

# **CORDAID ANNUAL REPORT 2019**

**FINANCIAL STATEMENTS  
THE HAGUE**

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# ANNUAL ACCOUNTS 2019

## STATEMENT OF THE BOARD OF DIRECTORS

### More activities and positive financial results 2019

These financial statements reflect a detailed accounting of Cordaid's activities in 2019, described in the annual report. The annual accounts are an integrated part of Cordaid's annual report.

#### Strategic plan 2018 - 2020: working in and on fragility

The two main operational elements in the strategic plan are the implementation of the Project Based Working method as the main operations principle and the implementation of subsidiarity, handing over project implementation responsibilities from the Global Office to our Country Offices and Southern partners. During 2019 Cordaid has made progress in this and has, among others, reorganised the Global Office.

The business model consists of 4 revenues models:

- grants from main donors (81% in 2019 of income): these are cost based with a small overhead cost allowance leading in most cases to a zero financial result or small loss.
- private fundraising income (17%): this is spent on projects and innovation.
- impact investment portfolio (€51.7m), to support small businesses in fragile and emerging countries, delivers on average to a zero financial result (3% in 2019), leading to impact and capital preservation.
- green investment portfolio (€24 mln) is invested in bonds and shares, leading on average to a positive financial result (€3.2m in 2019)

#### 23% more activities and €0,3m positive financial result 2019.

The balance between income and expenditure in 2019 is €0.3m positive; €0.3m above budget and €4.1m better than 2018. It consists of an operational loss of €2.9m - €169.6m income and €172.5m expenditure - and a financial gain of €3.2m.

Cordaid acquired an income of €169.6m, a growth of 23% (€31.3m) compared to 2018, which is however 12% below budget (€22.4m). The main driver of growth was more governmental grants €29.6m, which meant more activities to reduce poverty. Private fundraising results were well in line with budget and with 2018. Income from the impact investment portfolio grew from €1.5m to €3.6m due to rationalising this portfolio and incidental gains.

Overall expenditure was €172.5m, a growth of 22% compared to 2018, mainly due to executing more projects. 93% of total expenditure was spent on Cordaid's objectives. Fundraising costs were in line with 2018. Management and administration costs were €6.0m, €3.0m more than 2018 mainly due a reservation for redundancy costs at Global Office and local severance pay obligations.

The financial income & expenses - the investment portfolio - contributed €3.2m, €3.5m more than in 2018, due to a rise in stock market prices and a decrease in interest rates.

#### €1.7 mln increase reserves ultimo 2019 (€14.0m)

The positive result of €0.3m is appropriated for €1.7m to an increase in the reserves (€14.0m) due to a positive result of investments, financially closing 350 old projects from 2016 - 2019 and a negative result on the redundancy provision. Restricted and semi-restricted funds (€20.1m) decreased by €0.9m and loans and guarantees fund (€74.1m) decreased by €0.5m.

#### Corona and continuity 2020 and further

Corona is hitting our beneficiaries and operations hard. Operational activities are adjusted and Cordaid expects an operational loss of €2m with a risk of €4.5m in 2020. The investment portfolio - impact and green - will devalue with an expected loss of €6m and a risk of €3m additionally. Our expected reserves and funds and our cash position ultimo 2020 will be more than sufficient to deal with these risks and 2021, barring dramatic circumstances in our operating countries.

September 11, 2020

**Consolidated balance sheet as of December 31, 2019**

(after proposed appropriation of funds)

<b>X € 1,000</b>	<b>NOTE</b>	<b>31/DEC/2019</b>	<b>31/DEC/2018</b>
<b>Assets</b>			
<i>Fixed assets</i>			
Tangible fixed assets	6	1,331	251
Financial fixed assets			
- Issued in connection with the objectives	7	51,733	56,379
- Investments	8	23,528	20,871
		75,261	77,250
<i>Current assets</i>			
Receivables	9		
- Receivables from grants		10,525	13,899
- Implementing organisation advances		14,185	11,086
- Receivable from inheritances		7,545	7,033
- Interest receivable		879	959
- Other receivables		1,578	1,772
		34,712	34,749
Cash and Bank	10	48,542	44,066
<b>Total assets</b>		<b>159,846</b>	<b>156,316</b>

<b>X € 1,000</b>	<b>NOTE</b>	<b>31/DEC/2019</b>	<b>31/DEC/2018</b>
<b>Liabilities</b>			
<i>Reserves</i>	11		
- Continuity reserve		11,000	11,000
- Earmarked reserves		2,999	1,282
		13,999	12,282
<i>Funds</i>	11		
- Restricted funds		822	1,526
- Semi-restricted funds		19,240	19,489
- Loans & guarantees fund		74,112	74,589
		94,174	95,604
Provisions	12	2,332	1,141
<i>Current liabilities</i>	13		
- Project commitments		9,580	15,977
- Other current liabilities		39,761	31,312
		49,341	47,289
<b>Total liabilities</b>		<b>159,846</b>	<b>156,316</b>

## CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 2019

X € 1,000	NOTE	2019	BUDGET 2019	2018
<b>Income</b>				
- Income from private individuals	15	26,318	24,275	25,246
- Income from companies	16	265	206	547
- Benefits from lottery organisations	17	2,700	2,700	2,700
- Government grants	18	133,857	149,722	104,216
- Income from related (international) organisations	19	952	948	789
- Income from other non-profit organisations	20	1,826	9,963	3,242
<b>Total acquired income</b>		<b>165,918</b>	<b>187,814</b>	<b>136,740</b>
- Income from sale of goods and or rendering of services	21	51	0	24
- Other income	22	3,591	4,206	1,520
<b>Total incoming resources</b>		<b>169,560</b>	<b>192,020</b>	<b>138,284</b>
<b>Resources expended</b>				
<i>Spent on objectives</i>				
- Program costs:	23			
Healthcare		100,555	111,558	76,770
Humanitarian Aid		23,524	20,143	24,752
Security & Justice		16,797	21,313	11,111
Cordaid Netherlands		494	0	365
Resilience		10,550	20,101	10,935
Investments		3,912	4,857	4,348
Other activities		120	0	29
<b>Total programs costs</b>		<b>155,952</b>	<b>177,972</b>	<b>128,310</b>
- Public information / awareness campaigns	24	4,333	5,085	4,423
<b>Expenditure on objectives</b>		<b>160,285</b>	<b>183,057</b>	<b>132,733</b>
- Expenditure on fundraising	24	6,194	6,920	6,172
- Management and administration cost	24	6,003	2,294	2,959
<b>Total resources expended</b>		<b>172,482</b>	<b>192,271</b>	<b>141,864</b>
<b>Sum of income and expenditures before financial income and expenses</b>		<b>-2,922</b>	<b>-251</b>	<b>-3,580</b>
Financial income and expenses	28	3,209	260	-270
Corporate income taxes		0	0	-1
<b>Balance of income and expenditures</b>		<b>287</b>	<b>9</b>	<b>-3,851</b>

## APPROPRIATION OF THE FUNDS

The funds were appropriated as follows:

X € 1,000	2019		2018	
<b>Appropriation of funds</b>				
The balance of funds was appropriated as follows:				
<b>Reserves</b>				
- continuity reserve	0		5,113	
- earmarked reserves	1,717		-101	
		1,717		5,012
<b>Funds</b>				
- restricted funds	-704		-775	
- semi-restricted funds	-249		1,422	
- loans & guarantees fund	-477		-9,510	
		-1,430		-8,863
<b>Balance of income and expenditures</b>		<b>287</b>		<b>-3,851</b>

## PERFORMANCE INDICATORS

In 2019 the following performance indicators were derived from the statement of income and expenditure:

PERFORMANCE INDICATORS	2019	BUDGET	2018
<b>Ability to spend income on objectives</b>			
- Income-to-spending ratio (% expenditure on objectives vs. total incoming resources)	94.5%	95.3%	96.0%
<b>Overall efficiency of the organisation</b>			
- Total program-to-spending ratio (% expenditure on objectives vs. total resources expended)	92.9%	95.2%	93.6%
- Program-to-spending ratio (% of direct program costs vs total resources expended)	88.4%	90.6%	87.8%
- Program-management-to-spending ratio (% of program management costs vs total resources expended)	4.5%	4.6%	5.8%
- Fundraising-to-spending ratio (% of fundraising costs vs. total resources expended)	3.6%	3.6%	4.4%
- Management and administration ratio (% vs. total resources expended)	3.5%	1.2%	2.1%
<b>Efficiency of fundraising</b>			
- Fundraising ratio (% cost of generating funds vs. total incoming resources)	3.7%	3.7%	4.5%

- **Income-to-spending ratio:** 94.5%. Income and expenditure on objectives follow the same trend compared to the previous year and is slightly below budget.
- **Program-to-spending ratio:** 88.4%. In line with the previous year and the budget. Program expenditure follows the same pattern as overall expenditure.
- **Program-management-to-spending ratio:** 4.5%. Program management costs are relatively low compared to overall expenditure.
- **Fundraising-to-spending ratio:** 3.6%. 2019 is on budget and below the previous year due to lower spending on marketing campaigns.
- **Management & administration ratio:** 3.5%. Management & administration costs were above budget and higher than 2018 due to an one-off addition to the redundancy provision as well as budgeted investments in country offices, both related to the new strategic plan.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDING DECEMBER 31, 2019**

The movement of cash and cash equivalents are as following:

<b>X € 1,000</b>	<b>NOTE</b>	<b>2019</b>		<b>2018</b>	
Cash flows from operating activities					
Sum of income and expenditures	15-24		-2,922		-3,580
<i>Adjustments for:</i>					
- Depreciation tangible fixed assets	6	270		277	
- Accrued interest social impact portfolio	9	-832		-921	
- Financial income and expenses	28	765		-270	
- Changes in provisions	12	1,191		-833	
			1,394		-1,747
<i>Changes coming from operating activities:</i>					
- Receivables	9	869		-10,839	
- Financial fixed assets (connected to the objectives)	7	4,646		3,918	
- Project commitments	13	-6,397		2,241	
- Other current liabilities	13	8,449		1,673	
			7,567		-3,007
<b>Cash flows from operating activities</b>			<b>6,039</b>		<b>-8,334</b>
<i>Cash flows from investing activities</i>					
Purchases of tangible fixed assets	6	-1,350		-84	
Investments	8	-213		671	
<b>Cash flows from investing activities</b>			<b>-1,563</b>		<b>587</b>
<i>Cash flows from financing activities</i>					
Receipts / repayments of long-term borrowings		0		0	
<b>Cash flows from financing activities</b>			<b>0</b>		<b>0</b>
<b>Change in cash and cash equivalents</b>			<b>4,476</b>		<b>-7,747</b>

<b>X € 1,000</b>	<b>31/DEC/2019</b>	<b>31/DEC/2018</b>
Balance at 1 January	44,066	51,813
Change in cash and cash equivalents	4,476	-7,747
<b>Balance at 31 december</b>	<b>48,542</b>	<b>44,066</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL NOTES

### 1.1 Activities

Rooted in the tradition of the Catholic Social Teachings, Cordaid's mission is to reduce fragility and people's vulnerability there where it is most needed and most difficult: in fragile and conflict-affected settings. Cordaid does this by promoting equality and social inclusion, by offering humanitarian aid and by increasing the health, security & justice and resilience of people and their communities as well as by strengthening the relationships between citizens, civil society, private sector and governments. Cordaid focuses aid efforts in some of the world's most conflict-torn and volatile countries like South Sudan, Afghanistan, the Central African Republic and the Democratic Republic of Congo. In the Netherlands, Cordaid reduces poverty and promotes inclusion by encouraging cooperative entrepreneurship for people with low incomes and who have a distance to the labour market.

Cordaid is a foundation. Its objectives as described in its Articles of Association are as follows (translated from 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 entities:

- Stichting Cordaid, The Hague
- Stichting Cordaid Expats, The Hague
- Stichting Cordaid Participaties, The Hague
- Corpav BV, The Hague
- Cordaid Investment Management BV, The Hague
- Cordaid SA NPC, Cape Town (South Africa)

The objective of Stichting Cordaid Expats is to employ expatriates working for Stichting Cordaid. All income and costs for expats are administrated by Stichting Cordaid. Stichting Cordaid Participaties' objective is to invest in social enterprises worldwide via loans or through participation. Both foundations have the same Board of Directors as Stichting Cordaid.

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

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

Stichting Cordaid holds 100% of the shares of Cordaid SA NPC. The nature of business and principal activities of this subsidiary is relief and development aid in line with the objectives of Stichting Cordaid.

The street address of all foundations and companies is:  
Grote Marktstraat 45  
2511 BH  
The Hague  
The Netherlands  
Dutch Chamber of Commerce: 41160054

The Board of Directors of Stichting Cordaid bears the ultimate responsibility for the general course of affairs at Stichting Cordaid. The Board of Directors is tasked with the management of the foundation, including running its day-to-day business, and implementing its programs and activities. The Board is responsible for Cordaid's corporate governance structure and its compliance with good governance rules.

The budget, the annual report and the annual accounts which are all prepared by the Board of Directors, are subject to adoption by the Supervisory Board after advice from the Audit Committee. The composition of the Supervisory Board is such that its members can act critically and independent from one another, from 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 Supervisory Board also adopts the multi-annual strategic policy plan drafted by the Board of Directors and approves the annual plan.

#### The members of the Board of Directors of Stichting Cordaid in 2019 were:

- L.C. Zevenbergen, CEO
- W.J. van Wijk, CFO (January – November 2019)
- T.J.A. Wagenaar, CFO (since December 2019)

#### During 2019, the Supervisory Board members of Stichting Cordaid were:

- A.J.M. Heerts, Chair
- M.C.T. van de Coevering, member Audit Committee
- J.H.M. van Bussel, member Audit Committee
- B.L.J.M. van Dijk-van de Reijt, member Remuneration Committee
- M. van Beek, member Remuneration Committee
- M.W.J.A. Landheer-Regouw
- J.J.A. de Boer, priest



The Board members of Stichting Cordaid Participations, Corpav B.V. and Stichting Cordaid Expats are the same as for Stichting Cordaid at December 31, 2019.

On December 31, 2019, the Board of Directors of Cordaid Investment Management BV is comprised of J.M.F. Verheijen and F.J.M. Goossens. Stichting Cordaid is the only shareholder.

The Board of Directors on December 31, 2019 of Cordaid SA NPC is comprised of L.C. Zevenbergen, W.J. van Wijk and D.M.J. Haaksma. Stichting Cordaid is the sole share holder. Cordaid SA NPC's registration number at the South African Chamber of Commerce is 2012/039835/08.

## 1.2 Changes in accounting estimates

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

## 1.3 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.

## 1.4 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 realised through transactions with third parties. Unrealised 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 Cordaid Participaties, The Hague
- Corpav BV, The Hague
- Cordaid Investment Management BV, The Hague
- Cordaid SA NPC, Cape Town (South Africa)

# 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 2019 are compared to the budget as approved by the Supervisory Board and 2018 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 as per 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 recognised 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 recognised 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 recognised initially at fair value of the amount owed net of any provisions considered necessary. These receivables are subsequently measured at 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.

#### Derivatives

Derivatives are initially valued at cost price and subsequently

valued at fair value. Derivatives with a negative value are presented under current liabilities. Changes in the value of derivatives are recognised directly in the statement of income and expenditure. Transaction costs for derivatives are included in the acquisition cost.

#### Investments:

##### **Bonds and shares**

Bonds and shares are measured at fair value. Changes in value and transaction costs are recognised 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 realisable value and value in use. If it is established that a previously recognised 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 recognised.

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 recognised 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 recognised, the previously recognised 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 recognised at the date the impairment is reversed. The amount of the reversal shall be recognised 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 Receivables

### General

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

### Receivable from inheritances

Inheritances on which third parties have a right of usufruct are recognised in the annual accounts. Recognition is based on the best practices as prescribed by the Dutch branch organisation Goede Doelen Nederland. The valuation method used by Cordaid is based on the calculation used by the tax authorities for the calculation of inheritance tax. Receivables are recognised and included in the balance sheet. Income is however recognised through the statement of income and expenditure, after which the benefits are included in a designated fund until the moment of release.

## 2.8 Cash and cash equivalents

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

## 2.9 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.
- Earmarked reserves are earmarked for future spending on the objectives of Cordaid. The Board of Directors decides on the actual purpose of the reserves, based on internally agreed criteria.
- The restricted funds are earmarked for a specific project as agreed upon 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 is 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.

## 2.10 Provisions

Provisions are recognised 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.

## 2.11 Liabilities

### General

Liabilities are initially recognised 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 minus 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 recognised as soon as a contract is issued or when a grant decision is communicated in writing or otherwise and 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 recognised 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 realised and losses are accounted for as soon as they are identified.

#### **3.2 Income recognition**

##### **Income from private individuals and companies**

Income from private individuals and companies, previously classified as own fundraising, comprises of gifts and donations, mailings, collections, legacies and the sale of materials. Income from gifts and donations, contributions, collections and mailings are accounted for in the year in which they are received. Exceptions to these are written undertakings that have been received before year-end as these can be accounted for in the current year.

Legacies are recognised 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 lottery organisations**

Income from lottery organisations is accounted as such when Cordaid carries no risk in the fundraising campaign. The income from lottery organisations is recognised in the year in which the income is received or pledged.

##### **Income from other non-profit organisations**

Income from non-profit organisations is accounted as such when Cordaid carries no risk in the fundraising campaign. The income from non-profit organisations is recognised in the year in which the income is received or pledged. However, grants and subsidies from other non-profit

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

##### **Income from government grants**

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

##### **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 recognised 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.

##### **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, realised and unrealised changes in the valuation of loans and participations, dividend and fees for restructuring loans.

##### **Income from sale of goods and or rendering of services**

Income from sale of goods and/or rendering of services are accounted for in the year in which the materials are sold or services are provided.

#### **3.3 Exchange rate differences**

Transactions denominated in foreign currencies conducted during the reporting period are recognised 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 recognised 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 Depreciation on tangible fixed assets**

Tangible fixed 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 the depreciation.

#### **3.5 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages and social security contributions are recognised 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 actual coverage ratio was 99.2% on the 31st December 2019 (30 June 2020: 85.9%).

Contributions are recognised as employee benefit expenses as soon as they are payable. Prepaid contributions are recognised 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 recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

### Interest income and income from investments

The line item interest income and income from investments contains the (gross) interest, dividends and realised and unrealised capital gains. Interest income and expense are recognised time proportionally.

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

### Changes in financial instruments at fair value

Financial instruments are initially valued at fair value. Changes in the value of the following financial instruments are recognised directly in the statement of income and expenditure:

- purchased loans, bonds (unless held to maturity) and equity instruments that are quoted in an active market;
- changes in derivative financial instruments to hedge its foreign currency risks and interest rate risks.

## 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 structurally hedging these currency risks does not outweigh the benefits. Based on management's risk assessment, one incidental hedge contract is in place to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK). A swap contract, MMK to USD, has been used for this purpose. This swap contract does hold a risk, because the USD inflow is dependent on the 6 month LIBOR. 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.

### 4.2 Ethical risk

The Company operates in an industry and geographical environment that is associated with increased risk of ethical matters. The Company is aware of this and putted mitigating controls in place including code of conduct, no tolerance policies and whistleblower policies. Nevertheless, no absolute assurance can be obtained of full compliance.

## 5. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement is prepared by 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 positive gross cash flow from operating activities of €6.0m was mainly driven by the sales of participations of the social impact investments portfolio and changes in current liabilities mainly as a result of increased prepayments on donor contracts.

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

- A decreased value of the financial fixed assets of €4.6m mainly as a consequence of the sale of participations.
- Increased current liabilities of €8.4m as a result of:
  - higher deferred grants related to advance payments from donors, while expenditures took off slowly in the startup phase (€4.3m). Payments related to two resilience projects in Central African Republic and performance based financing Healthcare projects in Ethiopia;
  - €1.7m increased accounts payables as a result of higher expenditures on fundraising and marketing activities at year-end 2019;
  - short term liabilities to redundant employees following the reorganisation (€1.6m).
- Decrease of receivables by €0.9m. There are two main drivers of this decrease. €3.4m lower expenditures on programs mainly due to delayed project implementation on new projects. The second main reason is a decrease of employee advances by €0.5m as a result of clearing old balances in 2019 and strengthened internal control procedures.

Aforementioned effects have partly been offset by €3.1m higher advance payments to implementing organisations due to increased disbursements by the Global Fund Pooled Procurement Mechanism.

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

- A decrease of €6.4m on outstanding project commitments due to €0.9m lower commitments made to consortium partners following delayed project implementation at the end of 2019, as well as year-end 2018 €5.5m higher commitments to consortium partners foremost for a Resilience project in South Sudan.

### Cash flows from investing activities

Factors from investing activities negatively affecting cash flow:

- Purchases of tangible assets came to €1.4m in 2019. Investments for completion of the new office building as well as furniture and fittings form the most part of this cash outflow.
- Investments increased by €2.6m fully thanks to positive trends on the market for shares and bonds. However €2.4m relate to unrealised revaluation gains, which have been eliminated from the cash flow mutation.

### 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 recognised as cash flows from operating activities.

## 6. 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
<b>Balance at 1 January 2019</b>						
Cost	1,990	4,600	1,601	28	283	8,502
Accumulated depreciation	-1,955	-4,448	-1,537	-28	-283	-8,251
<b>Carrying value at 1 January 2019</b>	<b>35</b>	<b>152</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>251</b>
<b>Changes</b>						
Purchases	1,124	0	193	33	0	1,350
Disposals	-1,990	0	0	-28	0	-2,018
Depreciation	-90	-118	-53	-9	0	-270
Depreciation on disposals	1,990	0	0	28	0	2,018
<b>Total changes</b>	<b>1,034</b>	<b>-118</b>	<b>140</b>	<b>24</b>	<b>0</b>	<b>1,080</b>
<b>Balance at 31 December 2019</b>						
Cost	1,124	4,600	1,794	33	283	7,834
Accumulated depreciation	-55	-4,566	-1,590	-9	-283	-6,503
<b>Carrying value at 31 December 2019</b>	<b>1,069</b>	<b>34</b>	<b>204</b>	<b>24</b>	<b>0</b>	<b>1,331</b>
Depreciation percentages	10%	33%	20%	33%	33%	

The total investments in 2019 amounted to €1.4m. Cordaid moved into a new office building in 2019. The investments mainly concern the completion of the office space, as well as furniture and furnishings. Investments in vehicles relate to a company car in Uganda used for general and project purposes.

All assets are held for business operations.

## 7. FINANCIAL FIXED ASSETS ISSUED IN CONNECTION WITH THE OBJECTIVES

Outstanding loans, participations and guarantees are recognised as financial assets issued in connection with the objectives. This relates to loans issued to and a number of participations in partner organisations for the purposes of funding

small-scale economic activities (e.g. through microfinance institutions), for which partner organisations 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 2019:

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
<b>Value of portfolio at 1 January 2019</b>	<b>43,504</b>	<b>800</b>	<b>15,947</b>	<b>60,251</b>
Provision at 1 January 2019	-3,872	0	0	-3,872
<b>Carrying amount 1 January 2019</b>	<b>39,632</b>	<b>800</b>	<b>15,947</b>	<b>56,379</b>
<b>Changes in value of portfolio</b>				
Loans and guarantees issued	14,684	0	0	14,684
Loans and guarantees repaid	-14,769	-400	0	-15,169
Participations acquired/committed	0	0	295	295
Participations sold/commitments withdrawn	0	0	-3,880	-3,880
Impaired loans and guarantees	-56	0	0	-56
(Reversal of) impairments of participations	0	0	367	367
Currency gains and losses	1,078	0	-1,328	-250
<b>Value of portfolio at 31 December 2019</b>	<b>44,441</b>	<b>400</b>	<b>11,401</b>	<b>56,242</b>
<b>Changes in the provision</b>				
Impaired loans and guarantees	56	0	0	56
Allocated to/withdrawn from provision for loans and guarantees	-693	0	0	-693
<b>Provision at 31 December 2019</b>	<b>-4,509</b>	<b>0</b>	<b>0</b>	<b>-4,509</b>
<b>Value of portfolio at 31 December 2019</b>	<b>44,441</b>	<b>400</b>	<b>11,401</b>	<b>56,242</b>
Provision at 31 December 2019	-4,509	0	0	-4,509
<b>Carrying amount 31 December 2019</b>	<b>39,932</b>	<b>400</b>	<b>11,401</b>	<b>51,733</b>

### Loans and guarantees

The provision on loans and guarantees increased by €0.6m in 2019 (2018: €1.5m). The total provisions as a percentage of the outstanding portfolio is 10.1%. The main drivers are liquidity issues at investees in the Rural and Agricultural Finance portfolio (€2.3m) and Stability Impact Fund portfolio (€1.3m).

The outstanding loans are the amounts actually transferred to partner organisations. At balance sheet date an amount of €14.1m was signed as loan but not yet disbursed (2018: €2.0m).

In 2019, we attracted two external co-financiers, who co-funded 3 instruments within our Rural and Agricultural Finance portfolio. The amount of the undisbursed loan commitments and co-funding are netted in the figures above.

To secure loans and guarantees the following types of collateral have been pledged: loan portfolio pledges, debentures, corporate and/or personal guarantees, mortgages and subordinating loans to our loans and guarantees. The average interest rate on the loans and guarantees is 13.6%.

Loans and guarantees will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
<1 year	9,733	400	10,133
1-5 years	34,408	0	34,408
>5 year	300	0	300
	<b>44,441</b>	<b>400</b>	<b>44,841</b>

### Participations

Cordaid takes a prudent approach to the valuation of its participations. They are carried at acquisition cost adjusted for impairment. Previously recognised 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 the original cost. Payments in foreign currencies are recorded at the payment date. Cordaid has the policy of selling all foreign currencies, besides US dollars, directly upon receipt.

Cordaid operates in fragile countries where there is no active market for these equity stakes. Accurate and timely information on valuation is often limited available. As a result of these factors, Cordaid adopts a conservative approach towards valuation of participations. 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 ORGANIZATION	CITY	COUNTRY	OPENING BALANCE 2019	PURCHASED / COMMITTED	CURRENCY GAINS AND LOSSES	REVALUATION	SOLD	CLOSING BALANCE 2019	ACTIVITIES
Aavishkar	Mumbai	India	1,220	0	-270	-293	0	657	Investment fund SME in India
Afri-Oils	Llongwe	Malawi	0	0	0	0	0	0	Nut processor
Finance South Sudan	Juba	South Sudan	0	0	0	0	0	0	MFI in women engaged SME in DRC
Dia Vikas	Gurgaon (Uttar Pradesh)	India	2,701	0	-123	315	0	2,893	Investment fund in MFIs India
FPM SA	Kinshasa	DRC	3,506	0	0	0	0	3,506	Investment fund for financial institutions in DR Congo
Hekima Micro Finance SA	Kinshasa	DRC	237	0	0	0	0	237	MFI in women engaged SME in DRC
Inreturn BV	Rotterdam	The Netherlands	38	0	0	-12	-26	0	Investment Fund in SME Afrika
Liberation	London	United Kingdom	80	0	0	0	0	80	Nut producer association
Peak II LP	Moshi	Tanzania	2	0	44	01	0	45	Leasing fund SME Africa
Progression Capital Africa Ltd	Port Louis	Mauritius	3,075	40	37	-38	-62	3,052	Investment fund in SMEs Africa
Pyme Capital	Panama City	Panama	1	0	0	0	0	1	Investment fund in SMEs Latin America
Rabo Rural Fund Bv	Utrecht	The Netherlands	2,179	0	53	11	-2,243	0	Small producers trade finance fund
SICSA	Panama City	Panama	454	0	0	0	0	454	Investment fund in MFIs Central America
SME Impact Fund CV	Amsterdam	The Netherlands	555	0	0	-79	0	476	Investment fund in SMEs Tanzania
Stromme Microfinance East Africa Limited	Kampala	Uganda	459	0	-94	439	-804	0	Investment fund in MFIs Africa
WAVF	Port Louis	Mauritius	1	255	-281	25	0	0	Investment fund in SMEs Sierra Leone / Liberia
WMF	Accra	Ghana	1,439	0	-694	0	-745	0	Investment fund in MFIs Ghana
<b>Total</b>			<b>15,947</b>	<b>295</b>	<b>-1,328</b>	<b>367</b>	<b>-3,880</b>	<b>11,401</b>	

Given the nature and objectives of the participations, Cordaid enters into new participations only when an exit strategy on the short or mid-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.

Due to the sale of 4 participations in 2019, the number of participations decreased to 13 and the total value of the portfolio of participations decreased from €15.9m in to €11.4m by 31 December 2019. Cordaid did not invest in new participations in 2019.

In 2019 €0.3m was decommitted. Although the interest in WAVF was revaluated to €0m in 2018, WAVF's used vested contractual rights to call extra capital (€0.3m). Total remaining rights in 2020 and later on participations portfolio amount to €0.7m.

The devaluation of local currencies resulted in €1.3m currency losses. The total revaluation gains of intrinsic values amounted to €0.4m. €0.5m gains following reversals of prior revaluations on sold participations. Remaining €0.1m revaluation loss reflect the valuation of our stake.

## 8. 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 green sustainable 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 not a performance based fee.

ING Bank and Van Lanschot Bankiers invest in businesses that have sound staff policies in place, that protect the environment and that respect human rights. Cordaid applies its own investments policy, based on the UN Global Compact and the Standard for Financial Management of Fundraising Institutions of Goede Doelen Nederland.

The current portfolio investments can be specified as follows:

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Bonds</b>		
Government bonds	4,442	3,386
Corporate bonds	8,665	7,818
Other bonds	1,879	2,207
<b>Total bonds</b>	<b>14,986</b>	<b>13,411</b>
Shares	7,897	6,881
Other funds	645	579
<b>Total investments</b>	<b>23,528</b>	<b>20,871</b>

The portfolio is carried at fair value based on the known market prices for the specific bonds, shares and funds in the portfolio. The fair value of the portfolio increased by €2.7m to €23.5m. The decrease in interest rate and increase in stock market values is the main driver for the increase of the fair value of the investment portfolio. The amount originally invested in the current portfolio in 2015 was €20m.

## 9. RECEIVABLES

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

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Receivables</b>		
- Receivables from grants	10,734	14,108
- Provision uncollectable receivables from grants	-209	-209
- Implementing partner organisation advances	14,185	11,086
- Receivable from inheritances	7,545	7,033
- Interest receivables	879	959
- Other receivables	1,578	1,772
	<b>34,712</b>	<b>34,749</b>

Contracts with donors lead to a receivable if costs incurred are higher than advances received from the donor. The related receivables from grants decreased by €3.4m compared to 2018 due to lower program expenditures following delayed project

implementations in new projects in Burundi, Ethiopia and South Sudan at the end 2019.

Compared to 2018 advance payments to implementing partners increased by €3.1m in 2019 to €14.2m. During implementation and execution of projects, Cordaid Country Offices provide advance payments to its implementing parties. These advances are subsequently justified by the partners after implementation of the activities. The aforementioned increase is driven by €2.9m higher disbursements from the Pooled Procurement Mechanism established by the Global Fund to fight aids, tuberculosis and malaria.

The receivable from inheritances in 2019 increased by €0.5m to €7.5m. In 2019, a slightly lower number of legacies was unsettled compared to 2018 (147 versus 158). The average amount received per legacy increased compared to the prior year. An increase as a result of higher investment and real estate market values led to a higher receivable at the end of 2019.

### Interest receivables

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Interest receivables</b>		
- Banks & deposits	7	8
- Bonds	40	30
- Loans & guarantees issued in connection to the objectives	832	921
	<b>879</b>	<b>959</b>

Interest receivables relate to the bonds in the investment portfolio, outstanding deposits, savings deposits and outstanding loans and guarantees relating to Cordaid's objectives. The interest to be received on loans & guarantees decreased by €0.1m as a result of lower outstanding nominal amount and repayments on loans, which is partly off set due to a higher average interest rate.

### Other receivables

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Other receivables</b>		
- Security deposit	154	11
- Derivatives	0	563
- Prepayments	401	272
- Other receivables, including employee advances	1,023	926
	<b>1,578</b>	<b>1,772</b>

Other receivables decreased by €0.2m to €1.6m in 2019. The main driver of this decrease is the change in valuation of a hedge contract to cover currency risks on loans denominated in Myanmar Kyat to US Dollars. The derivative was a receivable of €0.6m in 2018 as where the valuation in 2019 results in a liability of €0.2m. This decrease is partly set off by the €0.1m deposit for the lease of the new office building and a €0.1m increase prepayments on leased office equipment.



## 10. CASH AND BANK

Cash and bank comprise the cash and bank balances of the Cordaid office in The Hague, of the Country Offices abroad as well as deposits falling due in less than one year. Cash and cash equivalents increased from €44.1m to €48.5m during 2019. The main factors in the movements in cash and bank are explained in section 1.2 Notes on the cash flow statement.

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Cash and cash equivalents</b>		
- Deposits	8,835	13,958
- Bank accounts	39,328	29,452
- Cash in hand	379	347
- Cross accounts	0	309
	<b>48,542</b>	<b>44,066</b>

Cordaid has a bank guarantee facility up to a maximum of €2.5m.

Bank guarantees have been issued for a total amount of €0.6m: a guarantee of €0.1m for a donor project (2018: €0.1m), a guarantee for the rent agreement of €0.1m (2018: €0.2m) and other guarantees with a total value of €0.4m (2018: €0.8m) in deposited cash. The latter is presented as financial fixed assets issued in connection with the objectives. These guarantees are used as an investment instrument.

Usage of Cordaid bank balances is limited by €0.6m following pension liabilities towards local South Sudan staff (2018: €0.5m).

Bank and other guarantees, as well as South Sudanese restrictions on bank balances are not at Cordaid's free disposal (€1.2m). All remaining cash (€47.3m) is at Cordaid's free disposal.

## 11. RESERVES AND FUNDS

X € 1,000	CONTINUITY RESERVE	EARMARKED RESERVES	RESTRICTED FUNDS	SEMI-RESTRICTED FUNDS	RESTRICTED FUND LOANS & GUARANTEES	TOTAL RESERVES AND FUNDS
<b>Opening balance 1 January 2019</b>	<b>11,000</b>	<b>1,282</b>	<b>1,526</b>	<b>19,489</b>	<b>74,589</b>	<b>107,886</b>
<i>Changes</i>						
Extraction	0	-883	-704	-249	0	-1,836
Dotations	0	0	0	0	2,123	2,123
Other	0	2,600	0	0	-2,600	0
<b>Closing balance 31 December 2019</b>	<b>11,000</b>	<b>2,999</b>	<b>822</b>	<b>19,240</b>	<b>74,112</b>	<b>108,173</b>

### Continuity reserve

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

At year-end 2018 the continuity reserve was set on €11.0m based on a risk analysis of future events that might lead to unforeseen outflow of funds. In 2019 neither additions to nor withdrawals from the continuity reserve have been made.

On December 31, 2019, the continuity reserve amounted to €11.0m. This is below the maximum of 1.5 times total operating expenses as formulated by Centraal Bureau Fondsenwerving (CBF).

### Earmarked reserves

Earmarked reserves comprise of interest income, exchange results, income from investments of temporary surpluses of semi-restricted and restricted funds and income not earmarked for specific topics. The reserves are earmarked for spending on objectives and coverage of operational losses.

The allocation of these reserves to different themes, programs and objectives is subject to decision by the Board of Directors. Decision-making is based on internally agreed upon criteria.

The total amount of earmarked reserves per December 31, 2019 is €3.0m. In past years, operational gains and losses and exchange results on regular operations were charged against the earmarked reserves. In 2019 €2.6m of these operational expenditures following Cordaid in Transition have been charged to the Fund Loans & Guarantees.

### Restricted funds

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

Restricted funds decreased by €0.7m to €0.8m as per December 31, 2019 (2018: €1.5m). The decrease is mainly due to €1.3m spending of funds on the SHO action 'Nederland helpt Sulawesi'. The effect is partly off set by the €0.4m lower spending on adoptions compared to received funds.

Table below comprises movements in SHO restricted fund during financial year 2019:

### SHO 'NEDERLAND HELPT SULAWESI'

X €1	2019			UP TO AND INCLUDING 2019		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns		179	179			1,845
Interest			0			0
<b>Total incoming resources</b>			<b>0</b>			<b>1,845</b>
Preparation and coordination costs			0			-117
<b>Total available for charitable activities</b>			<b>0</b>			<b>1,728</b>
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	1,263	0	1,263	1,713	0	1,713
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
	1,263	0	1,263	1,713	0	1,713
<b>Available commitment capacity</b>						
<b>Breakdown of participant's cash flows</b>						
Transfer by participant for:						
- support offered through local relief providers	1,263	0	1,263	1,713	0	1,713
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
<b>Total transferred</b>	<b>1,263</b>	<b>0</b>	<b>1,263</b>	<b>1,713</b>	<b>0</b>	<b>1,713</b>
<b>Breakdown of resources expended locally</b>						
- support offered through local relief providers	1,263	0	1,263	1,713	0	1,713
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
<b>Total resources expended</b>	<b>1,263</b>	<b>0</b>	<b>1,263</b>	<b>1,713</b>	<b>0</b>	<b>1,713</b>

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

**SHO allocation key**

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

In the table below the relevant figures for Cordaid in the period 2017-2019 are provided.

X € 1,000	2019	2018	2017
1. Volume of emergency aid and reconstruction activities	25,145	25,655	18,876
2. Income from own fundraising	28,281	27,396	29,444

The volume of delivered emergency aid and reconstruction activities is excluding SHO funds and excluding funds transferred to other organisations in the role of administrative lead agency/horizontal lead agency (for example in the role of lead agency in the DRA).

The income from own fundraising for 2017 up to 2019 is calculated by the sum of:

- Income from private individuals
- Income from companies
- Income from other non-profit organisations minus income from SHO
- Income from sale of goods and or rendering of services

**Semi-restricted funds**

Semi-restricted funds are accruals of income from own fundraising that is not earmarked for one specific project, but only earmarked for a broadly defined purpose. The decrease in semi-restricted funds by €0.2m is a result of spending on projects exceeding contributions in 2019.

**12. PROVISIONS**

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

X € 1,000	REDUNDANCY PROVISION	PROVISION FOR UNOCCUPIED OFFICE SPACE	BACKDONOR PROJECTS	TOTAL
<b>Opening balance 1 January 2019</b>	<b>163</b>	<b>278</b>	<b>700</b>	<b>1,141</b>
<i>Changes</i>				
- Allocated	3,565	0	0	3,565
- Withdrawn	-163	-278	-372	-813
- Released	0	0	0	0
<b>Balance as at 31 December 2019</b>	<b>3,565</b>	<b>0</b>	<b>328</b>	<b>3,893</b>
Transfer to current liabilities	-1,561	0	0	-1,561
<b>Closing balance 31 December 2019</b>	<b>2,004</b>	<b>0</b>	<b>328</b>	<b>2,332</b>

**Loans & Guarantees Fund**

The Loans & Guarantees Fund comprises the resources that have been accrued within the scope of the Loans & Guarantees Program. The resources of 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. Also social impact investments outside the scope of the funds managed by CIM BV are financed through this fund up to a cumulative of €5m.

In 2019, an amount of €2.6m was extracted for the investments made for the implementation of Cordaid's new strategic plan.

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Opening balance 1 January 2019</b>	<b>74,589</b>	<b>84,099</b>
<i>Financial result assets connect to objectives:</i>		
Income from financial assets issued for objectives	4,863	-763
Investment income (assets not issued for objectives)	1,403	768
Unrealised change in value of derivatives	-730	796
Direct operating costs	-2,193	-2,021
Allocated overhead costs from Cordaid	-680	-784
Grant approvals	-94	-233
<b>Financial result assets connect to objectives</b>	<b>2,569</b>	<b>-2,237</b>
Financial result Corpav and Cordaid Participaties	-446	-1
Contribution Cordaid in Transition	-2,600	-2,159
<b>Financial result after non-operational results</b>	<b>74,112</b>	<b>79,702</b>
Addition to continuity reserve	0	-5,113
<b>Balance 31 December 2019</b>	<b>74,112</b>	<b>74,589</b>

Provisions increased in 2019 by €2.8m to €3.9m. The €3.6m addition to the redundancy provision is the main driver of this increase. If a settlement agreement has been agreed upon, the obligation is considered a current liability (€1.6m) and reclassified.

The composition of the redundancy provision is twofold. €2.2m has been added for future costs of Global Office staff reduction following organisational changes. An additional €1.3m has been provided as a result of local laws and regulations that compel Cordaid to form a provision for severance payments/ rights of local employees, mainly in South Sudan and Democratic Republic Congo.

As a consequence of the restructuring process in 2016, Cordaid did not use a part of the former office space, hence expenditures related to unoccupied work space were provided for. The costs related to the unoccupied office space have been withdrawn from the provision in 2019.

The back donor provision decreased by €0.4m to an amount of €0.3m as of December 31, 2019 following a write-off of old partner balances provided for in 2018. No additions or releases took place.

### 13. CURRENT LIABILITIES

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

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Current liabilities</b>		
Project commitments	9,580	15,977
Deferred grants	28,008	23,627
Accounts payables	5,062	3,331
Taxes and social security contributions	723	712
Reservation for leave days and holiday allowance	1,350	1,108
Redundancy provision (short term)	1,561	0
Participations payable	650	664
Derivatives	165	0
Other accruals	2,242	1,870
	<b>49,155</b>	<b>47,289</b>

Current liabilities increased by €2.0m from €47.3m in 2018 to €49.3m at year-end 2019. The main drivers are increased deferred grants, accounts payable and the one off redundancy liability, which increase is partly reduced by the decreased project commitments.

Outstanding project commitments decreased by €6.4m to €9.6m as on December 31, 2019. This decrease is twofold. Delayed project implementation resulted in €0.9m lower commitments made to consortium partners in 2019. Just before year-end 2018 €5.5m higher commitments were made to consortium partners, foremost for a Resilience project in South Sudan.

Year-end 2019 a re-audit was performed on an EU funded health project in Central African Republic. €0.8m possible ineligibilities were identified, retro-actively solved and accepted. No provision has been recognised. On December 31, 2019 the provision mainly consist of:

- €0.3m possible ineligibilities revealed at a 2018 re-audit on two EU funded projects in Ethiopia. Cordaid acted as consortium lead in this project. Cordaid took a prudent approach in determining the total provision related to these ineligibilities. The amount declared ineligible that was spent by consortium members (€0.3m) is included in the provision, but will be claimed from the consortium members as soon as the final impact is known. A receivable is not included in the balance sheet as per 31 December 2019.
- The 2018 possible ineligible expenses for projects in South Sudan and Central African Republic have been identified and €0.4m has been provided for. In 2019 these projects have been closed and ineligible expenditures withdrawn from 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.

Deferred grants increased by €4.4m during 2019 to €28.0m per December 31, 2019. The main driver is received fundings in advance on 2019 new projects, while expenditures were slow to take off in the startup phase. These projects relate to two Central African Republic resilience projects funded by the EU and two Ethiopian performance based financing health projects funded by the Netherlands Embassy in Ethiopia.

Accounts payables increased by €1.7m compared to 2018 to €5.1m as at December 31, 2019, mainly following €1.4m higher expenditures on increased fundraising and marketing activities at year-end 2019.

The participations payable relate to undisbursed commitments on participations in Progression Capital Africa LTD and WAVF. WAVF has been revaluated to nil in 2018.

Derivatives valuation shifted in 2019 to a liability of €0.2m, whereas the derivative was valued as a €0.5m receivable at year-end 2018. This derivative relates to a hedge contract to cover currency risks on loans denominated in Myanmar Kyat to US Dollars. The swap contract is held to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK). This derivative is measured at fair value through the statement of income and expenditures.

Other accruals increased by €0.4m compared to the previous year. This increase is predominantly a result of €0.3m accrued Ethiopian performance based financing subsidies on a new health project in the Jimma region.

All current liabilities are payable within one year.

## 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 2019 and beyond. Cordaid recognises the incoming resources from these financing contracts and grant decisions in accordance with Dutch Accounting Standard 274. This means that incoming resources are recognised at the time resources are actually expended. The difference between the income recognised 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 is an overview of all contracts with a spendable amount in future years. Contracts with a spendable amount above €5.0m are individually presented.

X € 1,000 FUNDING ORGANIZATION	DESCRIPTION OF THE PROJECT	DURATION	CONTRACT VALUE	CUMULATIVE INCOME	BALANCE TO BE SPENT
The Global Fund	Investment for impact against Tuberculosis and HIV in Democratic Republic of the Congo	Jan 2018 – Dec 2020	133,104	87,153	45,951
The Embassy of the Kingdom of The Netherlands in Ethiopia	Strengthening the health system in Jimma zone through Performance Based Financing	Apr 2019 - Mar 2023	15,949	1,063	14,886
Ministry of Primary, Secondary and Professional Education of Democratic Republic Congo	Education Quality Improvement Project in Democratic Republic Congo	Mai 2018 - Feb 2021	15,297	5,870	9,427
European Union	Resilience Support Project in Burundi	Jun 2019 - Jun 2020	8,537	454	8,083
Dutch Ministry of Foreign Affairs	Capacitating change: Empowering people in fragile contexts	Jan 2016 - Dec 2020	34,500	26,718	7,782
Dutch Ministry of Foreign Affairs	Jeune S3 - My rights to sexual and reproductive health	Jan 2016 - Dec 2020	30,955	25,413	5,542
Other funding organisations			133,522	75,952	57,570
<b>Grand total balances to be spent</b>			<b>371,864</b>	<b>222,623</b>	<b>149,241</b>

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 €1.2m which are still subject to usufruct at the reporting date and therefore not reported as income in the statement of income and expenditure. Due to uncertainties related to usufructuary's lifespan an overview on the estimated expiration of usufruct rights can't be reliably determined.

### Off-balance sheet commitments

All commitments (including project commitments) are recognised on the balance sheet. For organisational 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.

In December 2018 a lease contract for office rental was agreed upon. The rental period begins on July 1, 2019 and expires on June 30, 2024, with an optional extension of five years. At

year-end, off-balance sheet liabilities for office lease are as follows:

X € 1,000	OFFICE LEASE THE HAGUE
<b>Payable:</b>	
- in less than 1 year	364
- between 1 and 5 years	1,274
- in more than 5 years	0
<b>Total</b>	<b>1,638</b>

During the reporting period, lease payments amounting to €1.1m are included in the statement of income and expenditure. On October 1 2019 Cordaid has moved to another office building at Grote Marktstraat 45, The Hague. The rental period began on July 1 2019 and the 2019 rent amounted €0.3m. The lease payments related to the former office situated on Lutherse Burgwal 10, The Hague during the period January 1 up to October 1 2019 amounted €0.8m.

## 15. INCOME FROM PRIVATE INDIVIDUALS

X € 1,000	CONTRIBUTIONS, DONATIONS AND GIFTS	LEGACIES AND INHERITANCES	OTHER	TOTAL 2019	BUDGET 2019	TOTAL 2018
Cordaid General	7,148	1,860	0	9,008	6,342	6,660
Cordaid Mensen in Nood	3,457	1,689	82	5,228	6,715	5,950
Cordaid Kinderstem	2,842	853	2	3,697	3,199	3,269
Cordaid Memisa	3,781	3,939	62	7,782	7,738	7,412
Cordaid Micro Credit	75	367	0	442	185	1,850
Cordaid BZN	104	57	0	161	96	105
<b>Total</b>	<b>17,407</b>	<b>8,765</b>	<b>146</b>	<b>26,318</b>	<b>24,275</b>	<b>25,246</b>

Income from private individuals amounted to €26.3m, €2.0m above budget and €1.1m higher than in 2018.

The number of supporters and income from individuals remained relatively stable over the years in a competitive fundraising market, which is very challenging given the competitive market of private fundraising.

Income from legacies and inheritances increased by €1.1m. This increase is mainly the result of four significant legacies (€0.7m) granted to Cordaid Mensen in Nood and Cordaid Memisa at year-end 2019.

## 16. INCOME FROM COMPANIES

X € 1,000	CONTRIBUTIONS, DONATIONS AND GIFTS	GRANTS	OTHER	TOTAL 2019	BUDGET 2019	TOTAL 2018
Cordaid General	20	29	0	49	0	107
Cordaid Mensen in Nood	6	0	0	6	0	10
Cordaid Kinderstem	3	0	0	3	0	370
Cordaid Memisa	30	0	0	30	0	7
Cordaid Micro Credit	170	0	7	177	206	53
Cordaid BZN	0	0	0	0	0	0
<b>Total</b>	<b>229</b>	<b>29</b>	<b>7</b>	<b>265</b>	<b>206</b>	<b>547</b>

Compared to 2018, income from companies decreased by €0.2m to €0.3m in 2019 and was slightly above budget. Some initiatives on income were taken without big influence.

## 17. BENEFITS FROM LOTTERY ORGANIZATIONS

X € 1,000	2019	BUDGET 2019	2018
Nationale Postcode Loterij	2,700	2,700	2,700

Benefits from lottery organisations 2019 is on budget and equals the previous year. The income from lottery organisations consist of the annual and regular contribution from the Dutch National Postcode Lottery (NPL).

## 18. GOVERNMENT GRANTS

X € 1,000	2019	BUDGET 2019	2018
Dutch Government	40,472	42,403	39,443
Global Fund	61,917	49,654	35,162
World bank	8,897	19,473	8,875
European Union	4,724	12,860	3,650
Other	17,847	25,332	17,086
<b>Total income from government grants</b>	<b>133,857</b>	<b>149,722</b>	<b>104,216</b>

Government grants comprise project funding provided by such bodies as the European Union, the Dutch government, the Global

Fund, the World Bank and various United Nations organisations. Income is recognised based on the project expenditures made within the framework of the financing contract with the donor. In 2019 income from government grants significantly increased by €29.7m to €133.9m (2018: €104.2m). Compared to the budget, the income from government grants were significantly below budget by €15.8m as a result of the effect of losing new business in the beginning of 2019 worth €10.0m and much lower project expenditures compared to budget.

Income from the Dutch Government stood at €40.5m in 2019, an increase of €1.1m compared to 2018 and €1.9m below budget following lower expenditures on projects during 2019.

Incoming resources from Global Fund, related to the project grant agreement to fight HIV/AIDS, tuberculosis and malaria in Democratic Republic Congo over the period 1 January 2018 to 31 December 2020, totaled €61.1m in 2019 (2018: €26.7m) and was €11.5m above budget. Due to project closure and timing differences in recognising income from the Global Fund project 2015-2017, a part of its income (€0.8m) was recognised in 2019 (2018: €8.5m).

Incoming resources from the World Bank, related to Performance Based Financing (PBF) programs and health projects, totaled €8.9m in 2019 and in 2018, €10.6m below budget. Realisation of extended Afghan and Zimbabwean PBF health projects in 2018, as well as PBF health projects in Central African Republic early 2019, resulted in total to a decreased income of €5.4m. These factors negatively affecting income, have fully been compensated through the PBF projects on strengthening education in Democratic Republic Congo and technical assistance on PBF health programs in Zimbabwe. Losing new business early 2019 in mainly Afghanistan and Democratic Republic Congo resulted in lower income compared to the budget.

Compared to 2018, income from the European Union increased by €1.1m to €4.8m in 2019 (2018 €3.7m) and was €8.1m below budget. The lower income was mainly due to contracts which were not won but were included in the budget (€2.8m) as well as to lower actual project expenditures of €5.3m compared to the budget.

Cordaid signed several large financing contracts with donors to carry out specific projects with end dates in 2020 and beyond.

Income from these grants is only recognised if subsidised costs are incurred or if a legal payment obligation towards partner organisations exists. An overview of the amount to be spent per contract with a total value above €5m can be found under note 13.

## 19. INCOME FROM RELATED (INTERNATIONAL) ORGANIZATIONS

X € 1,000	2019	BUDGET 2019	2018
Caritas Internationalis (members)	952	948	789

Incoming resources from related (international) organisations in 2019 increased by €0.2m compared to 2018 and was on budget. Apart from being a source of income, Caritas provides us with an important network through which we can execute our activities, especially in humanitarian aid.

## 20. INCOME FROM OTHER NON-PROFIT ORGANIZATIONS

X € 1,000	2019	BUDGET 2019	2018
Samenwerkende Hulporganisaties	179	1,000	1,663
Stichting Bisschoppelijke Vastenactie	135	0	0
Other organizations	1,512	8,963	1,579
<b>Total income from other non-profit organizations</b>	<b>1,826</b>	<b>9,963</b>	<b>3,242</b>

Income from other non-profit organisations decreased by €1.4m compared to the previous year to €1.8m. The reason for the decrease in income is the fact that no SHO campaigns were started in 2019. Additional income was budgeted for, however not realised. Despite time spent on design and selection, implementation got less priority due to shifted priorities towards external donor programs.

## 21. INCOME FROM SALE OF GOODS AND OR RENDERING OF SERVICES

X € 1,000	MATERIALS SOLD	RENDERING OF SERVICES	TOTAL 2019	BUDGET 2019	TOTAL 2018
Cordaid General	0	47	47	0	20
Cordaid Mensen in Nood	0	0	0	0	0
Cordaid Kinderstem	0	0	0	0	0
Cordaid Memisa	4	0	4	0	4
Cordaid Micro Credit	0	0	0	0	0
Cordaid BZN	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>47</b>	<b>51</b>	<b>0</b>	<b>24</b>

Income from the sale of goods, private fundraising articles and rendering of services as well as Cordaid staff on loan to others, has been stable compared to the previous year and has not been included in the budget.

## 22. OTHER INCOME

X € 1,000	2019	BUDGET 2019	2018
- Results on financial assets	3,439	3,671	1,244
- Other	152	535	276
<b>Total other income</b>	<b>3,591</b>	<b>4,206</b>	<b>1,520</b>

Results on financial assets comprises operating gains and losses on the Loans, Guarantees and Participations program.

X € 1,000	2019	BUDGET 2019	2018
Return on social impact investments	3,884	4,167	4,452
(Reversal of) impairments, provisions and write-offs	590	-350	-5,040
Unrealised change in value of derivatives	-730	0	796
(Un)realised currency gains and losses	-305	0	1,036
Other gains and losses	0	-146	0
<b>Total result on financial assets</b>	<b>3,439</b>	<b>3,671</b>	<b>1,244</b>

The result on financial assets in connection with the objectives improved by €2.2m in 2019 to a positive result of €2.9m. Main drivers of this improvement are €3.1m lower revaluations and provisions in 2019 compared to 2018 partly reduced by the

devaluation of derivatives in 2019 (-€0.7m), and the (un)realized exchange rate losses on the investment portfolio (-€1.1m). In lesser extent, the €0.6m lagging return on social impact investments also contributed.

Compared to 2018 return on social impact investments decreased by €0.6m to €3.9m in 2019 and is €0.3m below budget due to lagging income from dividends and lower interest received on loans and guarantees. Received interest on loans and guarantees in 2019 amount €3.8m (2018: €4.1m) and the 2019 dividends amount €0.1m (2018: €0.4m).

Revaluations, provisions and write-offs are €0.9m above budget and improved to €3.1m compared to 2018 as a result of the absence of significant devaluations of participations and provisioning of loans in 2019. As well as a €1.2m write back on previous years, devaluated participations and provided loans result in a positive contribution to the total result.

The €0.7m unrealised change in value of derivatives is comprised of the change in valuation of the cross currency interest rate swap on MMK to USD. This swap contract is held to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK). This derivative is measured at fair value through the statement of income and expenditures.

The exchange rate result in 2019 amounted to a €0.3m negative as a consequence of the depreciation of the US dollar compared to the Euro in 2019 (2018: €1.0m gain).

## 23. SPENT ON OBJECTIVES

Comparison of 2019 program costs and program management costs with the budget and the previous year:

X € 1,000	2019			BUDGET 2019			2018		
	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL 2019	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL BUDGET 2019	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COSTS	TOTAL 2018
Healthcare	98,826	1,729	<b>100,555</b>	109,285	2,273	<b>111,558</b>	74,585	2,185	<b>76,770</b>
Humanitarian Aid	22,416	1,108	<b>23,524</b>	19,129	1,014	<b>20,143</b>	23,628	1,124	<b>24,752</b>
Security & Justice	16,488	309	<b>16,797</b>	20,055	1,258	<b>21,313</b>	10,850	261	<b>11,111</b>
Resilience	9,748	802	<b>10,550</b>	18,703	1,398	<b>20,101</b>	10,049	886	<b>10,935</b>
Investments	256	3,656	<b>3,912</b>	1,930	2,927	<b>4,857</b>	811	3,537	<b>4,348</b>
Cordaid Netherlands	298	196	<b>494</b>	0	0	<b>0</b>	155	210	<b>365</b>
Other	120	0	<b>120</b>	0	0	<b>0</b>	29	0	<b>29</b>
<b>Total costs of programs</b>	<b>148,152</b>	<b>7,800</b>	<b>155,952</b>	<b>169,102</b>	<b>8,870</b>	<b>177,972</b>	<b>120,107</b>	<b>8,203</b>	<b>128,310</b>

Program costs in 2019 amounted to €156.0m; €22.0m below budget but €27.6m higher than the previous year.

The higher expenditure compared to 2018 is directly related to the higher acquired income thus leaving more space for direct program expenditure. The lower program management cost is mainly caused by direct involvement of staff resulting in an increased staff cost allocation to programs.

The lower expenditures compared to the budget relates to missed contracts, mainly from the World Bank and the

European Union, and delayed project implementation especially on new projects in Burundi, Ethiopia and South Sudan. Lower expenditures on programs follow directly budgeted income and relate in particular to the following programs: Healthcare (€11.0m), Resilience (€9.6m) and Security & Justice (€4.5m).

For the Healthcare department the lower expenditure was predominantly caused by missed contracts from the World Bank. The cause for lower expenditures on Security & Justice projects is twofold. The lower expenditures on Strategic Partnerships than budgeted for, was caused by ambitious



budgeting on projects in South Sudan as well as underspending on projects in Democratic Republic Congo, this as a result of terminated partner contracts due to underperformance. Lower expenditures than budgeted on Resilience programs were due to delayed implementation of European Union funded programs as a consequence of political circumstances in the countries where Cordaid operates. Add to that the missed contracts from the European Union and lower expenditures on

semi-restricted projects on all programs. Despite time spent on design and selection, implementation got less priority due to shifted priorities towards external donor programs.

Direct program costs on Investments is very low compared to the program management costs. New investments are done with returned funds from settled investments and are therefore not expressed in the statement of income and expenditure.

## 24. 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. 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/awareness campaigns and fundraising), the Board of Directors (management & administration) and Finance & Control (management & administration). Costs of the department for Institutional Account Management are fully labelled as expenditure on fundraising.
2. Other costs allocated to Programs, Fundraising and Management & Administration include the costs of departments such as Human Resource Management, IT and Facility Management and Quality Assurance. FTE's of departments

that can be directly allocated are used as a key to allocate the costs of the mentioned departments to Programs, Fundraising, or Management & Administration.

For the 2018 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 2018 budget for both fundraising costs and public information. The relative division between the two activities was:

1. Fundraising: 50.0% (2018: 50.0%);
2. Public Information/Awareness campaigns: 50.0% (2018: 50.0%)

These percentages were used to allocate the total 2019 marketing & funding budgets over the two activities.

RESOURCES EXPENDED (X € 1,000)	EXPENDITURE ON THE OBJECTIVES		EXPENDITURE ON FUNDRAISING	MANAGEMENT AND ADMINISTRATION	TOTAL EXPENDITURE		
	PUBLIC INFORMATION / AWARENESS CAMPAIGNS	PROGRAM COSTS			TOTAL 2019	BUDGET 2019	TOTAL 2018
Grants and contributions	0	133,554	3	12	133,569	161,857	108,640
Publicity and communication	2,812	5	2,812	0	5,629	7,040	6,353
Staff	954	13,158	2,213	3,898	20,223	14,330	15,790
Travel and accommodation	8	1,902	34	353	2,297	448	1,741
Housing	99	843	231	134	1,307	1,046	1,366
Office & General	460	6,490	901	1,606	9,457	7,550	7,974
<b>Total actual 2018</b>	<b>4,333</b>	<b>155,952</b>	<b>6,194</b>	<b>6,003</b>	<b>172,482</b>	<b>192,271</b>	<b>141,864</b>

The overall costs in 2019 are €19.8m below budget, however €30.6m higher compared to the previous year.

The largest deviations compared to budget and actuals 2018 were:

- Grants and contributions were €28.3m below budget due to lower spending on programs following delayed program implementation and missed contracts from donors. Costs of grants and contributions in 2019 were up €24.9m compared to 2018 directly following the increase of acquired income.
- Costs for publicity and communication were €1.4m down on budget due to lower spending on marketing campaigns which were caused by lower expenditure on door-to-door fundraising due to a lack of availability of qualitative suppliers.
- Staff costs increased by €4.4m compared to 2018 and is €5.9m above budget, predominantly following the € 2.2m provided

future costs of Global Office staff reduction as a result of organisational changes and the €0.7m costs for severance payments/rights of local employees. Remaining increase of staff costs is a result of an increase in FTE's compared to the previous year and the budget.

- Travel and accommodation costs are €1.9m above budget and €0.6m higher than in 2018 as a consequence of the allocation of travel and accommodation on programs to Grants and distributions.
- Office & General include costs incurred for telecommunication, IT, advisory services and field offices as well as for fees charged by Ernst & Young Accountants LLP, our independent auditor. The increase, compared to the budget and the previous year, is largely attributable to the increased office & general costs allocated to programs.

Total audit fees charged by Ernst & Young Accountants LLP stood at €0.6m in 2019 (2018: €0.9m). The audit fee for the annual accounts of Stichting Cordaid and Cordaid Management Investments B.V. amounts to €0.3m (2018: €0.7m). The other amounts are fees for specific project audits and special investigations.

The abovementioned fees 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 audit firm's network. The fees relate to the 2019 fiscal year, although the related work can be executed in other years.

Additionally, €0.1m (2018: €0.3m) was spent on local audits and audits of partner organisations. These audits were carried out by other audit firms than Ernst & Young Accountants LLP.

## 25. COST OF STAFF

	2019	BUDGET 2019	2018
Head count in The Hague	168.0	0	163.0
Head count expats at field offices	39.0	0	36.0
<b>Total head count</b>	<b>207.0</b>	<b>0</b>	<b>199.0</b>
<i>Average number of FTEs including expats</i>			
Program staf	117.3	117.6	112.1
Fundrais/Awareness staff	25.6	26.5	32.4
Other departments	52.8	53.2	40.6
<b>Total average FTE including expats</b>	<b>195.7</b>	<b>197.3</b>	<b>185.1</b>

At year-end 2019, Cordaid had a headcount of 207 (2018: 199), of whom were 118 women and 89 men.

X € 1,000	2019	BUDGET 2019	2018
- Salaries and wages	13,015	10,539	11,427
- Addition redundancy provision	2,212	0	0
- Social security contributions	1,664	1,429	1,423
- Pension costs	1,015	1,048	961
- Temporary staff	1,056	701	1,131
- Cost of training and education	30	318	300
- Other personnel expenses	526	297	595
<b>Total cost of staff</b>	<b>19,518</b>	<b>14,332</b>	<b>15,837</b>

Compared to 2018, cost of staff increased by €3.7m to €19.5m in 2019 and was €5.2m above budget. There are two reasons for this increase. In 2019 a €2.2m one-off addition to the redundancy provision was made following Global Office staff reduction. The other reason is the cost of staff as a result of increased FTE's and a 3.25% indexation of salaries in 2019. If normalised, average salary costs per FTE were relatively stable in 2019 compared to 2018.

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 actual coverage ratio was 99.2% as per 31 December 2019 (30 June 2020: 85.9% following the impact of the Covid-19 crisis).

Contributions are recognised as employee benefits expense as soon as they are payable. Prepaid contributions are recognised 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.

## 26. 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 professionalise 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 for the payment of salaries to expats working for Stichting Cordaid.

Cordaid identified the following related parties:

- Stichting Cordaid Expats, The Hague
- Stichting Cordaid Participaties, The Hague
- Cordaid Investment Management BV, The Hague
- Corpav BV, The Hague
- Cordaid SA NPC, Cape Town, South Africa
- Stichting Beheer Subsidiegelden Dutch Relief Alliance, The Hague

The Stichting Beheer Subsidiegelden Dutch Relief Alliance was founded in 2018 with the objective to channel grants from the Dutch Ministry of Foreign Affairs for acute crises and innovation funds to participating organisations of the Dutch Relief Alliance (DRA). The DRA is not included in the consolidation of the Cordaids accounts. A Cordaid employee has been appointed as member of the Board of the foundation. Cordaid is also the secretary of the foundation. However Cordaid has no control.

**Related party transaction:**

During 2019 all transactions between Stichting Cordaid and the mentioned related parties are in principle priced at arm's length basis. The nature of the transactions was predominantly the funding of the activities of the different entities by Stichting Cordaid. In return Cordaid Investment Management BV managed Stichting Cordaid's Loans & Guarantees fund and Stichting Participations 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 Cordaid's consolidated balance sheet.

**27. EXECUTIVE REMUNERATION**

The Supervisory Board has adopted an executive remuneration policy including the level of executive remuneration as well as 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.

The regulation uses weighting criteria to set a maximum for an executive's annual income. The most recent VFI standard of 1

January 2018 was used to determine these weighting criteria. This has resulted in a so-called BSD score of 543 points for the CEO and 472 points for the CFO and COO, with a maximum annual income of respectively €156,754 and €136,667. The COO position is vacant.

The total annual income stood at €128,087 per year for the CEO, Kees Zevenbergen, and at €124,035 for the CFO, Willem Jan van Wijk. In other words, their total annual income is within the maximum remuneration limits of the regulation of Goede Doelen Nederland.

The CFO Willem Jan van Wijk stepped down as CFO on December 1, 2019 and continued his work as executive advisor until February 29, 2020. He was replaced by T.J.A. (Tjerk) Wagenaar, who works on a fixed term contract up to December 31, 2020. In table below his annual income is based on one month in service and is within the maximum remuneration limits (€11,389).

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

During 2019, the employed members of the Board were:

	<b>L.C. ZEVENBERGEN CEO</b>	<b>T.J.A. WAGENAAR CFO</b>	<b>W.J. VAN WIJK CFO</b>
<b>Employment contract</b>			
Duration	03/31/2023	12/31/2020	02/29/2020
Number of hours	36	36	36
part-time percentage	100	100	100
Period in 2019	1/1 – 12/31	12/1 – 12/31	1/1 – 12/31
Former board member	No	No	Yes
Gross salary	108,636	8,158	105,968
Holiday allowance	9,713	783	8,520
Year-end bonus	9,738	731	9,547
Variable pay	0	0	0
<b>Total annual income</b>	<b>128,087</b>	<b>9,672</b>	<b>124,035</b>
Social security contributions (employer's share)	12,087	1,002	12,058
Taxable allowances	0	0	6,952
Pension costs (employer's share)	10,878	906	10,878
Pension compensation	0	0	0
End of contract benefits	0	0	0
	<b>22,964</b>	<b>1,908</b>	<b>29,887</b>
<b>Total remuneration for 2019</b>	<b>151,051</b>	<b>11,580</b>	<b>153,922</b>
<b>Total remuneration for 2018</b>	<b>143,717</b>	<b>0</b>	<b>139,362</b>

The members of the Board of Directors did not have any outstanding loans, advances or guarantees as per December 31 2019, nor during 2019.

**Supervisory Board**

The cost of the Supervisory Board consists of expenses for general and special meetings, travel costs, fixed expense allowances paid to members of the Supervisory Board and the hiring of expertise and advisors on request of the Supervisory

Board. In 2019 these costs were €25,567 (2018: €6,504). As per Cordaid's policy for good governance, Supervisory Board members do not receive any remuneration for their work. They 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 2019 were as follows:

AMOUNT IN € 1	SUPERVISORY BOARD		
	A.J.M. HEERTS	M.C.T. VAN DE COEVERING	J.H.M. VAN BUSSEL
Function	Chair	Member Audit Committee	Member Audit Committee
Duration of function in 2019 (days)	365	365	365
Remuneration	o	o	o
Fixed expense allowances	o	o	o
Provisions for future payments	o	o	o
<b>Total</b>	<b>o</b>	<b>o</b>	<b>o</b>
	M.W.J.A. LANDHEER-REGOUW	M. VAN BEEK	B.L.J.M. VAN DIJK-VAN DE REIJT
Function	Member	Member Remuneration Committee	Member Remuneration Committee
Duration of function in 2018 (days)	365	365	365
Remuneration	o	o	o
Fixed expense allowances	o	o	o
Provisions for future payments	o	o	o
<b>Total</b>	<b>o</b>	<b>o</b>	<b>o</b>
	J.J.A. DE BOER		
Function	Member		
Duration of function in 2018 (days)	365		
Remuneration	o		
Fixed expense allowances	o		
Provisions for future payments	o		
<b>Total</b>	<b>o</b>		

**28. FINANCIAL INCOME AND EXPENSES**

Financial income and expenses 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 social impact investments. The following is a five-year summary of this item:

X € 1,000	2019	2018	2017	2016	2015
Interest received on bonds	289	320	191	185	551
Interest received on cash and cash equivalents	3	14	57	139	457
Realised change in value of investments and liquid assets	574	-87	1,329	-75	-680
Unrealised change in value of investments and liquid assets	2,444	-441	-1,434	1,171	-117
Gross investment income	<b>3,310</b>	<b>-194</b>	<b>143</b>	<b>1,420</b>	<b>211</b>
Investment costs	-101	-76	-148	-79	-90
Net investment income	<b>3,209</b>	<b>-270</b>	<b>-5</b>	<b>1,341</b>	<b>121</b>

The net investment income improved significantly in 2019 by €3.5m from €0.3m loss in 2018 to €3.2m gains in 2019, mainly thanks (un)realised gains following positive trends on the market for shares and bonds. All other income and expenses have been relatively stable in 2019 compared to the previous year.

## 29. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 11 2020, the date the financial statements were issued.

Cordaid identified the following subsequent events:

1. In December 2019 Cordaid and ICCO Corporation signed a letter of intent for a possible merger. Emerged from protestant and catholic traditions with longstanding experiences on fighting poverty and social injustice, they share the same set of values based on the Christian social teachings. The advantages for merging are potential more impact and cost synergies. The proposed business plan, including thematic and fragile country focus and financial consequences, was finalized in June. Due diligences on both organizations are carried out. The planning is to merge formally the 1st of January 2021. In the meantime the formal decision making process - including Workings Councils and Supervisory Boards - is started.
2. The outbreak of the Coronavirus (COVID-19), a virus causing potentially deadly respiratory tract infections originated in China and spreaded globally, has negatively affected economic conditions regionally as well as globally. It has disrupted operations situated in countries particularly exposed to the contagion, affect our (daily) operations and our investments.

We distinguished the following effect on our daily operations:

- Health risks: we operate in fragile countries with, quite often, limited health services. In the case of a pandemic, we will face personnel losses.
- Safety risks: we operate in fragile countries. Due to corona measures social unrest can occur, leading to unsafe situations. This could lead to the withdrawal of our staff
- Opportunity risks: our main donors are adapting their strategies. There is a risk but also an opportunity in that budgets for fragile countries will increase (e.g. health and emergency) or decrease (due to economic recessions)
- Operational risks: restrictive COVID related measures could jeopardise our operations and/or through request of donors to reallocate money to COVID related activities
- Impact investments in MFI and SME in emerging and fragile areas. This could lead to more defaults in interest and loans repayments. These participations and loans are not liquid.
- Investments in green bonds / equity; due to general economic development the value could devalue.

Due to different governmental restrictions and measures to prevent the spread of the virus, we are not able to (fully) implement our programmes and our loans to micro finance institutions and small and mid-sized entities will devalue. Dependent on the duration of the crisis, additional cost reduction measures will be taken. The approved balanced budget 2020 will not be met. We expect a €1.5m loss on operational activities and a €6.0m on our (social impact) investment portfolio. Our funds and reserves however as well as our liquidity, are sufficient to cover this loss and to meet our obligations for the coming year at least.

## 30. FINANCIAL STATEMENTS FUND LOANS & GUARANTEES

An important part of Cordaid's activities is related to non-grant projects. Instead of providing a grant to partner organisations, Cordaid provides loans or guarantees to its partners or it participates in social entrepreneurship with the same objectives as Cordaid. The partner organisations involved are different from Cordaid's regular partner organisations. Rather than NGOs or grass-roots organisations, Cordaid mainly supports microfinance institutions, local banks, social funds and SMEs. Cordaid Investment Management BV functions as asset manager on the social impact investments portfolio.

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. The social impact investments through Corpav BV and Stichting Cordaid Participaties are included from the statements below.

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. 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 separate and designated bank accounts, 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 SHEET FUND LOANS & GUARANTEES AS OF DECEMBER 31, 2019**

X €1,000	NOTE	31/DEC/2019	31/DEC/2018	NOTE IN CORDAID FS
<b>Assets</b>				
<i>Net financial fixed assets issued for objectives</i>				
- Debt		59,807	44,760	
- Equity		11,401	15,947	
- Guarantees		400	1,900	
	1	71,608	62,607	
- Undisbursed loans and guarantees	2	-16,110	-3,100	
- Loan revaluations	3	-3,764	-3,573	
		-19,874	-6,673	
Net financial fixed assets issued for objectives	4	51,734	55,934	7 + 33
<i>Net financial assets (not issued for objectives)</i>				
Non Development investments	5	13,092	10,100	8
Cash and bank		15,170	16,233	
Other receivables		853	1,294	
Participation CIM BV	6	292	326	
Net financial floating assets		29,407	27,953	
<b>Total assets</b>		<b>81,141</b>	<b>83,887</b>	
<b>Equity and liabilities</b>				
<b>Equity (Fund Loans &amp; Guarantees)</b>				
Fund Loans & Guarantees until prior year	7	74,590	84,099	
Addition to continuity reserve		0	-5,113	
Operating income fiscal year	8	2,663	-2,004	
Contribution Empowering Cordaid	9	-2,600	-2,159	
Grant approvals	10	-94	-233	
	11	74,559	74,590	11
<b>Liabilities</b>				
Current account group companies		655	3,520	
Derivatives		165	0	
Undisbursed equity participations	12	649	664	13
Other liabilities		5,113	5,113	
		6,582	9,297	
<b>Total Equity and liabilities</b>		<b>81,141</b>	<b>83,887</b>	

**Notes to the balance sheet of Fund loans & Guarantees:**

- 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 by €9.0m from €62.6m in 2018 to €71.6m mainly as a result of newly committed loans (€14.7m). This has partly been off set by the sale of €4.5m participations and €1.5m withdrawn guarantee.
- Undisbursed loans and guarantees:** This refers to the undisbursed amounts of committed debt and guarantee instruments. The undisbursed loans amount to €16.1m at year-end 2019.
- Loan revaluations:** The amount of €3.8m 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.
- Total net financial assets issued for objectives:** Total net financial assets, as per the table, decreased by €4.2m to €51.7m predominantly by the sale of 4 participations in 2019.
- 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. The amount included is 50% of the total portfolio of €23.5m, see note 7 on the consolidated financial statements.
- 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, 2018 amounts to €0.3m (2018: €0.3m).
- Loans & Guarantees Fund until year-end 2018:** Accumulated capital position of the fund at the beginning of 2019 stood at €74.6m (2018: €84.1m). In 2018 €5.1m has been withdrawn from the funds and added to the continuity reserves.
- Operating income fiscal year:** Retained earnings over the reporting period (see the statement of income and expenditure for the Fund Loans & Guarantees hereafter).
- Contribution Empowering Cordaid:** The charged fee in 2019 relates to an allocation of expenditures for the Empowering Cordaid transition to the fund loans & guarantees.
- Grant approvals:** All amounts granted to partner organisations, supporting an investment in the same organisation and grants used to support social entrepreneurs, are paid from the funds Loans & Guarantees.
- Equity (Loans & Guarantees Fund):** The previous year's addition to the continuity reserve has retrospectively been included in the fund and reserves. In 2019 the total value of the fund decreased by €0.0m to €74.6m. The decrease is mainly due to the contribution for expenditures following Cordaid in Transition of €2.6m which is to great extent covered by the positive result from investing activities of €2.7m.
- Undisbursed equity participations:** This refers to the undisbursed tranches of equity investments for WAVF and PEAMEF investments. Please note that this has been considered a liability since 2010, in line with Dutch accounting principles.
- Interest Income & Fees + Dividends:** These items refer to interest income on senior/subordinated debt, guarantee fees and dividends received. The overall level decreased in comparison to 2018.

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 2019 FOR THE FUND LOANS & GUARANTEES

X €1,000	NOTE	31/DEC/2019	31/DEC/2018	NOTE IN CORDAID FS
<i>Financial income</i>				
Interest income & fees	13	4,021	3,905	21
Dividends	13	120	372	
Income from non-development investments and cash	14	1,403	768	28
		5,544	5,045	
<i>Financial expenses</i>				
Additions loan losses	15	-654	1,471	21
Revaluation investments	16	-381	3,818	21
Unrealised change in value of derivatives	17	730	-796	28
Currency results	18	313	-249	21
		8	4,244	
		5,536	801	
<i>Margin on financial activities</i>				
<i>Operating expenses</i>				
Operating expenses direct	19	2,193	2,021	11
Operating expenses indirect	20	680	784	11
		2,873	2,805	
		<b>2,663</b>	<b>-2,004</b>	
<b>Financial result from investing activities</b>				
<i>Non-operating income</i>				
Contribution Cordaid in Transition	21	-2,600	-2,159	11
		-2,600	-2,159	
		<b>63</b>	<b>-4,163</b>	11
<b>Net result Social Impact investments</b>				
Approvals grant reserve	22	-94	-233	
		<b>-31</b>	<b>-4,396</b>	11
<b>Net result Fund Loans &amp; Guarantees</b>				

### Notes to the income statements of Fund loans & Guarantees:

#### 14. 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 7 and 27 to the financial statements.

**15. Additions loan losses:** This reflects the net addition to the provision for loans and guarantees in the portfolio. The positive balance in 2019 is mainly due to €0.9m write backs on prior provided loans.

**16. 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 2019.

**17. Unrealised change in value of derivatives:** to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK) a swap contract, MMK to USD, is in place. As the USD inflow is dependent on the 6 months LIBOR this swap contract holds a risk. This derivative is measured at fair value, with fair value changes recognised in the statement of income and expenditure. At December 31, 2019 the previous year's receivable shifted to a current liability and thus an unrealised loss of €0.7m has been recognised.

**18. 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 €0.3m positive in 2019.

**19. 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.

**20. Operating expenses indirect:** This refers to the Cordaid corporate overhead costs charged to CIM BV and the indirect costs of CIM BV itself.

**21. Contribution Cordaid in Transition:** The charged fee in 2019 relates to an allocation of Cordaid in Transition expenditures to the fund Loans & Guarantees.

**22. Approvals grant reserve:** All amounts granted to partner organisations, supporting an investment in the same organisation and grants used for support of social entrepreneurs are paid from the funds Loans & Guarantees. A total amount of €0.1m is available for such supporting grants.

## INDIVIDUAL FINANCIAL STATEMENTS OF STICHTING CORDAID

### Individual Balance sheet of Stichting Cordaid

X € 1,000	NOTE	31/DEC/2019	31/DEC/2018
<b>Assets</b>			
<i>Fixed assets</i>			
Tangible fixed assets	32	1,287	251
Financial fixed assets	33		
- Issued in connection with the objectives		51,733	55,935
- Investments		23,528	20,871
- Participations in group companies		292	325
		75,553	77,131
<b>Current assets</b>			
Receivables	34		
- Receivables from group companies		0	650
- Receivables from grants		10,525	13,899
- Implementing organisation advances		14,185	11,086
- Receivable from inheritances		7,545	7,033
- Other receivables		1,430	1,631
- Interest receivable		879	959
		34,564	35,258
Cash and Bank	35	48,063	43,640
<b>Total assets</b>		<b>159,467</b>	<b>156,280</b>

X € 1,000	NOTE	31/DEC/2019	31/DEC/2018
<b>Liabilities</b>			
Reserves	36		
- Continuity reserve		11,000	11,000
- Earmarked reserves		2,999	1,282
		13,999	12,282
<b>Funds</b>	36		
- Restricted funds		822	1,526
- Semi-restricted funds		19,240	19,489
- Loans & Guarantees fund		74,112	74,589
		94,174	95,604
Provisions	37	2,332	1,141
Current liabilities	38		
- Liabilities to group entities		476	0
- Project commitments		9,580	15,977
- Other current liabilities		38,906	31,276
		48,962	47,253
<b>Total liabilities</b>		<b>159,467</b>	<b>156,280</b>



## INDIVIDUAL STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED AT DECEMBER 31, 2019

X € 1,000	NOTE	31/DEC/2019		31/DEC/2018	
Result of subsidiaries and affiliated foundations	40		-74		3
Individual balance of income and expenditures			361		-3,854
<b>Balance of funds</b>			<b>287</b>		<b>-3,851</b>

# NOTES TO THE FOUNDATION INDIVIDUAL FINANCIAL STATEMENTS

## 31. ACCOUNTING PRINCIPLES

### 31.1 General

The Company financial statements are part of the 2019 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).

### 31.2 Principles for the measurement of assets and liabilities and the determination of the result

The principles for the recognition and measurement of assets and liabilities and determination of the result (herein after

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 net asset value.

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 unrealised, if the transfer of assets and liabilities between Stichting Cordaid and its participating interests and mutually between participating interests themselves.

The financial information of the Company are fully incorporated in the consolidated annual accounts. Using article 2:402 of the Dutch Civil Code, a condensed profit and loss account in the individual financial statements is sufficient.

## 32. 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
<b>Balance at 1 January 2019</b>						
Cost	1,990	4,600	1,601	28	283	8,502
Accumulated depreciation	-1,955	-4,448	-1,537	-28	-283	-8,251
<b>Carrying value at 1 January 2019</b>	<b>35</b>	<b>152</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>251</b>
<b>Changes</b>						
Purchases	1,078	0	193	33	0	1,304
Disposals	-1,990	0	0	-28	0	-2,018
Depreciation	-88	-118	-53	-9	0	-268
Depreciation on disposals	1,990	0	0	28	0	2,018
<b>Total changes</b>	<b>990</b>	<b>-118</b>	<b>140</b>	<b>24</b>	<b>0</b>	<b>1,036</b>
<b>Balance at 31 December 2019</b>						
Cost	1,078	4,600	1,794	33	283	7,788
Accumulated depreciation	-52	-4,566	-1,590	-9	-283	-6,501
<b>Carrying value at 31 December 2019</b>	<b>1,025</b>	<b>34</b>	<b>204</b>	<b>24</b>	<b>0</b>	<b>1,287</b>
Depreciation percentages	10%	33%	20%	33%	33%	

The tangible fixed assets in the individual balance sheet are €0.0m below the tangible fixed assets in the consolidated balance sheet, due to the investments by group companies upon moving into the new office building. All assets are held for business operations.

Refer to note 6 to the consolidated financial statements for more information.

### 33. FINANCIAL FIXED ASSETS

Stichting Cordaid holds three types of financial assets.

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

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
<b>Value of portfolio as at 1 January 2018</b>	<b>42,761</b>	<b>800</b>	<b>15,947</b>	<b>59,508</b>
Provision as at 1 January 2018	-3,573	0	0	-3,573
<b>Carrying amount 1 January 2018</b>	<b>39,188</b>	<b>800</b>	<b>15,947</b>	<b>55,935</b>
<b>Changes in value of portfolio</b>				
Loans and guarantees issued	14,684	0	0	14,684
Loans and guarantees repaid	-14,769	-400	0	-15,169
Participations acquired/committed	0	0	295	295
Participations sold/commitments withdrawn	0	0	-3,880	-3,880
Impaired loans and guarantees	-56	0	0	-56
(Reversal of) impairments of participations	0	0	366	366
Currency gains and losses	1,076	0	-1,327	-251
<b>Value of portfolio as at 31 December 2019</b>	<b>43,696</b>	<b>400</b>	<b>11,401</b>	<b>55,497</b>
<b>Changes in the provision</b>				
Impaired loans and guarantees	56	0	0	56
Allocated to/withdrawn from provision for loans and guarantees	-247	0	0	-247
<b>Provision at December 31, 2019</b>	<b>-3,764</b>	<b>0</b>	<b>0</b>	<b>-3,764</b>
<b>Value of portfolio as at 31 December 2019</b>	<b>43,696</b>	<b>400</b>	<b>11,401</b>	<b>55,497</b>
Provision as at 31 December 2018	-3,764	0	0	-3,764
<b>Carrying amount as at 31 December 2019</b>	<b>39,932</b>	<b>400</b>	<b>11,401</b>	<b>51,733</b>

The social impact portfolio in the individual statements have the same carrying amount as the consolidated financial statements. Loans and provisions on loans by Corpav and Stichting Cordaid Participaties are excluded in the table above. The value of these loans amount to €0.7m and have fully been provided for as per December 31, 2019.

#### Loans and guarantees

Loans and guarantees will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
< 1 year	9,633	400	10,033
1-5 years	34,063	0	34,063
> 5 year	0	0	0
	<b>43,696</b>	<b>400</b>	<b>44,096</b>

Temporary cash surpluses are kept in deposit- and savings accounts. The earmarked reserves and uninvested cash from the Fund Loans & Guarantees are, up to an amount of €20m, invested by ING and Van Lanschot Bankiers on behalf of Stichting Cordaid. Refer to note 8 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 €0.3m at balance sheet date (2018: €0.3m).

## 34. RECEIVABLES

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

X € 1,000	31/DEC/2019	31/DEC/2018
<b>Receivables</b>		
- Receivables from group companies	0	650
- Receivable from grants	10,734	14,108
- Provision uncollectable receivables from grants	-209	-209
- Implementing organisation advances	14,185	11,086
- Receivable from inheritances	7,545	7,033
- Derivatives	0	563
- Interest receivables	879	959
- Other receivables	1,430	1,068
	<b>34,564</b>	<b>35,258</b>

The receivables in the individual balance sheet are slightly below the receivables in the consolidated balance sheet. The € 0.1m prepayments by Cordaid Investment Management BV are excluded from this individual balance sheet. We refer to note 9 to the consolidated financial statements for disclosures on other items.

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

## 35. CASH AND BANK

Cash and bank comprises the 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/2019	31/DEC/2018
<b>Cash and cash equivalents</b>		
- Deposits	8,835	13,958
- Bank accounts	38,849	29,026
- Cash in hand	379	347
- Cross accounts	0	309
	<b>48,063</b>	<b>43,640</b>

The bank accounts held by Cordaid SA NPC (€0.4m) and Cordaid Investment Management BV (€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.

We refer to note 10 to the consolidated financial statements for disclosures on other items.

## 36. 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 (€0.3m). The funds and reserves of Stichting Cordaid Participaties and Corpav BV that are included in the consolidated financial statements amount to €0.0m. Funds and reserves in the individual balance sheet are therefore equal to the funds and reserves in the consolidated balance sheet.

Refer to note 11 to the consolidated financial statements.

## 37. PROVISIONS

Refer to note 12 to the consolidated balance sheet for a disclosure on the provisions.

## 38. 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/2019	31/DEC/2018
<b>Non-current liabilities</b>		
Project commitments	0	0
	<b>0</b>	<b>0</b>
<b>Current liabilities</b>		
Liability to group companies	476	0
Project commitments	9,580	15,977
Deferred grants	28,008	23,626
Accounts payables	4,482	3,250
Taxes and social security contributions	653	766
Reservation for leave days and holiday allowance	1,229	1,023
Redundancy provision (short term)	1,561	0
Derivatives	165	0
Participations payable	650	664
Other accruals and deferred income	2,158	1,947
	<b>48,962</b>	<b>47,253</b>

Compared to the consolidated financial statements current liabilities are €0.5m lower mainly due to the current account with Cordaid SA NPC and in lesser extent due to excluded accruals, accounts payable and staff related current liabilities of Cordaid Investment Management BV.

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

### 39. COST OF STAFF

	2019	BUDGET 2019	2018
Head count in The Hague	149.0	0	143.0
Head count expats at field offices	39.0	0	36.0
<b>Total head count</b>	<b>188.0</b>	<b>0</b>	<b>179.0</b>
Average number of The Hague FTEs throughout the year			
Program staf	99.3	100.8	95.1
Fundraising/Awareness staff	25.6	26.5	32.4
Other departments	52.8	53.2	40.6
<b>Total average FTE including expats</b>	<b>177.7</b>	<b>180.5</b>	<b>168.1</b>

The staff of Cordaid Investment Management BV consisting of 16.8 FTE (head count: 19) on average is not included in the statement above compared to the consolidated financial statements.

X € 1,000	2019	BUDGET 2019	2018
Salaries and wages	11,636	9,184	10,146
Addition redundancy provision	2,212	-	-
Social security contributions	1,478	1,271	1,249
Pension costs	892	932	852
Temporary staff	1,013	624	1,131
Cost of training and education	24	283	292
Other personnel expenses	521	264	579
	<b>17,776</b>	<b>12,558</b>	<b>14,249</b>

As a consequence of excluding the group companies in the individual accounts, total staff costs are €1.7m lower than in the consolidated financial statements. Refer note 25 to the consolidated statement of income and expenditure for more detailed disclosure on cost of staff.

### 40. RESULT OF SUBSIDIARIES AND AFFILIATED FOUNDATIONS

The financial position as at December 31, 2019 and 2019 results of subsidiaries and affiliated foundations can be specified as follows:

X € 1,000	CORDAID SA NPC	CIM BV	CORPAV	SCP	TOTAL
<b>Assets</b>					
Tangible fixed assets	0	44	0	0	44
Social impact investments	0	0	0	0	0
Receivable from Stichting Cordaid	0	342	0	0	342
Other receivables	0	118	0	0	118
Cash and banks	408	85	0	0	493
<b>Total assets</b>	<b>408</b>	<b>589</b>	<b>0</b>	<b>0</b>	<b>997</b>
<b>Liabilities</b>					
Equity / Reserves and funds	-155	292	-651	-14	-528
Liability to Stichting Cordaid	560	0	650	14	1,224
Current liabilities	3	297	1	0	301
<b>Total liabilities</b>	<b>408</b>	<b>589</b>	<b>0</b>	<b>0</b>	<b>997</b>

X € 1,000	CORDAID SA NPC	CIM BV	CORPAV	SCP	TOTAL
<b>Net revenues</b>	<b>405</b>	<b>2,868</b>	<b>0</b>	<b>0</b>	<b>3,273</b>
Personnel expenses	0	1,737	0	0	1,737
General and administrative expenses	0	1,160	1	0	1,161
<b>Operating expenses</b>	<b>0</b>	<b>2,897</b>	<b>1</b>	<b>0</b>	<b>2,898</b>
Financial income and expenses **	0	-5	-444	0	-449
<b>Result from ordinary activities before tax</b>	<b>405</b>	<b>-34</b>	<b>-445</b>	<b>0</b>	<b>-74</b>
Corporate income tax	0	0	0	0	0
<b>Net result</b>	<b>405</b>	<b>-34</b>	<b>-445</b>	<b>0</b>	<b>-74</b>

Stichting Cordaid has a 100% interest in Cordadi SA NPC, Cape Town (South Africa). Cordaid SA nature of business and principal activities of this subsidiary is relief and development aid in line with the objectives of Stichting Cordaid. Previous years Cordaid SA performed consultancy activities commissioned by the City of Cape Town resulting in an income of €0.4m.

Cordaid Investment Management BV (CIM BV) acts as asset manager for the Stichting Cordaid social impact investment portfolio. In 2019, CIM BV moved into a new office building and invested in furniture and fittings. Other receivables mostly relate to prepayments on e-Front asset management software licenses. Current liabilities relate to personnel accruals such as holiday allowances, wage taxes and social security premiums. Net revenue consist predominantly of the asset management fee 2019 charged to stichting Cordaid. Average FTE during 2019 was 17.9 and head count 19 employees. General and administrative expenses are mainly driven by the cost of service level agreement between Stichting Cordaid and CIM BV (€0.5m) and automation expenses (€0.4m including licenses, software maintenance and development, as well as consultants).

On behalf of Stichting Cordaid, Corpav BV makes direct and indirect investments in social enterprises all over the world. Stichting Cordaid Participaties is the only shareholder of Corpav BV and has no activities in 2019. Corpav has a social impact portfolio consist of in total €0.7m in loans to innovative social enterprises. These loans have been provided as per December 31, 2019. In 2019 an additional provision of €0.4m has been recognised.

## 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 as 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 2019 Cordaid had 10 Country Offices for 12 conflict-affected countries. The Country Offices monitor and/or implement the programs for different thematic areas in these countries. The Country Offices are in the following countries:

- Afghanistan
- Burundi
- Central-African Republic
- Democratic Republic Congo (Kinshasa and Bukavu)
- Ethiopia (Country Office and Regional Office (Horn of Africa))
- Syria
- Iraq
- Myanmar
- Sierra Leone
- South Sudan
- Uganda
- Netherlands

# 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 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Stichting Cordaid based in The Hague.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting Cordaid as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Guideline for annual reporting 650, "Fundraising Organizations" of the Dutch Accounting Standards Board.

The financial statements comprise:

- ▶ The consolidated and individual balance sheet as at 31 December 2019
- ▶ The consolidated and individual statement of income and expenditure for 2019
- ▶ Appropriation of the funds
- ▶ Performance indicators
- ▶ The consolidated cash flow statement for 2019, and
- ▶ 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, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

### Emphasis of matter relating to uncertainty about Corona and going concern

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The impact may continue to evolve, giving rise to inherent uncertainty.





Stichting Cordaid is confronted with this uncertainty as well, that is disclosed in the management report (section "our finances") and the disclosure about events after the reporting period (section 29. Subsequent events). We draw attention to these disclosures.

Our opinion is not modified in respect of this matter.

#### 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
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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 Part 9 of Book 2 of the Dutch Civil Code and 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 regarding the financial statements

### Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Guideline for annual reporting 650, "Fundraising Organizations" of the Dutch Accounting Standards Board. Furthermore, the board of directors is responsible for such internal control as the board of directors 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 of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting, unless the board of directors either intends to liquidate the company 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 company'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 engagement 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 judgement 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



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

The Hague, 11 September 2020

Ernst & Young Accountants LLP

signed by A.A. Kuijpers



## Publication of auditor's report

### 1 Conditions

Authorization to publish the auditor's report is granted subject to the following conditions:

- ▶ Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the financial statements.
- ▶ The authorization concerns inclusion of the auditor's report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the financial statements as drawn up.
- ▶ The authorization also concerns inclusion of the auditor's report in the annual report to be filed with the Trade Registrar, provided consideration of the financial statements by the AGM does not result in any amendments.
- ▶ Financial statements for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Dutch Civil Code must be derived from the financial statements adopted by the AGM and a draft version of these financial statements for filing purposes must be submitted to us for inspection.
- ▶ The auditor's report can also be included if the financial statements are published electronically, such as on the internet. In such cases, the full financial statements should be published and these should be easily distinguishable from other information provided electronically at the same time.
- ▶ If the published financial statements are to be included in another document which is to be made public, authorization to include the auditor's report must again be granted by the auditor.

### 2 Explanations to the conditions

#### 2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is pursuant to Book 2 of the Dutch Civil Code, section 393 which stipulates inter alia: "The auditor sets out the outcome of his examination in a report". "The auditor reports on his examination to the board of supervisory directors and the board of executive directors".

#### 2.2 Annual General Meeting (AGM)

Publication of the auditor's report will only be permitted subject to the auditor's express consent. Publication is understood to mean: making available for circulation among the public or to such group of persons as to make it tantamount to the public. Circulation among shareholders or members, as appropriate, also comes within the scope of the term "publication", so that inclusion of the auditor's report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

#### 2.3 Auditor's reports and financial statements

The authorization concerns publication in the annual report incorporating the financial statements that are the subject of the auditor's report. This condition is based on the auditors' rules of professional practice, which state that the auditor will not be allowed to authorize publication of his report except together with the financial statements to which this report refers. The auditor will also at all times want to see the rest of the annual report, since the auditor is not allowed to authorize publication of his report if, owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the financial statements.

#### 2.4 Events between the date of the auditor's report and the AGM

Attention should be paid to the fact that between the date of the auditor's report and the date of the meeting at which adoption, as appropriate, of the financial statements is considered, facts or circumstances may have occurred which materially affect the view given by the financial statements. Under COS 560, the auditor must perform audit procedures designed to obtain sufficient audit evidence to ensure that all events occurring before the date of the auditor's report that warrant amendment of or disclosure in the financial statements have been identified.

If the auditor becomes aware of events that may be of material significance to the financial statements, the auditor must consider whether those events have been adequately recognized and sufficiently disclosed in the notes to the financial statements. If between the date of the auditor's report and the date of publication of the financial statements, the auditor becomes aware of a fact that may have a material impact on the financial statements, the auditor must assess whether the financial statements should be amended, discuss the matter with management and act as circumstances dictate.

#### 2.5 Trade Registrar

The financial statements are tabled at the AGM (legal entities coming within the scope of Title 9 of Book 2 of the Dutch Civil Code table the directors' report and the other information as well). The AGM considers adoption of the financial statements. Only after the financial statements have been adopted, do they become the statutory (i.e., the company) financial statements. As a rule, the statutory financial statements will be adopted without amendment. The auditor's report must be attached to the statutory financial statements as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory financial statements, the directors' report and the other information. The auditor's report which refers to the unabridged financial statements will then have to be incorporated in the other information. If consideration of the financial statements by the AGM does not result in any amendments, the auditor's report may be attached to the financial statements adopted, by the AGM and, provided the annual report and financial statements are filed promptly at the offices of the Trade Registrar, published as part of these annual report and financial statements.

#### 2.6 Other manner of publication

The financial statements may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditor's report is permitted, provided the financial statements are published in full. If publication concerns part of the financial statements or if the financial statements are published in abridged form, publication of any report the auditor has issued on such financial statements will be prohibited, unless:

- a. He has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate  
Or
- b. Based on legal regulations, publication of the document concerned is all that is required

If less than the full financial statements are published, further consultation with the auditor is essential. If the financial statements and the auditor's report are published on the internet, it should be ensured that the financial statements are easily distinguishable from other information contained on the internet site. This can be achieved, for example, by including the financial statements as a separate file in a read-only format or by including a warning message when the reader exits the financial statements document.

#### 2.7 Inclusion in another document

If the published financial statements are to be included in another document which is to be made public, this is considered a new publication and authorization must again be obtained from the auditor. An example of this situation is the publication of an offering circular which includes the financial statements, after these financial statements have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be obtained from the auditor.

#### 2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption of the financial statements as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the financial statements as adopted and by the auditor's report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditor's report. In this situation, too, further consultation with the auditor is essential.

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