function in 2016 (days)	365	365	243
Remuneration	0	0	0
Fixed expense allowances	0	0	3,000
Provisions for future payments	0	0	0
Total	0	0	3,000
	J. VAN BUSSEL	M. VAN BEEK	
Function	Member Audit Committee	Member	
Duration of function in 2016 (days)	365	365	
Remuneration	0	0	
Fixed expense allowances	0	0	
Provisions for future payments	0	0	
Total	0	0	
	S. DE BOER	M. VAN DE COEVERING	
Function	Member	Member Audit Committee	
Duration of function in 2016 (days)	365	365	
Remuneration	0	0	
Fixed expense allowances	3,286	0	
Provisions for future payments	0	0	
Total	3,286	0	

The amounts paid relate to the fiscal years 2014, 2015 and 2016.

26. BALANCE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE FOR THE FUND LOANS & GUARANTEES

An important part of Cordaid's activities is related to non-grant projects. Instead of providing a grant to partner organizations, Cordaid provides loans or guarantees to its partners or it participates in social entrepreneurship with the same objectives as Cordaid. The partner organizations involved are different from Cordaid's regular partner organizations. Rather than NGOs or grass-roots organizations, Cordaid mainly supports microfinance institutions, local banks or social funds. Until June 30, 2015 these activities were managed by the Investments Business Unit, which was an integral part of Stichting Cordaid. To increase the impact of this social impact portfolio, Cordaid decided to separate the management of this portfolio from the regular activities of Stichting Cordaid and founded Cordaid Investment Management BV. The main objective of the separate entity is to further professionalize the fund management and to increase the impact of these social impact investments by finding new external investors to increase the scale of the activities.

As stakeholders interested in the Cordaid's social impact investment portfolio and the work of Cordaid Investment Management BV can have information needs other than the information disclosed in Cordaid's financial statements,

Cordaid presents a separate statement of income and expenditure and balance sheet for the activities in relation to the Loans & Guarantees Fund.

All figures originate from the figures in Cordaid's financial statements. The principles for valuation of assets and liabilities and revenue recognition are the same in the statements below, only the classification and presentation of several items differ. The costs to manage the fund, incurred by Cordaid Investment Management BV, are included in the statement of income and expenditure and charged to the Loans & Guarantees Fund in full, as long as Cordaid is Cordaid Investment Management BV's only client.

All items in this financial overview can be traced to items in the figures presented before, except for cash and investments. Cash and investments are allocated to the Loans & Guarantees Fund based on the division made in Cordaid's financial administration. The fund has separated and designated bank accounts, and investments are administered separately.

The right-hand column in the statements below refers to the notes where the corresponding item can be found in Cordaid's full financial statements.

BALANCE FUND LOANS & GUARANTEES AS OF DECEMBER 31, 2016

X €1,000	NOTE	31/DEC/2016		31/DEC/2015		ITEM IN CORDAID FS
Assets						
Net financial fixed assets issued for objectives						
- Debt		48,741		31,682		
- Equity	2	23,236		24,262		
- Guarantees		1,879		2,481		
	1		73,856		58,425	
- Undisbursed loans and guarantees	3	-9,074		-946		
- Loan revaluations	4	-2,077		-2,200		
			-11,151		-3,306	
Net financial fixed assets issued for objectives	5		62,705		55,279	6
Net financial assets (not issued for objectives)						
Current account group companies	6	0		2,322		
Non Development investments	7	10,432		9,915		7
Cash and bank		21,135		30,609		10
Other receivables		883		0		
Participation CIM BV	8	431		0		
Net financial floating assets			32,881		42,846	
Total Assets			95,586		98,125	
Equity and liabilities						
Equity (Fund Loans & Guarantees)						
Fund Loans & Guarantees until prior year	9	93,323		93,964		
Capital contributions fiscal year	10	0		-439		
Operating income fiscal year	11	-447		-262		
Recharged overhead fee fiscal year	12	-494		60		
Grant approvals	13	-493		0		
	14		91,889		93,323	11
Liabilities						
Current account group companies	6	1,058		0		
Current liabilities		768		348		
Undisbursed Equity participations	15	1,871		4,454		13
			3,697		4,802	
Total Equity and liabilities			95,586		98,125	

- Total Debt, Equity and Guarantees:** Gross amount of all Cordaid's investments commitments at year-end, distributed over various instruments. The overall level has increased from €58.4m in 2015 to €73.9m in 2016. New commitments on all instruments surpassed de-commitments, repayments and write offs in the year.
- Equity:** Equity investments have decreased slightly because no new fund participations were closed in 2016. The net revaluation of the equity lead to a net decrease in value of €0.2m and equity was sold for an amount of €1.2m, while new participations were acquired for an amount of €0.3m.
- Undisbursed loans and guarantees:** This refers to the undisbursed amounts of the debt and guarantee instruments.

4. **Loan revaluations:** The amount of € 2.1m loan revaluations equals the provision for loans and guarantees. Provisioning is done in line with the Provisioning and write-off policies of Cordaid Investment Management BV.
5. **Total net financial assets issued for objectives:** Total net financial assets, as per the table, increased €7.4m to €62.7m, mainly because of the high amount of new commitments and despite the higher amount of undisbursed loans.
6. **Current account group companies:** This amount consists of interest receivables of cash held by Stichting Cordaid offset by costs paid by Stichting Cordaid on behalf of Cordaid Investment Management BV. The current account turned from a receivable to a payable during 2016 due to outstanding payments of management fees.
7. **Non-development investments:** Part of the total fund Loans & Guarantees that is not yet invested in connection with the objectives. Alternatively, these resources are invested in regular investments managed by ING and Van Lanschot.
8. **Participation CIM BV:** Cordaid holds 100% of the shares of Cordaid Investment Management BV, funded from the fund Loans & Guarantees. The net asset value of CIM BV at December 31, 2016 amounts to €0.4m.
9. **Loans & Guarantees Fund until year-end 2015:** Accumulated capital position of the fund at the beginning of 2016 amounting to €93.3m.
10. **Capital contributions fiscal year:** Outflow of de-committed MFS investments and other Cordaid Funds. In 2016 no resources were added to the fund Loans & Guarantees from received subsidies or donations (see also note 11 of the statement of income and expenditure).
11. **Operating income fiscal year:** Retained earnings over the reporting period (see note 10 of the statement of income and expenditure).
12. **Recharged overhead fee fiscal year:** The overhead fees allocated to the fund besides the regular management fee paid to Cordaid Investment Management BV. The charged fee in 2016 relates to the development of a new management information system to monitor the investments in the fund Loans & Guarantees.
13. **Grant approvals:** All amounts granted to partner organizations, supporting an investment in the same organization and grants used to support social entrepreneurs, are paid from the funds Loans & Guarantees. A total amount of €2.0m is available for such supporting grants.
14. **Equity (Loans & Guarantees Fund):** Total value of the fund is €91.9m, a small decrease in comparison to the previous year. The decrease is mainly due to the negative operational result (€0.4m), the fee charged for the management information system (€0.5m) and the approved supporting grants (€0.5m).
15. **Undisbursed equity participations:** This refers to the undisbursed tranches of equity investments. The outstanding amount decreased by €2.5m because of the fulfilment of commitments for Dia Vikas. Please note that this has been considered a liability since 2010, in line with Dutch accounting principles.

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 2016 FOR THE FUND LOANS & GUARANTEES

X €1,000	NOTE	2016	2015	ITEM IN CORDAID FS
<i>Financial income</i>				
Interest income & fees	1+2	2,730	2,520	18
Dividends	1+2	12	101	
Income from non-development investments and cash	3	652	-203	19
		3,394	2,418	
<i>Financial expenses</i>				
Additions Loan Losses	4	429	1,328	18
Revaluation Investments	5	983	1,426	18
Currency results	6	-674	-2,705	18
		738	49	
<i>Margin on financial activities</i>		2,656	2,369	
<i>Operating expenses</i>				
Operating expenses direct	7	2,222	1,645	11
Operating expenses indirect	8	881	934	11
		3,103	2,579	
Financial result from investing activities		-447	-210	
<i>Non-operating income</i>				
Capital contributions	9	0	-439	18
Recharged overhead fee	10	-494	60	11
		-494	-379	
Net result Social Impact investments		-941	-589	11
Approvals grant reserve	11	-493	-52	
Net result Fund Loans & Guarantees		-1,434	-641	11

- 1+2. **Interest Income & Fees + Dividends:** These items refer to interest income on senior/subordinated debt, guarantee fees and dividends received. The overall level increased in comparison to 2015 by €0.2m, mainly due to the extension of the portfolio.
3. **Income non-development investments and cash/cash equivalents:** This item refers to income on long and short-term excess liquidity, which is out of the scope of the managed portfolio by Cordaid Investment Management B.V. More information on the result of non-development can be found in note 19 tot the financial statements.
4. **Additions loan losses:** This reflects the net addition to the provision for loans and guarantees in the portfolio. The amount stated is the net result of the release of provisions and the actual impaired loans and guarantees or write-offs.
5. **Revaluations Investments:** This refers to the annual revaluation of the equity participations. Cordaid values equity participations conservatively using the lower value of a) acquisition price or b) the value of the Cordaid share as per the end of 2016.
6. **Currency results:** Loans and guarantees are valued against the exchange rate at balance sheet date if denominated in foreign currency. Participations that are impaired are also revalued against the exchange rate at balance sheet date. The result of this (mostly unrealized) amounted to €0.7m positive in 2016.
7. **Operating expenses direct:** This refers to the total direct costs of Cordaid Investment Management BV plus legal and other costs incurred which are directly related to the investments in the Loans & Guarantees portfolio. The increase in costs is related to a higher number of FTE at CIM BV and the growth of the portfolio.
8. **Operating expenses indirect:** This refers to the Cordaid corporate overhead costs charged to CIM BV and the indirect costs of CIM BV itself.
9. **Capital Contributions:** This refers to the inflow of funds as a result of de-commitments of MFS II projects and other Cordaid Funds. In 2016 no new additions to the fund were made. The growth of the portfolio came from re-investing existing resources.
10. **Recharged overhead fee:** The overhead fees allocated to the fund besides the regular management fee paid to Cordaid investment Management BV. The charged fee in 2016 relates to the development of a new management infoOrmtion system for monitoring the investments in the fund Loans & Guarantees
11. **Approvals grant reserve:** All amounts granted to partner organizations, supporting an investment in the same organization and grants used for support of social entrepreneurs are paid from the funds Loans & Guarantees. A total amount of €2.0m is available for such supporting grants.

FOUNDATION INDIVIDUAL FINANCIAL STATEMENTS OF STICHTING CORDAID

Individual Balance sheet of Stichting Cordaid

X € 1,000	NOTE	31-DEC-2016	31-DEC-2015
Assets			
<i>Fixed assets</i>			
Tangible assets	28	1,136	1,283
Financial fixed assets	29		
- Issued in connection with the objectives		62,705	55,279
- Investments		20,863	19,825
- Participations in group companies		431	-2
		83,999	75,102
Current assets			
Stocks for emergency aid	30	0	96
Receivables	31		
- Subsidies governments / organisations		11,336	22,593
- Receivable from inheritances		6,612	5,395
- Other receivables		5,988	1,681
- Interest receivable		908	753
		24,844	30,422
Cash and Bank	32	65,212	73,128
Total assets		175,191	180,031

X € 1,000	NOTE	31-DEC-2016	31-DEC-2015
Liabilities			
Reserves	33		
- Continuity reserve		5,887	9,875
- Tangible fixed assets reserves		0	1,283
- Earmarked reserves		3,984	8,795
		9,871	19,953
Funds	33		
- Restricted funds		715	1,470
- Semi-restricted funds		14,413	8,859
- Loans & guarantees fund		91,889	93,323
		107,017	103,652
Provisions	34	6,843	2,456
Non-current liabilities	35		
- Project commitments		0	1,176
Current liabilities	35		
- Project commitments		16,890	35,155
- Other current liabilities		34,570	17,639
		51,460	52,794
Total Liabilities		175,191	180,031

INDIVIDUAL STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED AT DECEMBER 31, 2016

X € 1,000	NOTE	2016		2015	
Income					
- Own fundraising	36	26,402		26,750	
- Third party campaigns	37	9,366		12,414	
- Government grants	38	96,322		109,573	
- Gains on financial assets	39	2,435		2,131	
- Investment income	40	798		211	
- Other income	41	387		773	
Total incoming resources			135,710		151,853
Resources expended					
Spent on objectives					
- Program costs:	42				
Health and Resilience		77,367		66,422	
Humanitarian Aid		27,053		34,634	
Security & Justice		7,389		14,723	
Cordaid Netherlands		6,232		12,184	
Education and Economic Opportunities		6,334		10,303	
Investments		49		1,396	
Other activities		1,201		-6	
- Public information / awareness campaigns		3,761		4,561	
			129,386		144,217
Cost of generating funds					
- Cost of own fundraising activities	43	3,761		4,561	
- Cost of securing government grants	43	2,314		538	
- Costs of obtaining income from 3rd party campaigns	43	283		857	
- Investment Costs	43	2,870		1,385	
			9,228		7,341
Management and administration					
Management and administration cost	43		3,813		4,966
Total resources expended	43		142,427		156,524
Balance of funds			-6,717		-4,671

NOTES TO THE FOUNDATION INDIVIDUAL FINANCIAL STATEMENTS

27. ACCOUNTING PRINCIPLES

27.1 General

The Company financial statements are part of the 2016 financial statements of Stichting Cordaid. With reference to the Company income and expenditure statement of Stichting Cordaid use has been made of the exemption pursuant to Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. More specifically, the financial statements have been prepared in accordance with the Dutch Accounting Standard for Fundraising Institutions (RJ 650).

27.2 Principles for the measurement of assets and liabilities and the determination of the result

To stick to the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company financial statements, Stichting Cordaid makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company financial statements of Stichting Cordaid are the same as those applied for the consolidated financial statements. Participating interests, over which significant influence is exercised, are stated based on the equity method.

The share in the result of participating interests consists of the share of Stichting Cordaid in the result of these participating interests. Results on transactions are not incorporated insofar as they can be deemed to be unrealized, if the transfer of assets and liabilities between Stichting Cordaid and its participating interests and mutually between participating interests themselves.

27.3 Comparison with previous year

Last year the individual company financial statements were not prepared because the differences between the individual and consolidated accounts were not significant.

28. TANGIBLE FIXED ASSETS

See note 5 to the consolidated financial statements

29. FINANCIAL FIXED ASSETS

Stichting Cordaid holds three types of financial assets. Outstanding loans, participations and guarantees are recognized as financial assets issued in connection with the objectives. This relates to loans issued to and a number of

participations in partner organizations for the purposes of funding usually small-scale economic activities (e.g. through microfinance institutions), for which partner organizations find it difficult or impossible to secure finance from commercial banks. Interest rates on these loans are determined by country and by customer.

See note 6 to the consolidated financial statements for more information

Temporary cash surpluses are kept in deposits and savings accounts, the earmarked reserves and uninvested cash from the Fund Loans & Guarantees, are up till an amount of €20m invested by ING and Van Lanschot Bankiers on behalf of Stichting Cordaid.

See note 7 to the consolidated financial statements for more information.

The 100% interest hold by Stichting Cordaid in the Cordaid Investment Management BV is presented as participations in group companies. The participation is valued at net asset value and amounts to 0.4m at balance sheet date.

30. STOCKS FOR EMERGENCY AID

See note 8 to the consolidated financial statements

31. RECEIVABLES

The receivables in the individual balance sheet of Stichting Cordaid are specified as follows:

X € 1,000	31/DEC/2016	31/DEC/2015
Receivables		
- Dutch Government	5,634	6,548
- Other governments and organisations	5,911	16,254
- Provision uncollectable receivables from governments	-209	-209
- Receivable from inheritances	6,612	5,395
- Other receivables	5,988	1,681
- Interest receivables	908	753
	24,844	30,422

The receivables in the individual balance sheet are €0.1m below the receivables in the consolidated balance sheet, see note 9 in the consolidated financial statements.

The prepayments of Cordaid Investment Management BV account for €0.1m and are excluded from this individual

balance sheet. All other receivables in the individual balance sheet are equal to the receivables in the consolidated balance sheet.

32. CASH AND BANK

Cash and bank comprise cash and bank balances of the Cordaid office in The Hague, in the country offices abroad and deposits falling due in less than one year.

X € 1,000	31/DEC/2016	31/DEC/2015
Cash and cash equivalents		
- Deposits	34,507	45,621
- Bank accounts	30,543	27,450
- Cash in hand	162	57
	65,212	73,128

The bank accounts held by Cordaid Investment Management BV and the Social Business Incubator amounting to €0.1m are excluded compared to consolidated balance sheet. The most important explanations for the change in cash and cash equivalents can be found in the consolidated cash flow statement.

33. RESERVES AND FUNDS

Stichting Cordaid holds 100% of the shares in Cordaid Investment Management BV and values this participation on the basis of net asset value. The funds and reserves of the other entities that are included in the consolidated financial statements amount to €0.0m. Funds and reserves in the individual balance sheet is therefore equal to the funds and reserves in the consolidated balance sheet. See note 11 to consolidated financial statements.

34. PROVISIONS

See note 12 to the consolidated balance sheet.

35. CURRENT AND NON-CURRENT LIABILITIES

The composition of the current and non-current liabilities in the individual balance sheet of Stichting Cordaid is as follows:

X € 1,000	31-DEC-2016	31-DEC-2015
Non-current liabilities		
Project commitments	0	1,176
	0	1,176
Current liabilities		
Project commitments	16,890	35,155
Deferred grants from other governments	13,802	1,519
Deferred grants from Dutch government	8,354	6,114
Accounts Payables	4,121	2,113
Taxes and social security contributions	1,187	1,210
Reservation for leave days and holiday allowance	1,391	1,611
Payable to group companies	546	240
Participations payable	1,871	4,454
Other accruals and deferred income	3,298	378
	51,460	52,794

Compared to the consolidated financial statements current liabilities are €0.3m higher in the individual balance sheet of Stichting Cordaid. The current liabilities of Stichting Cordaid Investment Management BV at balance sheet date, mainly relating to social taxes, pensions premiums and holiday allowances to be paid are excluded (€0.2m) in this individual balance sheet. Payables to group companies amount to €0.5m.

All other current and non-current liabilities are equal to the liabilities in the consolidated balance sheet. See note 13 for more information.

36. OWN FUNDRAISING

See note 15 to the consolidated statement of income and expenditure

37. THIRD-PARTY CAMPAIGNS

See note 16 to the consolidated statement of income and expenditure.

38. GOVERNMENT GRANTS

See note 17 to the consolidated statement of income and expenditure.

39. GAINS ON FINANCIAL ASSETS

Gains and losses on financial assets issued in connection with the objectives comprise interest and commission received on loans and participations, as well as project income and currency gains and losses.

The gains on financial assets can be specified as follows:

X € 1,000	2016	2015
Approved MFS II grants	0	-439
Interest received on loans and guarantees	2,730	2,520
Income from dividends/provision guarantees	12	101
Revaluation of participations	-983	-1,426
Currency gains and losses	674	2,705
Allocated to/withdrawn from provision for loans and guarantees	-429	-1,328
Income from assets issued in connection with the objectives	2,004	2,133
Result of participation in group companies	431	-2
Total income from financial fixed assets	2,435	2,131

Compared to the consolidated statement of income and expenditure the result of participation in group companies is added. This line is equal to the net result of Cordaid Investment Management BV in which Cordaid holds 100% of the shares.

Related to the gains on financial assets, Stichting Cordaid paid a management fee of €2.8m to Cordaid Investment Management BV for managing the investments issued in connection to the objectives.

40. INVESTMENT INCOME

Investment income includes interest and other income from bond loans, interest earned on the bank account and currency gains and losses. The investment income can be specified as follows:

X € 1,000	2016	2015
Interest received on bonds	185	551
Interest received on cash and cash equivalents	139	457
Realized capital gains and losses	-77	-680
Unrealized capital gains and losses	551	-117
Gross investment income	798	211
Investment costs for investments	-79	-90
	719	121

An amount of €0.6m of investment income is excluded from the income in the individual statement of income and expenditure compared to the consolidated statement of income and expenditure as this part of the investment income is attributed to Cordaid Investment Management BV. All other investment income is equal to the consolidated statement of income and expenditure.

41. OTHER INCOME

X € 1,000	2016	2015
- VAT refund	0	193
- Consultancies	285	553
- Other	102	27
	387	773

Other income amounting to €8k earned by Cordaid Investment Management BV was excluded from the Stichting Cordaid's individual statement of income and expenditure. All other income is equal to the income in the consolidated statement of income and expenditure.

42. SPENT ON OBJECTIVES

The total program expenditure of Stichting Cordaid in 2016 can be specified as follows:

X € 1,000	ACTUAL 2016			ACTUAL 2015		
	PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL 2016	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COSTS	TOTAL 2015
Health and Resilience	73,261	4,106	77,367	62,536	3,886	66,422
Humanitarian Aid	25,665	1,388	27,053	32,828	1,806	34,634
Security & Justice	4,796	2,593	7,389	12,600	2,123	14,723
Cordaid Netherlands	4,825	1,407	6,232	10,809	1,375	12,184
Education and Economic Opportunities	4,703	1,631	6,334	8,094	2,209	10,303
Investments	428	-379	49	-72	1,468	1,396
Other	-336	1,537	1,201	-5	0	-5
Total cost of programs	113,342	12,283	125,625	126,790	12,867	139,657

The operational costs of Cordaid Investment Management BV of €3.5m are excluded from the program management costs compared to the consolidated statement of income and expenditure. As a consequence, the allocation of costs of supporting departments to programs changes as well compared to the consolidated statement of income and expenditure. All other costs are equal to the costs as presented in the consolidated statement of income and expenditure.

43. COST ALLOCATION TO THE DIFFERENT ACTIVITIES

See note 22 to the consolidated statement of income and expenditure for more information on the method of cost allocation.

The total costs of Stichting Cordaid are allocated to different categories as follows:

RESOURCES EXPENDED (X € 1,000)	PUBLIC INFORMATION / AWARENESS CAMPAIGNS	PROGRAM COSTS	COST OF OWN FUND-RAISING ACTIVITIES	COSTS OF OBTAINING INCOME FROM THIRD PARTY CAMPAIGN	COST OF SECURING GOVERNMENT GRANTS	INVESTMENT COSTS	MANAGEMENT AND ADMINISTRATION COST	ACTUAL 2016	ACTUAL 2015
Grants and contributions	0	102,915	0	0	0	0	0	102,915	114,264
Publicity and communication	2,580	422	2,580	58	475	0	81	6,196	6,333
Staff	817	14,912	817	164	1,342	0	2,259	20,311	26,281
Travel and accommodation	7	1,027	7	3	28	0	80	1,152	2,100
Housing	102	1,370	102	23	189	0	263	2,049	1,157
Office & General	255	4,979	255	35	280	0	1,130	6,934	5,004
Investment costs	0	0	0	0	0	2,870	0	2,870	1,385
Total actual 2016	3,761	125,625	3,761	283	2,314	2,870	3,813	142,427	
Total actual 2015	4,561	139,657	4,561	857	538	1,385	4,966		156,524

Total costs in the individual statement of income and expenditure is €0.2m lower than the total costs in the consolidated statement of income and expenditure.

A shift between program management costs for the operational costs of Cordaid Investment Management BV (€3.0m) and the management fee paid to Cordaid Investment Management BV by Stichting Cordaid, classified as investment costs (€2.8m) is the other important difference between the individual accounts and the consolidated accounts.

44. COST OF STAFF

	2016	2015
Head count in The Hague	196.0	235.0
Head count expats at field offices	35.0	39.0
Total head count	231.0	274.0
Average number of The Hague FTEs throughout the year	177.7	230.8
Program staf	122.0	127.7
Fundrais/Awareness staff	23.0	28.5
Other departments	67.7	74.6
Total average FTE including expats	212.7	230.8

The staff of Cordaid Management BV consisting of 16.8 FTE (head count: 18) on average is not included in the statement above compared to the consolidated financial statements.

X € 1,000	2016	2015
- Salaries and wages	14,256	18,991
- Social security contributions	1,702	2,215
- Pension costs	1,215	1,562
- Temporary staff	240	396
- Cost of training and education	320	500
- Other personnel expenses	2,578	2,616
	20,311	26,281

As a consequence of excluding the group companies in the individual accounts, total staff costs are €1.4m lower than in the consolidated financial statements.

OTHER INFORMATION

Provision in the constitution governing the appropriation of balances

According to article 11.4 of the constitution of Cordaid, the Supervisory Board adopts the annual accounts drawn up by the Board of Directors. Included in the annual account is a proposal for the appropriation of positive or negative financial balances in the fiscal year concerned. The appropriation of the balance takes into account the imposed restrictions on spending by third parties.

Country offices

At the end of 2016 Cordaid had 14 branches in 12 countries. The country offices monitor and/or implement the programs for different thematic areas in these countries. The branches are in the following countries:

- Afghanistan
- Burundi
- Central-African Republic
- Democratic Republic Congo (Kinshasa and Bukavu)
- Ethiopia (Country office and Regional office)
- Haiti
- Iraq
- Kenya
- Sierra Leone
- South Sudan
- Zimbabwe
- Netherlands

Subsequent events

Cordaid did not identify any subsequent events affecting the annual accounts as presented.

INDEPENDENT AUDITOR'S OPINION



Independent auditor's report

To: the supervisory board and board of directors of Stichting Cordaid

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Stichting Cordaid based in Den Haag.

In our opinion the financial statements give a true and fair view of the financial position of Stichting Cordaid as at 31 December 2016, and of its result for 2016 in accordance with the Guideline for annual reporting 650 "Fundraising Organizations" of the Dutch Accounting Standards Board.

The financial statements comprise:

5. The consolidated and individual balance sheet as at 31 December 2016
6. The consolidated and individual statement of income and expenditure for 2016
7. The consolidated cash flow statement for 2016
8. The notes of the consolidated and individual financial statements comprising the 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 Cordaid 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.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ Message from the CEO
- ▶ Supervisory board report
- ▶ Other information pursuant to the guideline for annual reporting 650 "Fundraising Organizations"

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.



By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the annual report in accordance with the Guideline for annual reporting 650 "Fundraising Organizations" of the Dutch Accounting Standards Board.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 650 "Fundraising Organizations" of the Dutch Accounting Standards Board. Furthermore, the board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The board of Directors should disclose events and circumstances that may cast significant doubt on the organization's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company'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 detect all material errors and fraud during our audit.

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 among others:

- ▶ 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 company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board
- ▶ 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 company'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 a company to cease to continue as a going concern
- ▶ 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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance 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, 5 February 2018

Ernst & Young Accountants LLP

signed by N.Z.A. Ahmed-Karim

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