HIVOS
ANNUAL ACCOUNT 2017

Hivos
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1. HIVOS 2017 BOARD REPORT

OUR OBJECTIVES, MISSION AND VISION

In 2017, Hivos continued to pursue its vision which is based on the firm belief that every human being has the right to live in freedom and dignity, and that all humans are all free to be who we are, with respect for our individual gender and sexual identity. We believe in open societies, in which freedom and diversity are valued individually and collectively, diversity embraced and equal opportunities afforded to all. We also believe in green societies, in which the environment and the planet's natural resources are protected and used sustainably to the benefit of every living creature on the planet. Open and green societies contribute to creating a free, fair and sustainable world.

We have continued building on our track record of 50 years of partnering with frontrunners in daring, innovative and impactful development programmes, that seek new and creative solutions to persistent global problems; solutions created by people taking their lives into their own hands. Our programmes seek to attain a counter balancing force against discrimination, inequality, abuse of power and the unsustainable use of our planet's resources, our ultimate mission is to innovate for social change. This is attained through smart projects in the right places under the Open (transparency & accountability, freedom of expression, women`s empowerment, sexual rights and diversity) and Green domains (sustainable food and renewable energy).

This Board report has a special focus on issues related to financial management and the results of our financial performance in 2017, while insights into our key projects of 2017, our desired versus our achieved results and the way how results contributed to our policies and longer-term objectives are covered in depth in our annual report.

ORGANIZATION STRUCTURE, GOVERNANCE AND MANAGEMENT

Hivos Foundation is registered as a Foundation in the Netherlands with its Global Office in the Hague, Netherlands, while implementing its programmes through 4 Regional Hubs (with a varying number of country offices) in Latin America, South East Asia, East Africa, and Southern Africa while the Mena region still to be changed in a hub is managed from the Global Office. The Executive Board of Hivos has full control over all the Hubs and management is organised centrally.

Hivos has a flat organizational structure with a two-headed Executive Board. There are also two programme directors and two unit managers (all at Global Office) and there are five regional Directors (with the Middle East and North Africa Regional director being based at Global Office). All managers directly report to the Executive Board and are integrally responsible for content, management and finances. Within the boundaries of the Management Contract (agreed with the Executive Board) policies and mandates, managers take operational decisions.

Hivos' governance is organised according to a two-tier governance model. The Supervisory Council (SC) supervises the policy of the Executive Board (EB) and the general course of events of Hivos. It provides advice on and approves Hivos' multi-annual strategy, guards the organisational continuity and is the employer of the members of the Executive Board. The Executive Board is entrusted with the management of the organisation. Their respective duties and powers are detailed in the Board Regulations.

FINANCIAL POLICY AND FINANCIAL RESULTS FOR 2017

The 2017 Annual Report was significantly delayed as a result of two factors. First of all, Hivos changed its way of accounting, where in the past multi-annual commitments where used as basis for the Annual Accounts income and expenses, in 2017 the shift was made to actual income and expenses as basis for presenting income and expenses for direct programme costs and for time spent. Secondly, during the process of delivering the annual accounts 2017 accounting errors in the annual accounts 2016 were identified which brought to the fore shortcomings in our accounting system. Our current ERP (Enterprise Resource Planning) software is not able to deliver the necessary detailed information (for example on real expenses and hence real income as compared to the commitment basis used in prior years). The software also posed several technical challenges in the analysis of the impact of the changes in accounting principles on the comparative data for 2016. Such delays are not expected to recur in 2018 (and beyond) due to intervention measures implemented for the 2017 audit. In addition, Hivos made the decision to roll out a new accounting solution in 2019 that is more suited to our current role and requirements, which is expected to lead to significantly improved internal and external reporting in future years.

Hivos income for 2017 was €58.3 million compared to a budget of €85.7 million and realised income of €124.4 million in 2016. Income comes mainly from government grants and multilateral institutions (which realised €34.6 million, compared with budget of €72.6 million and prior-year income of €79 million). In addition, income from lottery organisations amounted to €8.4 million (compared to budget of €1.5 million and €1.35 million in prior year), income from other non-profit organisations €7.8 million (compared to budget of €8 million and €8.5 realised in 2016). Other income of €5.2 million (compared to budget of €1 million and realised €32.8 in the previous year).

When comparing income with the budget, the main difference lies in income from government grants. Actuals amount to €34.6 million compared to a budget of €72.6 million, more than twice as high. This deviation is caused by lower levels of new partner grant commitments concluded in 2017 combined with the fact that in 2016 Hivos had entered into multi-year or long-term commitments for partner project subsidies and contributions. These prior year commitments lead to activities for the organisation and its partners in 2017, but do not show as income or expenses for the year. On the other hand, the budget is based on actual payments to partners (actuals were €41 million which reflects the cash flow impacts) whereas the annual account is based on new commitments to partners (actuals were €23.1 million) in accordance with the requirement of Dutch reporting standard RJ 650.

Until the end of 2016, contracts for Hivos programme activity costs and operational income were also accounted on the basis of multi-year commitments (similar to partner commitments). This policy was changed in 2017, when it was decided to recognise these expenses in the period when incurred. In other words, when Hivos secures new funding, only funding that is regranted in the financial year to partners is immediately included in income based on (multi-year) agreements with partners. Income related to Hivos programme activity costs and operational income (time spent) is now retained within our system and only recognised in subsequent years when the respective costs are incurred. This leads to lower income and costs in 2017 and the coming years, since part of the funding contracts for multi annual years before 2017 has already been accounted for in previous years. Also part of the funding obtained in the year 2017 is now retained for future years. *Please note that the comparative figures for 2016 have been adjusted in line with this policy change, leading to €3.47 million less in income in that year.* The change of policy is a reflection of the current strategy of Hivos which has resulted in a shifting role from being a grants management organisation to a project implementing organisation in which Hivos plays a bigger role in driving projects aimed at social innovation.

During 2017 Hivos concluded new funding contracts with donors amounting to €39.4 million in 2017 compared to €134 million in 2016 and €43.4 million in 2015. The amount for 2016 was much higher because this was the transition year after MFS II when Hivos concluded new multi annual agreements with a number of donors, including a 5-year (2016-2020) agreement of €50 million for the strategic partnerships (funded by the Netherlands Ministry of Foreign Affairs) and €31 million for multi annual programmes from the Global Fund.

The 2017 result also reflects a much lower reported position for other income of €5.2 million compared to €32.8 million in 2016. This sharp decrease is explained by the extraordinary nature of the new agreement with HTF accounted in 2016 which resulted in a once off revaluation gain of €32 million in 2016, covering annual disbursements during the period 2016-2020.

2017 has demonstrated that fluctuations in income between the years can be considerable. The decrease in total income in 2017 also reflects the volatility of the sector, limited opportunities and increased competition resulting in a declining average success rate for funding applications from 72% in 2016 to 62% in 2017 (in 2018 to date, the comparable success rate is 68%).

The bulk of our grants income from government subsidies €34.6 million were received from (among others) the Ministry of Foreign Affairs Netherlands €19.3 million; The Global Fund €5.5 million; Department for International Aid €4.8 million; Swedish International Development Aid €2.56 million; Deutsche Gesellschaft €2 million; Royal Netherlands Embassy Costa Rica €1.7 million. The amounts reported comprise new commitments and actuals incurred that are viewed as income for the calendar year. Cash received can be higher since it would include old commitments (as an example the Global Fund is included for €5.5 million while Hivos received about €12 million cash flows from Global Fund in 2017 based on commitments concluded and recognized in prior years).

Income from lottery organisations exceeded expectations in 2017 as €8.4 million was realised compared with budget of €1.5 million and 2016 actuals of €1.35 million. This was due to the start of the All Eyes on the Amazon project early in 2017 (funded by the NPL Dream Fund for a total grant of €15 million), an innovative intervention that involves the indigenous population and the use of radical transparency, campaigning and (drone) technology to protect the Amazon forest in close cooperation with Greenpeace International and local civic actors.

Income from other non-profit organisations was €7.8 million compared to a budget of €8 million and actuals of €8.5 million in 2016, almost on target. Non-profit partners that in 2017 contributed to Hivos's mission include: Rutgers €1.2 million; William and Flora Hewlett Foundation 951k; American Jewish World service 713k; Tides 699k; Oxfam Novib 789k; Inter-American Development Bank €493k and King Baudouin Foundation €489k.

Other income includes exchange gains on operations €4 million and an exchange loss on revaluations of year end balances (€2.5 million). In all, about five times more other income was realised compared to foreseen, but overall the amount remains insignificant and this is not expected to become a major source of income in future.

EXPENDITURE

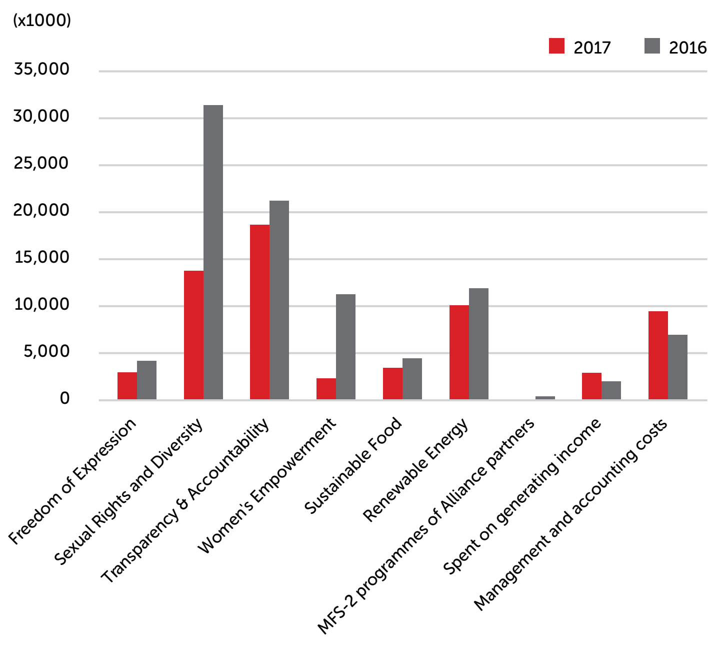
Our spending for 2017 totalled €62.7 million euros (compared to budget €86.9 million and €93.2 million in 2016), of which €50.5 million was spent on objectives. This constitutes 81% of our total spending (2016 was 91%). The thematic distribution was: Freedom of Expression €2.9 million; Sexual Rights and Diversity €13.7 million; Transparency and Accountability €18.6 million; Women's Empowerment €2.2 million; Renewable Energy €9.8 million; and Sustainable Food €3.3 million.

The deviation between the actuals spent on objectives of €50.5 million and the budget €74.3 million is due to the fact that regranting expenses in the budget are based on expected cash flow payments to partners within the year whereas in the annual account regranting costs are based on new contractual commitments concluded in 2017 (which are often multi-year). Actual payments to partners in 2017 were €41 million (based on cash flow), however the new commitments in 2017, which are used for the calculation of Spent on Objectives in the annual accounts, amount to €23.1 million (as per RJ 650 requirements), visualising the significant difference between actuals and budget in the annual accounts.

The reported expenses for external partners in the Annual Accounts are thus based on commitments, whereas the budget is based on planned payments to partners. The basis applied for the budget and internal monitoring of external partner commitments is aligned with the cash flow reality, and more importantly is consistent with the way we report to donors. Most donors require that we report partner spending based on payments to partners, while some prefer to receive reports based on actual spend by partners. Our external annual accounts reporting complies with the Dutch reporting standard RJ 650 in order to retain comparability with similar entities and attain compliance with regulatory requirements. Hivos actively works towards synchronising its monitoring and reporting systems for the future.

Of the total spent on objectives of €50.5 million, €23.1 million comprises new regranting commitments to partners and €27.4 million refers to direct costs for implementation and for time spent. This reflects the shift that has occurred in the role of Hivos leaning towards a projects implementer and social innovator combining activities implemented and coordinated by Hivos with those undertaken through partners, both contributing towards the project goals agreed with our donors and implementing partners.

Costs for generating income were €2.9 million (compared to budget €3.2 million and 2016 €1.9 million) or 5% of total income generated. Costs for management and accounting were €9.3 million (compared to budget €9.3 million and prior year €6.9 million) which is 15% of income. Due to the above highlighted changing environment in combination with the changes within Hivos itself, developing towards a project management organisation, it had been anticipated that a higher investment would be needed in organisational costs, and this has shown to be a correct assessment. Most significant is the increase in general communication and PR costs in 2017 € 1.6 million compared to the budget 2017 € 1.0 million (2016: € 1.2 million).



STATUS OF THE HTF INVESTMENTS AND FINANCIAL PERFORMANCE IN 2017

In 2017, Hivos has retained its investments in HTF which is invested partly in participations and loans in entities that contribute towards our social objectives. In 2017 Hivos realised an income of €1.2 million in dividends (compared to €1.3 million in 2016), €653k from revaluation of the loan (prior year €22 million) and €1.3 million (compared to €9.5 million in 2016) from the revaluation of the HTF participations at fair market value. Responsibility for managing the participations rests with HTF (with Triodos Investment Management actually managing the portfolio on behalf of HTF) however the beneficial ownership and benefits accrue to Hivos.

The value of the total participation investments has decreased from €38.2 million in 2016 to €37 million in 2017 and the value of the HTF participation reserve on our balance sheet is stated at €37 million in 2017 (matching the value of the participations). The decrease is due to sale of the participation in Andara Bank. The reserve is retained to mitigate possible negative impacts which may result if the market value of participations declines which could lead to impairment adjustments (that would reverse part of the revaluation gains accrued by Hivos to date).

In accordance with the HTF agreement, Hivos retains the future possibility to choose between withdrawing the participations and retaining them at HTF (as investments in the new strategy, either as equity in new companies or as loans to SMEs), in that instance the proceeds will be converted into loans that will be retained as assets in Hivos financials. Important to note, the value of the fund itself also accrues partly to Hivos, according to the agreement, in case Hivos chooses to withdraw from HTF.

The HTF loan has reduced from €19.6 million in 2016 to €14.2 million in 2017 due to further repayments from HTF in 2017 based on the 2016 HTF agreement. The repayment from HTF contributed towards the increase of cash at bank and in hand from €51.8 million in 2016 to €72 in 2017 (alongside the positive net movements arising from operating activities of €14 million). The HTF agreement provides for repayment from HTF in three instalments of €8 million between 2016 and 2018 (for a total of €24 million) and two instalments of €4 million in 2019 and 2020 (for an additional €8 million). This €32 million revenue from the revaluation of the HTF agreement was fully accrued in 2016 (based on the agreement and in accordance with the appropriate accounting rules), however, the repayments are ongoing and are expected to stretch until 2020.

It is therefore significant to note that the HTF agreement has lesser contributions towards the income position in 2017 (relative to 2016), while the financial interest remains significant to the asset and liability position of Hivos at the end of 2017.

RESULTS AND RESERVES

Comparing total income of €58.3 million with total spending of €62.7 million Hivos attained an operating loss of €4.4 million compared with a budgeted loss of €1.1 million. The €1.1 million deficit was foreseen in the budget, partly to compensate for anticipated under-recovery for some of the current projects (which were concluded before Hivos introduced its full cost recovery model), but for the most part for investment in programme development and innovation and interventions to bring staff and systems up to speed with new standards. This is largely a culmination of Hivos' decision to apply part of Hivos appropriated reserves towards investments in innovation and programme development which are important for finding new solutions to persistent development challenges and for underpinning the sustainability of the organisation.

Although Hivos had foreseen an operational deficit of €1.1 million, the actual result was higher (deficit of €4,478 million). The actual result includes exchange losses on revaluation of the balance sheet for €2.5 million and negative income on investments of €350k. These items are both included under income and neither form part of the operational budget. The exchange loss on revaluation of the balance sheet is attributed to the losses in the value of contracts, banks and receivables which are denominated in other currencies when valued in EUR. This is mainly a reflection of the strengthening of the EUR in 2017 compared to the USD which results in exchange losses. The negative income for investment income represents additional investments into the Hivos Mideast Creatives Limited (BV). The higher deficit result is therefore not an outcome of Hivos normal operations since it is related mainly to revaluation of assets, liabilities and an additional investment into the Hivos impact investment portfolio.

Total appropriations were €4,478 million compared to the budget of €1.1 million. The appropriations turned out higher because of a number of year-end financial related appropriations which do not form part of the annual budget (these included translation differences €2.6 million; HTF participations -€1.2 million; currency valuations €2.5 million, in addition the appropriation for programme development turned out higher €4.9 million compared to budget €2.9 million). Translation differences arise from the consolidation of regional hubs financials (denominated in local currencies) when translated to the euro and the 2017 mutation is partly a result of the change that was effected in 2017 to transfer all partner contract liabilities to the regional units which account in local currencies. Although the translation risk appears to pose potential downside risks, this risk is mitigated by the stable outlook of the EUR and the fact that a sizeable portion of our portfolio is contracted in EUR which is also the reporting currency. Nevertheless, Hivos will examine the possibilities and costs of mitigating these currency risks in 2019.

The operating result of -€4.4 million is fully appropriated based on actual costs or income for the respective appropriated reserve or fund and includes an increase of €7.5 million on the appropriated reserve for business operations (compared to budget of €947k). The addition to the appropriated reserve for business is made in part from a reallocation of €2.5 million from the appropriated reserve HTF, includes the release of €725k from the North South Plan as foreseen in 2016, and for the remainder is due to the above-mentioned appropriations that were unforeseen but approved by the EB in view of building a continuity reserve appropriate for safeguarding operations in challenging times.

Below we summarise the key movements in appropriated reserves and funds.

APPROPRIATED RESERVE FOR BUSINESS OPERATIONS

- The appropriated reserve for business operations increased from €5.1 million to €14 million in 2017 allocated between the continuity reserve for business operations €11.5 million and calamities reserve €2.5 million.
- The increase in the continuity reserve for business operations is funded by the positive movements in reserves in 2017 of €7.5 million (mainly due to a number of year end appropriations as noted earlier) while the increase of the calamity reserve is funded through a transfer of €2 million from the appropriated fund for programme development against use of €505k. Hivos aims to attain a continuity reserve of 1.5 times of annual operating cost in accordance with the Dutch Association of fundraising organisations (Goede Doelen.nl) therefore the current levels are considered closer to our target level of €15 million, facilitating future stability of our operations under adverse circumstances. The target is based on the presumption that in a worst-case scenario all project operations can be closed at no additional cost to the organisation and that only Management and Accounting costs will need to be covered from the reserves.
- The increased appropriation towards the calamity reserve is to provision for costs related to a number of pending cases of irregularities from past projects which surfaced in 2017, including the security crisis in Turkey, fraud on the CVC project in Uganda, ghost biogas plants fraud in Tanzania; a legal dispute pending before the courts in Kenya and potential claims on an EU project implemented in Cuba and India in the years 2011-2013. All of these cases emerged in 2017, however they actually occurred across several years. It must be noted that Hivos works with more than 400 partners in different countries and regions, for an annual budget of €80 million overall. Against that background, the increase of the appropriated reserve is considered to be within reasonable limits. Nevertheless, Hivos acts strongly and strictly upon each discovery of fraud or irregularity.

RESERVES

- Total reserves have decreased from €88.4 million to €84.4 million and the main reserves are the HTF participations reserve of €37 million (2016: €38 million); programme development reserve of €15.1 million (2016: €20 million) and innovation reserve of €10.8 million (2016: €11.4 million).
- The outflow from the appropriated reserve for programme development of €4.9 million included extra investments in fundraising and programme development of €732k; transfer to calamity reserve of €2 million; improvements to adapt to changed donor requirements of €510k and costs for project under-recoveries of €1.7 million.
- Noteworthy, the under-recovery for current projects at €1.7 million turned out higher than the anticipated €1.1 million, indirectly covered by funds that were meant to be invested in programme development and innovation (aiming to enhance sustainability). Reasons include lower allowed costs for Hivos time investment and the need to hire external consultants to mitigate delays. The Hivos Executive Board has taken steps to assure that new contracts are cost recovering from the start and to assure closer monitoring of costs in 2018.

COMMUNICATION WITH STAKEHOLDERS

Apart from the wide distribution of the Annual Report and the audited Annual Accounts, Hivos maintains reporting obligations to all its donors on a project basis. These obligations often take the form of audited and unaudited financial reports, narrative reports and evaluation reports.

In 2018, Hivos plans to revamp its websites and social media platforms which provide a basis for sharing information with our implementing partners, beneficiaries and interested public. Hivos also hosts many general and project events which increase the awareness of our work and provide platforms for lobbying and advocacy.

In 2017, Hivos spent an amount of €1.1 million for communication and publicity which form part of Management and Accounting totals under expenses.

SOCIAL RESPONSIBILITY POLICIES

Hivos seeks to integrate social responsibility issues into the various facets of our work. Our approaches are guided by the Hivos social responsibility and integrity policies. The social responsibility policy covers issues related to integrity and Embodying the Hivos Values, Diversity and Equality, Good Employment Practices, Environmental Stewardship and Social Responsibility in the Value Chain (covering how Hivos interacts with partners, donors, corporate partnerships and suppliers). The social responsibility policy includes our approaches towards reducing the carbon footprint within our work through various initiatives to reduce carbon emissions through use of shared transportation, avoidance of unnecessary travels and the practice of energy saving.

The integrity policy regulates staff conduct in its contact with partners, suppliers, clients and includes a detailed code of conduct, anti-corruption and whistle blower provisions. Its focus is not only on enacting of rules of conduct but also on attitude and "wanting to do things properly" and organizational culture as important aspects of integrity. Late in 2017, Hivos extended our anti-fraud, whistleblower and integrity policies to our implementing partners through the addition of additional clauses to our general conditions. At the time, Hivos was confronted with a harassment case within its partner Ushahidi, ultimately leading to Ushahidi CEO dismissal. Meanwhile, Hivos was also concerned about incidences that were reported in other sectors regarding violation of certain vulnerable groups and the Executive Board shared a number of communications with staff to emphasize the Hivos integrity policies in this regard. In 2018, as a result of the Oxfam Haiti scandal this became a sector-wide concern and Hivos took additional steps to improve our internal and partner safeguarding policies.

KEY RISKS AND UNCERTAINTIES

Hivos carries a significant risk because our innovative approach often recognises the value of civic society partners that deliver high impact to our projects, while not always endowed with the strongest governance and accountability capacities.

In 2017, Hivos encountered a number of high impact incidents related to partner frauds and financial irregularities which had significant financial and reputational impacts. Hivos has taken steps to improve our financial management to prevent future recurrences.

The most significant development related to financial accountability in 2017 was the implementation of the new grants management control framework. This was required because several audits and fraud cases in the past period disclosed weaknesses in the framework and its implementation. Additionally, Hivos diversified its sources of funding which often require project approaches and prescribe explicit conditions that determine the eligibility of expenditures incurred by Hivos and all subcontracted partners. These increased risks required Hivos to improve on its risk management practices by availing a wider range of instruments for assessing and monitoring risks.

Within the new Control framework implemented in 2017, Hivos has introduced additional risk-based financial intake procedures for assessing sub-grants with different types of assessment for incremental level of grant thresholds. The outcome of the assessments (alongside the donor requirements) form the basis for contract conditions, monitoring and external audit options. Partner contracts are customized according to the risks identified in pre-assessments and the risk appetite of the back donor. The Hivos general conditions were revised to include minimum standards for financial management, partner obligation to implement adequate anti-fraud, corruption and bribery measures (including the requirement to maintain a whistle-blower facility). The new measures also include additional tools for improved financial monitoring, and external audits have been customized to respond to risk levels and donor requirements. In this way, the choice of the type of audit required for partner contracts is based on the assurance levels required by the back donor in combination with the risk profile of the partner.

The new framework maintains the Hivos institutional approach which entails that Hivos continues to assess risks and financial management of all partners at an institutional level, even if the contractual relationship and reporting is based on a project approach. These changes will contribute towards improved management of financial risks, higher level of accountability across all grants and increased assurance for compliance with requirements of our donors. However, it is important to recognise that effective implementation of the framework requires additional resources for staff efforts (required to assess and monitor partners) and costs for risk mitigation measures, next to induction and training of staff.

When introducing the changes there were initial concerns from stakeholders that the Hivos minimum standards for financial management were pegged at a high level therefore seen to disqualify small emerging partners or organizations in a start-up phase. It was subsequently clarified that the high standards are not necessarily designed to disqualify partners but to incentivize and capacitate them to attain the higher standards which will make them sustainable. This is attained through capacity building support, mentoring of weak partners (alongside milestones mutually agreed between Hivos and the partner), in other cases funding is channelled through a qualifying fiscal host entity that can manage funding on behalf of weaker grantees. With these options weaker partners are still extended due opportunities while assuring that financial accountability is attained to assure the eligibility of all partner costs.

Early in 2017, an assurance audit was concluded, initiated by DFID. Moore Stephens (UK) evaluated our grants management under the MAVC programme which Hivos implemented globally. The assessment provided key recommendations for improving our financial management of sub-grantees and attaining improved accountability on sub-grantee expenditures. The recommendations coincided with the control framework process which was already initiated by the Hivos Executive Board, and this afforded us the opportunity to apply the control framework improvements in the MAVC programme, before rolling them out across our entire grant management processes.

Fraud remains one of the most prominent risks in projects that are implemented through partners. Hivos' attitude to fraud remains one of zero tolerance to fraud and corruption. In order to deter frauds and to enable timely detection, Hivos has amended its contractual conditions and the whistle-blower clause now forms an integral part of partner contracts. The new conditions obligate partners to implement adequate anti-fraud, corruption and bribery measures. At the same time, Hivos works towards strengthening our internal integrity and conflict of interest policies in order to mitigate the risks of insider frauds.

Despite these mitigating and risk reducing efforts, risk is an inherent part of the Hivos operations to work with innovative and new organisations as well as to grant ownership and responsibility to these organisations. Therefore, Hivos has taken steps to increase its calamity reserve to avail additional resources for settling any future claims which may arise.

Hivos continues to encounter uncertainties arising from the diminishing space for civil society which affect the work of our partners but is also affecting our registration and regulatory requirements relevant to our Regional hubs and country offices that often face restrictions related to specific themes and partners. Meanwhile, diversifying our registrations in various countries, such as local registration will also broaden our options.

In 2017 Hivos experienced a key security incident which received worldwide publicity: the arrest of consultants conducting a security training in Turkey, funded by the Digital Defender Partnership programme of Hivos. This incident has highlighted the need to intensify our security measures to cover our staff, service providers and partners who work in high security zones. This issue will receive further attention in 2018.

2017 has highlighted the new reality that our total income will fluctuate more than before, both at the global level and within Hivos' regional hubs and themes. To mitigate this risk, Hivos has used the HTF reserves to fund initiatives for innovation and additional investments in programme development and fundraising in order to strengthen our capacity for resource mobilisation. We continue exploring the possibilities for strategic partnering which needs to improve scale and impact of our programmes but also cover the weakness of the Hivos business model, being a lack of structural long-term unrestricted funding from individuals and third party as compared to many of our competitors.

Hivos also faces a risk that we are not able to deliver on our commitments to the levels of quality expected by our donors, particularly in situations where we depend on partners for the implementation of activities. In order to improve on the quality of our results, we have invested into processes that review our monitoring and evaluation systems in order to sharpen our ability to monitor and report on our results and the impact of our work.

Until 2021, Hivos has agreed to retain the cash held in participations at HTF which means the possibility of attaining further withdrawals (beyond the €32 million agreed with HTF) only occurs after 2021 when Hivos should decide to alter the current agreement. The bulk of the participations are invested in Centenary Bank in Uganda which has performed well over the year (valued at €27.5 million at December 2017). There could be a risk in retaining the investment at such a high level given the potential of political and economic instability in Uganda which can impact the value of the investment. However, based on the new HTF strategy to divest from microfinance and invest in SMEs in sustainable food and renewable energy, this risk related to investment in a single entity will be reduced as HTF will divest from Centenary Bank.

EXPECTED COURSE OF AFFAIRS; LOOKING INTO THE FUTURE

The budgeted income for 2018 at €79.8 million is well above the minimum funding scenario adopted by Hivos of €70 million per annum and compares to 85.7 million foreseen for 2017. The budget is based on €60.6 million in signed contracts for 2018 (as compared to €66 million in the budget for 2017) and a pipeline of funding applications (with high probability) of €18.1 million. Income for operations in the budget 2018 accounts for 25% of the total income.

Our budget for 2019 reflects total income of €81 million (€51.8 million in signed contracts, the rest high probability pipeline) with income for operations accounting for 26% of total income. This means the budgets for both 2018 and 2019 are still above the €70 million per annum income target stated in the current Hivos business plan, giving the Board confidence that Hivos will maintain its viability for the years 2018 and 2019.

Additional efforts are, however, required in the area of resource mobilisation if the current budget is to grow further in 2019 as well as for sustaining this level of income in 2020 and 2021. The Executive Board has discussed acceleration plans with all units that will speed up innovations and programme development during the last part of 2018 leading into 2019. For the year 2020, we aim to be budget neutral, while in 2021 we anticipate realising a positive balance of income over expenses whereby we make a modest contribution to our reserves. We aim to work in accordance with the assumption of our full cost recovery fee model, rather than drawing from and depleting reserves. To attain these objectives we plan to use 2019 to further reduce our operational costs.

In 2017, Hivos adopted a policy of regular rotation of Auditors which in future will also be applied to the rotation of component local auditors that facilitate audits of our Regional Hubs and country offices. Deloitte were appointed as the new Hivos global auditors following a restricted tendering process which resulted in the change from PWC to Deloitte. PWC had been Hivos Auditor for the past +30 years. This change was initiated by the Supervisory Council in order to attain international recognised best practice of regular rotation of external auditors, usually after a period of 5-7 years.

Hivos has undertaken the important step to implement an improved control framework, however it requires additional funding for both internal and external costs for implementing the improved risk mitigation measures. At the same time Hivos needs to maintain a fine balance between risk mitigation and enabling innovation by emerging social innovators and entrepreneurs in order to attain our objectives while concurrently assuring full accountability by our implementing partners.

In order to assure the sustainability of the organisation, the Executive Board has put far more emphasis on innovation and programme development and stimulated more investment in staff as well, to accelerate developments and innovations. This has resulted in a much higher planned amount for investment and innovations to be drawn from the designated appropriated funds in 2018 totalling €5 million. Additionally, the Supervisory Council approved investments for €887K in 2018 for the control framework implementation, risk mitigation for donor and partner contracts, upgrades of the current ERP, selection of the next generation ERP software, global teams, service delivery and temporary staff required in Control, Finance, Osiris support. These measures are designed to accelerate the change process and to improve our operational excellence in 2018. Unfortunately, the AA2017 delay proved that these improvements are difficult to implement as Hivos incurred a delay and was confronted with the reality that its ERP could not be adapted (any further) to serve as a basis for operational excellence. It was decided to implement a new ERP solution starting from 2019, this will be introduced in phases while starting with a full accounting solution.

We continue to explore ways to strengthen our strategy related to social impact investments. This strategy is anchored in the Hivos Impact Investments, which currently manages the Mid-East Creatives Fund and the Food & Lifestyle Fund. Both funds invest in social enterprises that seek to attain an open society and create a more sustainable green future. All profits from the funds will be applied solely for the furtherance of projects and programmes.

The relationship with the HTF will remain important, financially but more importantly also in achieving shared objectives. Hivos looks forward to receiving the additional loan repayments until 2020, as these cash flows are linked to the liquidity of our appropriated funds for innovation, programmes and projects which were created on the basis of the income arising from the revaluation of the HTF agreement in 2016.

Although our general reserve position (the reserve for business operations) has improved in 2017 (mainly the continuity reserve now at €11.5 million), it is still to attain the desired levels when compared to Hivos operating costs and total actual spend. Hivos has taken steps to increase the calamity reserve through the injection of an additional €2 million. Both reserves will receive further attention over the coming years, the objective is to boost them further to levels that are commensurate with the levels of our annual budget and attendant risks.

The challenges for the near future, in financial terms, remain crystal clear: we have to ensure a more stable stream of income, improve our cost-effectiveness, cover all project costs with project income, and be prepared for continuous adaptations in costs and turnover, as this has become part of our new reality in the post MFS era.

The political developments in the world have remained unfavourable to our work, most EU and the US governments seem to gravitate towards more inward looking policies which deemphasise the value of overseas development. The incidents of scandals and frauds involving international NGOs have not helped the situation. Hivos continues to evaluate our internal policies and engagements with partners and stakeholders to assure that they attain high ethical standards and remain above board. We will continue to regard these challenges as opportunities – and remain confident that we are set for another successful year in 2018.

The Hague, 28 December 2018
Edwin Huizing, Executive Director

2. SUPERVISORY COUNCIL REPORT

During the reporting year 2017, the Supervisory Council has engaged in a number of strategic discussions with the Executive Board. Hivos committed to reviewing its running programmes in relation to its strategic objectives as part of its aim to sharpen its Strategic Plan 2016-2020. Against the background of the continually shrinking space for civil society organisations in many countries, tight donor markets and broadening of the basis of providers, we believe that Hivos needs to keep asking itself whether it is achieving the impact for which it strives.

We are positive about the direction in which the organization is heading. We have encouraged the Executive Board to put even more emphasis on programme focus, strengthening its innovative power and distinguishing capabilities as well as reaching for scale by collaboration with others. An initiative such as Hivos' collaboration with indigenous organisations, Greenpeace and other partners in the 'All Eyes on the Amazon' programme is the type of multi-thematic approach the organisation wishes to implement more often. The programme – described elsewhere in this annual report – has the high ambition of protecting the Amazon and the land rights of its people. It presents a complex programme with many different actors as well as the sensitivity that is inherent to the involvement of large business interests. As Supervisory Council, we seek to think along with the Executive Board and managers to assess the related risks carefully. We would want to assure that Hivos improves the management of these complex multi-stakeholder programmes. Risk management in general has been an important theme throughout the reporting year.

During 2017, the Supervisory Council formally convened six times, including one full day strategic session, in the presence of the Executive Board members. We are pleased with the effective collaboration with the Executive Board. We have also engaged in the informal exchanges with the international Management Team and the Works Council of the Global Office. We have seen the Executive Board taking swift measures to reduce the risks of financial irregularities and fraud. These measures ranged from stricter planning requirements for partners and the implementation of improvements to the organisation's financial management processes. By now, digital security and physical security are considered equally important.

Following clarification of the findings by the external auditor, and taking into account the recommendations by the Audit Committee, the Supervisory Council approved the 2017 annual accounts and discussed the 2017 annual report. The Supervisory Council released the members of the Executive Board from liability for their executive duties over 2017.

It is regrettable that the completion of the 2017 annual accounts has taken longer than planned. We have discussed the progress several times with the Executive Board as well as with the external auditor. We have concluded that one of the main reasons for the delay is an outdated operating system, which will be replaced. The reporting process was also impacted by the departure of the Director of Operations.

The Supervisory Council also continued discussions on Hivos' governance structure, especially in relation to setting up new legal entities in Lebanon and Indonesia. The Executive Board seeks the right balance and interaction between controlling the organisation from the centre and placing responsibility and ownership at the regional level, and the Supervisory Council monitors the checks & balances. While the political dynamics in countries can call for specific formal structures, our aim is to ensure that the mandates and accountability are clear and that the chosen setup allows Hivos to realise its vision and mission in the societies where rights are most under pressure.

In order to secure Hivos' effectiveness and financial resilience into the future, we have encouraged the Executive Board to start exploring the potential and options of strategic partnerships with likeminded organisations. A list of partnership criteria was developed to that end. The explorations are continuing through 2018.

After the reporting year, in May 2018, the Director of Operations Sanne Nolst Trenité left the organisation. We wish to thank Sanne for her efforts and contributions to Hivos and its cause.

For the third time, the Executive Board organised a field trip for Supervisory Council members to one of the regional offices. This type of trips allow them to see project implementation with their own eyes and to meet local staff and partner organisations, which is considered essential for fulfilling their supervisory role. In November 2017, several SC members visited Hivos' Latin America Hub in San José (Costa Rica) as well as the country office in Guatemala. Overall, we were impressed by the motivation, enthusiasm and quality of the regional staff. The restructuring of Hivos in recent years has been difficult and sometimes painful, but the regional organisation seems to have adapted and built upon the changes quite successfully. The local leadership made a strong impression and demonstrated its ability to build cohesive teams as well as solid external relations with both NGOs and several key public representatives. The local staff showed great motivation, displaying a variety of themes, perspectives and expertise. In addition, they have proven to be successful in generating funds.

The Supervisory Council operates two permanent Committees – the Audit Committee and the Remuneration Committee – to which it has delegated the preparation of specific tasks. The Audit Committee comprises two members, Marcel Karman (chair) and August Mesker. In 2017 the Audit Committee met several times and discussed the management information, the 2018 budget and the control environment. The Audit Committee was also closely involved in the selection of a new external auditor, Deloitte. Both the previous and the new auditor have been consulted on the year's end and interim audit findings.

The Remuneration Committee consists of Anja van Gorsel (chair) and Johan van de Ven. The Committee prepared the evaluation of the functioning and remuneration of the Executive Board in its entirety, as well as that of its two members individually. To that end the Remuneration Committee held several meetings with the Executive Board members to discuss the dynamic context of Hivos and their functioning and effectiveness within this context. As detailed in the annual accounts, the Executive Board members' remuneration is in line with the Standards for Remuneration Act as well as with Hivos' pay scales. As input for the annual evaluation, CBE Group conducted a 360-degree assessment involving responses from all members of the Supervisory Council and the international Management Team, the chair of the Works Council, and staff members who closely support the Executive Board members.

In 2017, the Remuneration Committee initiated the recruitment of two new SC members, for wider diversity in line with HIVOS geographical area and type of activities. We are very pleased with Elizabeth Lwanga and Claudia Surjadjaja who formally joined the Supervisory Council in May 2018. The full composition of the Supervisory Council is set out on the following page.

The SC regularly evaluates its own functioning by way of a self-assessment. For 2017, we considered the composition and diversity of the Supervisory Council to be unsatisfactory. Remediation has in the meantime resulted in attracting two members, from Uganda and Indonesia, both having ample experience in the field of operations. Other findings included the desire of having more exposure to Hivos staff beyond management team level, and the need for clarifying our involvement and visibility of (non-financial) risk and control. Both actions are pending.

In accordance with the guidelines of the Dutch Central Bureau on Fundraising (CBF) and the Dutch Good Governance Code for Charities and Cultural Organisations, it was established that during 2017 none of the individual Supervisory Council members held primary or additional occupations that were in conflict with their supervisory role at Hivos.

In 2017 the Supervisory Council decided to introduce a regulation for financial compensation of its members. Pursuant to this regulation, if they wish, the members of the Supervisory Council can each apply for compensation of max. €1,500 (excl. VAT) per year based on attendance of at least six regular meetings. The chair of the Supervisory Council, the chair of the Remuneration Committee and the chair of the Audit Committee, if they wish, can each apply for compensation of max. €3,000 (excl. VAT) per year, based on attendance of at least nine meetings (including regular

COMPOSITION OF THE SUPERVISORY COUNCIL / SCHEME OF RESIGNATION (AS OF 31 DECEMBER 2017)

First appointment	Name, position, term (max. Three terms)	End of current term	Occupation and other positions
2012	Jan Ernst de Groot Chair (2nd term)	2020	Chief Legal Officer, Ahold Delhaize; Executive board member VNO-NCW; Supervisory board member ADG Dienstengroep; Board member Hermitage Museum Amsterdam.
2013	Anja van Gorsel Vice Chair (2nd term) Chair, Remuneration Committee	2021	Partner, Wesselo & Partners; Chair of SC Tappan.
2006	Michiel Baud (3rd term)	2018	Professor in Latin American studies, University of Amsterdam and Centre for Latin American Research and Documentation (CEDLA).
2011	Marcel Karman (2nd term) Chair, Audit Committee	2019	Advisor, Dubois & Co. Registeraccountants; member, Supervisory Council Hivos Triodos Fund; supervisory Council Stichting Juridisch Loket, board member Stichting Living Landscapes.
2010	August Mesker (2nd term) Member, Audit Committee	2018	Economist; Member European Economic and Social Committee (EESC); former senior advisor VNO-NCW (Confederation of Netherlands Industry and Employers); former Chair of the Transport Committee Business Europe.
2010	Johan van de Ven (2nd term, Member Remuneration Committee)	2018	Chief Technology and Innovation Officer and Member of the Executive Management Committee, Bosal International; strategy partner and chair investment committee, sustainable private equity association Oraxys S.A.
2016	CR Hibbs (1st term)	2020	International consultant in grant-making, strategy development and organisational capacity; board member, American British Cowdray Hospital, Mexico City; board member, Mexican Institute for Competitiveness (IMCO).
2018 As of May 2018	Elizabeth Lwanga (1st term)	2022	Director of Africa Development Alternatives. Innovations in development; Search for alternative approaches to Africa's development; Leadership development; Creative talent promotion; Gender and development
2018 As of May 2018	Claudia Surjadjaja (1st term)	2022	Executive Director ALERTAsia Foundation; Project Director/ Principal Investigator US Centre of Diseases Prevention and Control, Global Health Security Agenda; Regional Adviser for Asia Pacific UNAIDS Technical Support Mechanism, Board Member Yayasan Gerakan Sayang Ibu (Safe Motherhood Program); Public Health Specialist and Monitoring & Evaluation Expert the Global Fund for AIDS, Tuberculosis, and Malaria (GFATM) through Pricewaterhouse Coopers and UNOPS; Peer reviewer WHO Bulletin; Lecturer in Medical Ethics and Environmental Health; independent consultant for various donor agencies

Supervisory Council meetings and Committee meetings). The travel and accommodation expenses of the international members are fully reimbursed. The total expenses for the Supervisory Council in 2017 came to €20,527.76 (of which €10,281.95 for attendance fees) compared to €23,098.24 in 2016. This includes the above-mentioned visit by several members of the Latin America Hub.

Fifty years after its inception, the vision and objectives of Hivos are still spot on as people across the world are exposed to shrinking civic space and to the ecological and social impact of climate change. On behalf of the Supervisory Council, I would like to thank the Executive Board and all employees and partners for their continued efforts towards a free, fair and sustainable world!

The Hague, 22 December 2018
For the Supervisory Council,
Jan Ernst de Groot, chair

3.
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

amounts x EUR 1,000

After appropriation of the results

	Notes	31-12-2017		31-12-2016	
ASSETS					
Intangible fixed assets					
Software for business operations		95		182	
Goodwill		1		3	
Intangible fixed assets	1		**96**		**185**
Tangible fixed assets					
Buildings for business operations		465		532	
Furniture and fixtures for business operations		387		403	
Cars for business operations		29		38	
Buildings for objective		455		429	
Tangible fixed assets	2		**1,336**		**1,402**
Financial fixed assets					
Certificates Triodos Bank/Other Participations		3,000		3,000	
HTF Participations		37,061		38,218	
Loans		14,167		19,647	
Financial fixed assets	3		**54,228**		**60,865**
Claims, prepayments and accrued income					
Claims for grants	4	48,574		89,709	
Prepayments and accrued income	5	3,215		13,855	
Claims, prepayments and accrued income			**51,789**		**103,564**
Cash at bank and in hand	6		**72,579**		**51,789**
Total			**180,028**		**217,805**

[1)] *Itemised in Chapter 7: Notes to the consolidated balance sheet as at 31 December 2017*

After appropriation of the results

	Notes	31-12-2017		31-12-2016	
LIABILITIES					
Provisions					
Provision for legal claims		130		-	
Provision for sabbatical leave		328		112	
Provision for reorganisation		62		110	
Provisions	7		**520**		**222**
Long-term liabilities					
Long-term project liabilities		4,283		22,822	
Long term liabilities		81		802	
Long-term liabilities	8		**4,364**		**23,624**
Current liabilities					
Project grants received in advance		50,237		36,696	
Current project liabilities		25,913		55,655	
Accruals and deferred income		9,315		7,514	
Current liabilities for staff		882		819	
Current liabilities	9		**86,347**		**100,684**
Total long-term and current liabilities			**91,231**		**124,530**
RESERVES AND FUNDS					
Appropriated reserve for business operations		11,549		4,063	
Appropriated reserve for business operations - calamities		2,495		1,000	
Appropriated reserve for programme management		69		1,466	
Appropriated reserve for translation differences		(2,333)		300	
Appropriated reserve, Nat.Postcode Lottery		2,609		2,570	
Appropriated reserve, Refunds + Interest		4,459		4,220	
Appropriated reserve, Currency valuation		1,636		4,143	
Appropriated reserve related to The Innovation Station B.V.		450		450	
Appropriated reserve related to Hivos Impact Investments B.V.		83		343	
Appropriated reserve related to Hivos Food & Lifestyle Fund		306		132	
Appropriated reserve related to Hivos Mideast Creatives Fund		149		71	
Appropriated reserve, HTF participations		37,061		38,218	
Appropriated reserve for Programme Development & projects		15,093		20,000	
Appropriated reserve for Innovation		10,814		11,418	
	10		84,440		88,394
Funds					
Appropriated fund, Private Funds		4,300		4,383	
Appropriated fund, Xandra Fund		(10)		(20)	
Appropriated fund, Stop Aids Now!		67		518	
	11		4,357		4,881
Reserves and funds			**88,797**		**93,275**
Total			**180,028**		**217,805**

[1)] *Itemised in Chapter 7: Notes to the consolidated balance sheet as at 31 December 2017*

4. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

INCOME	Notes		Actual 2017	Budget 2017	Actual 2016	Budget 2018
Income from private individuals				2,580		2,545
Donations and gifts			735		1,508	
Legacies			210		763	
Climate fund CO2 compensation			677		7	
Income from private individuals	11		1,622	2,580	2,278	2,545
Income from companies	12		679	-	565	
Income from lottery organisations	13		8,371	1,451	1,350	4,557
Income from government subsidies	14		34,590	72,630	78,952	64,659
of which MFS-2 grant of Alliance partners			-	-	*242*	-
Income from other non-profit organisations	15		7,792	8,000	8,480	7,000
Sub total Income generated		**B**	**53,054**	**84,661**	**91,625**	**78,761**
Other income						
Net investment / unrealized exchange gains HTF participations			1,363		9,548	
Dividend HTF participations			1,175	1,000	1,333	870
Revaluation HTF Loan Agreement 2016-2020			653		22,398	
Income from investments			(350)		-	
Revaluation Ltds (BVs)			111		(1,029)	
Exchange risk gain/loss revaluation Balance Sheet			(2,507)		(451)	
Exchange gain/loss of Operations			4,018		(168)	
Other income			772	64	1,190	208
Other income			5,235	1,064	32,821	1,078
Total income		**D**	**58,289**	**85,725**	**124,446**	**79,839**

[1] *Itemised in Chapter 8+9: Notes to the Consolidated Statement of income and expense*

		Actual 2017	Budget 2017	Actual 2016	Budget 2018
EXPENDITURES					
Spent on objectives/Programmes			74,289		69,753
Open – Freedom of Expression		2,886		4,157	
Sexual Rights and Diversity		13,705		31,365	
Transparency & Accountability		18,553		21,086	
Women's Empowerment		2,194		11,215	
Green – Sustainable Food		3,344		4,444	
Renewable Energy		9,846		11,881	
MFS-2 programmes of Alliance partners		-		242	
Total expenditure on objectives	**C**	**50,528**	**74,289**	**84,390**	**69,753**
Spent on generating income	**A**	**2,871**	**3,243**	**1,854**	**6,377**
Management and accounting costs	**E**	**9,268**	**9,338**	**6,929**	**10,610**
Total expenditures	**F**	**62,667**	**86,870**	**93,173**	**86,740**
Operating Result before financial income and expenses		**(4,378)**	**(1,145)**	**31,273**	**(6,901)**
Balance of financial income and expenses		**100**	**-**	**(7)**	**-**
Final operating result		**(4,478)**	**(1,145)**	**31,279**	**(6,901)**
Costs of generating income as a % of total income generated (=A/B)		5%	4%	2%	8%
Costs spent on objective as a % of total income (= C / D)		87%	87%	68%	87%
Costs spent on objective as a % of total costs (= C / F)		81%	86%	91%	80%
Man. and accounting costs as a % of total income (= E / F)		15%	11%	7%	12%
Results before appropriation		**(4,478)**	**(1,145)**	**31,279**	**(6,901)**
Added to/withdrawn from:					
Reserves					
Appropriated reserve for business operations		7,486	947	623	24
Appropriated reserve for business operations calamities		1,495	-	548	(100)
Aprropriated reserve for programme management		(1,397)	-	(1,393)	-
Appropriadte reserve for translation differences		(2,633)	-	103	-
Appropriated reserve for NPL		39	-	-	-
Appropriated reserve Refunds and interst		239	-	-	-
Appropriated reserve Currency valuation		(2,507)	-	-	-
Appropriated reserve The Innovation Station b.v.		-	-	-	-
Appropriated reserve to Hivos Impact investment b.v.		(260)	-	(1,219)	-
Appropriated reserve Hivos Food & Lifestyle Fund		174	-	-	-
Appropriated reserve Hivos Mideast Creatives Funds		78	-	-	-
Appropriated reserve HTF		(1,157)	-	9,548	-
Appropriated reserve for Programme Development & projects		(4,907)	(2,892)	21,406	(5,777)
Appropriated reserve for innovation		(604)	-	-	(2,550)
Subtotal appropriations reserves		**(3,954)**	**(1,945)**	**29,616**	**(8,403)**
Funds					
Appropriated fund Private funds		(83)	800	1,664	1,502
Appropriated fund Xandra fund		10	-	-	-
Appropiated fund, Stop Aids now		(451)	-	-	-
Subtotal appropriations funds		**(524)**	**800**	**1,664**	**1,502**
Total addition/withdrawal		**(4,478)**	**(1,145)**	**31,280**	**(6,901)**

5.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

Using the indirect method		2017		2016	
Cash flow from operating activities	See under below				
Result before appropriation	1)	-		31,279	
Movements in reserves and funds		(4,478)		13,052	
Amortisation and depreciation	2)	313		388	
Movements in claims for grants	3)	41,135		(31,669)	
Movements in other claims	3)	10,640		(9,260)	
Movements in provisions	3)	297		222	
Movements in long-term and current project liabilities	3)	(19,260)		6,318	
Movements in current liabilities	3)	(14,337)		13,146	
Cash flow from operating activities			**14,310**		**23,476**
Cash flow from investing activities					
Additions to tangible fixed assets	2)	(155)		(349)	
Additions to intangible fixed assets	2)	(3)		(33)	
Additions to financial fixed assets	2)	6,638		(9,192)	
Cash flow from investing activities			**6,480**		**(9,574)**
Cash flow from financing activities					
Income from long-term liabilities		-		-	
Repaid on long-term liabilities		-		-	
Cash flow from financing activities			**-**		**-**
Movements in cash at bank and in hand			**20,790**		**13,902**
Recapitulation					
Cash at bank and in hand at end of financial year	3)	72,579		51,789	
Cash at bank and in hand at start of financial year	3)	51,789		37,887	
Movements in cash at bank and in hand			**20,790**		**13,902**

1) See Chapter 3: Consolidated Statement of income and expense for 2017
2) See Chapter 6: Notes to the consolidated balance sheet
3) See Chapter 7: Consolidated Balance sheet as at 31 December 2017

6. ACCOUNTING PRINCIPLES

These are the consolidated annual accounts of Hivos Foundation in The Hague. The annual accounts have been prepared in accordance with the Guidelines for Reporting by Fundraising Organisations (RJ 650) and with due observance of the Financial Regulations for subsidies of the Dutch Ministry of Foreign Affairs/Development Cooperation. The annual accounts have been compiled after appropriation of the results. All amounts in the explanatory notes are denominated in euros, except where stated otherwise.

In the Annual Accounts 2016 the accounting principles were not in compliance with RJ 650 as the income for direct programme costs and for time spent were presented on the basis of internal commitments. According to the accounting principles of Hivos the income for direct programme costs and for time spent should be presented on the basis of actual costs incurred within the reporting period. In order to align de Annual Accounts to the accounting principles and to comply with RJ 650, comparative figures for 2016 have been adjusted accordingly, see also under 6.3.3.

An analysis of the legal structure has led to a revised assessment regarding the inclusion of legal entities in the annual accounts of the Hivos Foundation Only, see under Note 6.1.2.

In addition, the presentation of balance positions regarding grants has been adjusted to reflect both claims for grants (see note 6.2.7) under assets and grant moneys received in advance under liabilities.

Reserves and funds have been renamed, and presented accordingly, in line with the mandate of the Executive Board to decide on use (of reserves) or the decision of an external party to allocate the moneys to a specific objective (through funds).

Comparative data for 2016 have been adjusted accordingly.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

6.1 GENERAL NOTES

6.1.1 Consolidation

These annual accounts combine the balance sheets and statements of income and expense of the Hivos offices in the separate countries with the annual accounts of the Hivos head office. The Executive Board of Hivos has full control over all those offices and management is organised centrally. There is organisational connectedness and economic unity between the entities that form part of the Hivos Foundation group when it comes to programming but also operationally. As all the offices use one system, transactions between the separate offices are eliminated.

The legal entities included in the consolidated annual accounts are the following:
Global office (The Hague, the Netherlands), Southern Africa regional office (Harare, Zimbabwe), East Africa regional office (Nairobi, Kenya), Central America regional office (San José, Costa Rica), and Southeast Asia regional office (Jakarta, Indonesia). All local offices that are part of these regional offices are also consolidated. This includes legal entities set up for programme implementation: Biogas Solutions Uganda Limited (where Hivos and SNV each hold 50% of the shares), African Clean Energy Switch Biogas Limited (inactive), and Stichting AFFM Source Code Foundation (the Netherlands, not active).

The consolidated balance sheet and statement of income and expense of the Hivos Foundation include also the Hivos private limited liability companies in which Hivos holds shares: Hivos Impact Investments B.V. (100% of shares), Food & Lifestyle Fund B.V. (52% of shares), and Mid-East Creatives Fund B.V. (100% of shares).

6.1.2 Hivos Foundation Only

The annual accounts for the Hivos Foundation Only include only those entities that are part of the Hivos Foundation proper as established in the Netherlands.

The legal entities included in the Hivos Foundation Only annual accounts are the following:
Global office (The Hague, the Netherlands), Southern Africa regional office (Harare, Zimbabwe), Central America regional office (San José, Costa Rica), and Southeast Asia regional office (Jakarta, Indonesia), including all local offices that are extensions of these regional offices.
Notably, the regional office East Africa is not included in the Hivos Foundation Only accounts. This is due to its separate legal status. This entity remains firmly part of the Hivos Foundation group, as it is part of the organisational structure and economic unity and is managed by the Executive Board of Hivos.

In reference to the private limited liability companies established in the Netherlands in which Hivos holds shares, Hivos Impact Investments B.V. (100% of shares), Food & Lifestyle Fund B.V. (52% of shares), and Mid-East Creatives Fund B.V. (100% of shares), the annual accounts of the Hivos Foundation Only includes only direct investments made in these companies.

6.1.3 Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The financial resources in the cash flow statement comprise cash at bank and in hand. Cash flows denominated in foreign currencies have been translated at an average exchange rate. Interest income and expense is included in the cash flow from operating activities. Transactions that do not involve any incoming or outgoing cash flows are not presented in the cash flow statement.

6.1.4 Estimates

To apply the accounting principles and rules for compiling the annual accounts, the Executive Board of Hivos is required to form opinions about various matters and to make estimates that might be essential for the amounts presented in the annual accounts. Estimates have been made regarding the collectability of claims. Hivos is not exposed to any risks to its results in this respect, since the liabilities balancing the claims need not be paid if a claim proves to be a bad debt.

6.1.5 Correction of errors

Two elements of the Annual Accounts 2016 have after these had been approved and disseminated been assessed as errors: 1) the accounting principles were not in compliance with RJ 650 as the income for direct programme costs and for time spent were presented on the basis of internal commitments instead of on the basis of actual costs incurred, and 2) the inclusion of the Hub East Africa in the annual accounts of the Hivos Foundation Only was not in line with its legal status. These errors have been retrospectively corrected in the comparative figures 2016 in line with RJ 150.

The correction for the accounting principles regarding income for direct programme costs and for time spent does not impact the balance of income and expenditures in 2016 and thus does not impact the reserves and funds. Total consolidated income is decreased by €3.47 million, while expenses are decreased by the same amount.

The correction for the consolidation error impacts the balance of income over expenditures of the Foundation Only, with an increase of €6 million as a result of lower expenses compared to a similar income level.

To accommodate the 2017 change in RJ 650 approach toward income from lotteries, a direct mutation has been made on the reserves of 2016 in the amount of €1.35, thus including the amount received in 2016 for 2015 directly in the reserve.

6.2 VALUATION PRINCIPLES

6.2.1 General

The consolidated annual accounts have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements set out in par. 650 of the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board (RJ 650).

As a rule, assets and liabilities are presented at acquisition or manufacturing price or at current value. If no specific valuation principle is given, valuation is based on the acquisition price. The balance sheet, statement of income and expense and cash flow statement include references to the explanatory notes.

6.2.2 Comparison with the previous year
In the annual accounts a comparison with previous years have been made.

6.2.3 Foreign currencies
6.2.3.1 Functional currency
Items included in the financial statements of regional offices are measured using the currency of the primary economic environment in which the respective office operates (the functional currency). The consolidated financial statements are presented in euros, being the functional and presentation currency of Hivos.

6.2.3.2 Foreign currencies
Assets denominated in foreign currencies have been translated at the exchange rates prevailing as at the balance sheet date. Translation differences are taken to the statement of income and expense.

6.2.3.3 Group companies/regional offices
Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Any resulting exchange differences are taken directly to the reserve for translation differences within equity.

6.2.4 Intangible fixed assets
Intangible fixed assets are presented at acquisition price less amortisation. The amounts presented take into account the effect of impairment.

6.2.5 Tangible fixed assets
Land and buildings are presented at acquisition price plus additional costs or manufacturing cost, less straight-line depreciation calculated over the estimated remaining useful life. The amounts presented take into account the effect of any impairment that is expected as at the balance sheet date. No provision for major repairs has been formed for the costs of major repairs to the buildings.

Other fixed assets are presented at acquisition or manufacturing price including any directly attributable costs, less straight-line depreciation calculated over the estimated remaining useful life and less impairments.

6.2.6 Financial fixed assets
6.2.6.1 Certificates/participations
Certificates are presented at acquisition price. Participations in partner organisations, such as those through Hivos Triodos Fund (HTF), are presented at fair value, taking into account possible impairments at the reporting date.

6.2.7 Claims for grants and other claims
Claims for grants refer to claims on governments and other funding partners arising from liabilities into which the Foundation has entered based on agreements to that effect as part of its programme. Amounts received in advance from funding partners are presented under current liabilities.

Upon initial recognition, other receivables are presented at the fair value of the consideration, expressed in euros. Allowances for bad debts are deducted from the claim's book value.

6.2.8 Cash at bank and in hand
Cash at bank and in hand is presented at face value and is denominated in euros.

6.2.9 Provisions
Provisions are formed for liabilities and risks connected to the business operations. They do not pertain to specific assets. Provisions are presented at the best estimate of the amounts needed to settle the liabilities as at the balance sheet date. Provisions are presented at the face value of the projected expenditure required to settle the liabilities, unless stated otherwise.

6.2.10 Reserves and funds
6.2.10.a Appropriated reserves
Appropriated reserve for business operations
The appropriated reserve for business operations contains two different types of reserves: the continuity reserve for business operations and the reserve for calamities.

The continuity reserve is meant to create a sufficient-sized buffer that can be used to complete pending programmes appropriately including staffing them with own people, if one or more key sources of funding were to dry up unexpectedly, and with due observance of existing legal and moral obligations. The reserve for calamities will be used for claims from donors in cases of fraud or otherwise prematurely terminated projects. The appropriated reserve for business operations is freely disposable.

Appropriated reserve for programme management
Projects approved during the reporting year are presented as expenses. The corresponding grants are presented as income, including the programme management fee. The unrealised programme management fee is held in the appropriated reserve for programme management. The portion of the programme income that has not yet been spent is added to the appropriated reserve for programme funds. This practice is being phased out, as is visible from the annual accounts 2017.

6.2.10.b Appropriated funds
All sums that are received during a given year and that relate to a specific appropriated fund are added to the fund. The programme liabilities (including the programme management fee realised) are added to the fund.

6.2.11 Long-term liabilities and other liabilities
Upon initial recognition, long-term liabilities are presented at fair value and are denominated in euros.

Liabilities denominated in foreign currencies have been translated at the last available exchange rates as at the balance sheet date. Any translation differences are taken to the statement of income and expense. Project liabilities represent all liabilities that the Foundation has in connection with financing agreements entered into with partner organisations.

6.3 PRINCIPLES FOR DETERMINATION OF THE RESULTS

6.3.1 General
Income and expense are allocated to the period to which they pertain in the statement of income and expense. This allocation is based on consistent practices. The balance sheet is compiled with due consideration of the amounts that pertain to a particular period but were received or paid during another period. Losses are presented as soon as they are foreseeable; income is presented as it is realised.

Comparison with the budget 2017 the previous year 2016 and the budget 2018
In the Statement of income and expenditure for the year ended we included the comparison with the budget 2017, the previous year 2016 and the budget 2018. In the notes to the Statement of income and expenditure we included the comparison with the previous year 2016 only.

6.3.2 Legacies
Legacies are presented in the year during which their value can reliably be determined.

6.3.3 Grant income
Grant income, including the programme management fee, is recognised in the year in which the entitlement becomes definite. Changes to the value of grants are added to or deducted from the grant income during the year in which the grant awarded changes.

As Hivos follows the Dutch Accounting Standard RJ 650 as described in paragraph 6.2.1, income from lottery organisations is recognised in the year for which it was pledged. All other income is based on the new partner commitments signed during a particular year and on actual costs incurred for operations and direct programme costs.

6.3.4 Project liabilities
Project liabilities are presented in the year during which the liability becomes definite.

6.3.5 Costs
All costs, with the exception of extraordinary items, are allocated to the various cost categories, based on business criteria and with due observance of the relevant Guidelines of the Dutch Association of Fundraising Organisations, VFI: spent on objectives / generating income / management and accounting costs.

Wages, salaries and social security charges are presented in the statement of income and expense in accordance with the terms of employment, insofar as they are payable to employees.

6.3.6 Pensions
Hivos presents all its pension schemes as defined contribution schemes. The premiums payable for the reporting year are presented as an expense.

6.3.7 Translation differences
Currency translation differences stemming from the settlement or translation of monetary items are presented in the statement of income and expense during the period in which they emerge.

6.3.8 Amortisation of intangible fixed assets and depreciation of tangible fixed assets
Intangible fixed assets, including goodwill, and tangible fixed assets are amortised and depreciated from the moment that they are taken into use, over the expected remaining useful life of the asset. Land and investments in property are not depreciated. If the estimated remaining useful life changes, the future amortisation or depreciation is adjusted accordingly.

6.4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

6.4.1 Currency risk
All programme activities within Hivos are recorded in euros, US dollars or British pounds. To minimise the currency risk, all partner contracts are financed in the same currency as the corresponding donor contract if the donor's currency is the euro, dollar or pound. If a donor grants Hivos funds in any currency other than the euro, dollar or pound, the value is translated into one of those three currencies and the incoming funds are exchanged as soon as they are received.
For the regional offices, a monthly exchange rate is applied that is based on information provided by the local governments (national banks).

6.4.2 Credit risk
Hivos does not have any significant concentrations of credit risk. With regards to the participations, overall management of the participations lies with the Hivos Triodos Fund. To minimise the financial risk for Hivos an appropriated reserve within the liabilities has been created, in which any changes in the participations' value are included or deducted.

7.
NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

amounts x EUR 1,000

ASSETS

1. Intangible fixed assets

The accumulated acquisition prices of and amortisation on the fixed assets as at 31 December are as follows:

	Software	Goodwill	Total
Intangible assets for business operations			
Acquisition price, 01-01-2017	1,833	4	1,837
Mutations 2017	3	-	3
Acquisition price after mutations, 31-12-2017	**1,836**	**4**	**1,840**
Accumulated amortisation, 01-01-2017	1,651	1	1,652
Mutations 2017	92	1	93
Accumulated amortisation after mutations, 31-12-2017	**1,743**	**2**	**1,745**
Book value, 01-01-2017	182	3	185
Additions 2017	3	-	3
Amortisation 2017	92	1	93
Book value, 31-12-2017	**95**	**1**	**96**
Total intangible fixed assets	**95**	**1**	**96**

2. Tangible fixed assets

The accumulated acquisition prices of and depreciation on the fixed assets as at 31 December are as follows:

	Buildings (10-50 yrs) [1]	Furniture and fittings (3-10 yrs)	Cars (5 yrs)	Total assets for business operations	Building in Harare (50 yrs) [2]	Building in San Jose (10 - 50 yrs) [3]	Total assets for objectives	Total all
Tangible assets for business operations					**tangible assets for objectives**			
Acquisition price, 01-01-2017	1,424	1,271	109	**2,804**	106	397	**503**	**3,307**
Mutations 2017	-	108	2	**110**	-	45	**45**	**155**
Acquisition price after mutations, 31-12-2017	**1,424**	**1,379**	**111**	**2,914**	**106**	**442**	**548**	**3,462**
Accumulated depreciation, 01-01-2017	892	868	71	**1,831**	63	11	**74**	**1,905**
Mutations 2017	67	124	11	**202**	2	17	**19**	**221**
Accumulated depreciation mutations, 31-12-2017	**959**	**992**	**82**	**2,033**	**65**	**28**	**93**	**2,126**
Book value, 01-01-2017	532	403	38	**973**	43	386	**429**	**1,402**
Additions 2017	-	108	2	**110**	-	45	**45**	**155**
Depreciation 2017	67	124	11	**202**	2	17	**19**	**221**
Book value, 31-12-2017	**465**	**387**	**29**	**881**	**41**	**414**	**455**	**1,336**
Total intangible fixed assets at 31-12-2017	**465**	**387**	**29**	**881**	**41**	**414**	**455**	**1,336**

[1] The offices premises with land and gardens in The Hague, at Raamweg 15 and 16, listed in the Land Register as Municipality of The Hague, section X, number 472, 5 ares and 55 centiares in size, and number 522, 5 ares and 55 centiares in size, were purchased for €635,292 in 1987. The value for purposes of the Dutch Valuation of Immovable Property Act (Wet waardering onroerende zaken) in 2017 was €1,075,000.

[2] The office premises in Harare, stand 2956, Salisbury Township, 2855 centiares in size, was purchased for €76,245 at the end of 1994.

[3] The office premises in San Jose, District 09, Pavas Canton 01 (norte: Victor Rosabal, sur: Calle Publica, este: cia Agricola Roberth SA, oeste: Hilda Herrera) , 512 m2 in size, was purchased for $325,000 in 2015.

3. Financial fixed assets

Certificates Triodos Bank/Other Participations [1]	01-01-2017	Added		Withdrawn		31-12-2017
Certificates Triodos Bank	3,000	-	[2]	-		**3,000**

[1] The participations held at the Ltds (BVs) are valued at zero, and therefore not included in the Balance Sheet.

[2] Related to: Triodos Bank N.V., 43,817 depositary receipts of shares with a purchase value of € 2,999,932.

The net asset value of these depositary receipts as at 31/12/2017 was €3,636,811

HTF Participations	01-01-2017	Added		Withdrawn		31-12-2017
	38,218	1,438	[1]	2,595	[2]	**37,061**

[1] Adjustment of the market valuation of the HTF participations as at year end.

[2] The participations in Bank Andara were sold by Hivos in 2017.

The Hivos-Triodos Fonds (HTF) participates in local credit institutions in the South. As Hivos is the economic owner, all income related to these participations are for Hivos. Because of this economic ownership the participations are included in the financial fixed assets for the actual value per 31-12-2017.

The breakdown of the HTF participations valuations per 31-12-2017 are as follows:

Company	Geography	Ownership %	31-12-2016	Ownership %		31-12-2017
Africap	South Africa	2,07%	98	2,07%		78
Akiba Bank	Tanzania	7,94%	1,419	7,94%		255
Banco Solidario	Ecuador	1,23%	1,209	1,23%		859
Bank Andara	Indonesia	15,51%	2,595	9,30%	[2]	-
Bellwether	India	21,73%	5,106	18,77%		4,591
Centenary	Uganda	18,29%	23,265	18,29%		26,627
Eco E II	Costa Rica	7,09%	1,858	7,53%		1,709
LeapFrog	South Africa	1,85%	1,762	1,85%		1,063
MFX Solutions	USA	4,26%	208	3,52%		719
Novastar	Mauritius	3,67%	698	3,73%		1,160
			38,218			**37,061**

[1] The HTF participations are bought with a subordinated loan, which is not shown at the Balance Sheet as it is part of the value of the participations. The value of this subordinated loan was at year end 2017: € 10,665,449.

[2] The participations in Bank Andara were sold by Hivos in 2017.

Loans [1]	Interest %	Duration	31-12-2016	Added	Withdrawn	31-12-2017
Hivos Triodos Fund Subordinated Loan	3%	interest-only	2,013	-	2,013	-
Hivos Triodos Fund Subordinated Loan (A)	0%	interest-only	4,500	-	-	4,500
Hivos Triodos Fund Subordinated Loan (B)	0%	interest-only	12,684	-	3,467	9,217
The Innovation Station BV (loan 1)	0%	5 years	300	-	-	300
The Innovation Station BV (loan 2)	5%	5 years	150	-	-	150
			19,647	**-**	**5,480**	**14,167**

[1] The loans held at the Ltds (BVs) are valued at zero, and therefore not included in the Balance Sheet.

4. Claims for grants

All outstanding claims at year-end concern claims on donors and are as follows:

	31 December 2016		31 December 2017	
	Total	**Remaining term > 1 year**	**Total**	**Remaining term > 1 year**
Income from private individuals	1,336	-	-	-
Income from companies	548	-	1,026	28
Income from lotteries	1,350	-	1,352	1,350
Income from government subsidies	81,295	23,990	40,918	25,778
Income from other non-profit organisations	4,879	2,592	5,079	3,809
Other income	301	-	199	125
	89,709	**26,582**	**48,574**	**31,090**

5. Prepayments and accrued income

Prepayments and accrued income as at 31 December can be broken down as follows:
All items have a remaining term of less than one year

	31-12-2016	31-12-2017
Debtors not including grants	11,822	870
Intercompanies	56	-
Prepayments (employees/travelling)	173	527
Receivable (and prepaid)	1,804	1,654
Other	-	128
Ltds (BVs)	-	36
	13,855	**3,215**

The fair value of the receivables approximates the book value, due to their short-term character.

6. Cash at bank and in hand

Cash at bank and in hand is at the Foundation's disposal.
Cash at bank and in hand can be broken down as follows:

	31-12-2016	31-12-2017
In hand	4	7
Bank	51,785	72,572
	51,789	**72,579**

Assets and claims not included on the face of the balance sheet:

Hivos is the registered owner of 6,055 Gold Standard Verified Emision Reductions (VER), The Gold Standard VERs are purchased and sold in the framework of the Renewable Energy/biogas programmes, to strenghten the financial sustainability of the programmes.

Hivos is the only shareholder in ACES Biogas Ltd, a private limited in Uganda, with aim to provide carbon finance services to suppliers of Biogas systems in Africa, public education, promotion of greenhouse gas emission reductions and greenhouse gas emission reduction certificate selling activities. This excludes purchase and sale of certificates on behalf of the company. This company has not been active in 2016 and 2017.

LIABILITIES

7. Provisions

Hivos has the following provisions for future costs for employees:

		01-01-2017	Added	Withdrawn	31-12-2017
Sabbatical leave	1)	112	216	-	328
Reorganisation	2)	110	-	48	62
Legal claims	3)	-	130	-	130
Total		**222**	**346**	**48**	**520**

1) After five years of employment, staff at Global Office are entitled to sabbatical leave. Hivos contributes if it is used for educational purrposes. The provision covers the costs of leave including social security and where applicable replacement of the staff member on leave. A correction has been made in the approach towards this provision, with a view to ensuring all sabbaticals are reserved for according to the best estimate needed to settle these obligations as at balance date, 31 December 2017. The obligation is valued at present value.

2) In 2015, a provision was made for the costs of the reorganisation necessary after the end of the MFSII period. The remaining obligation is the best estimate of the amounts required to settle the related obligations as at balance sheet date. The obligation is valued at present value.

3) In 2017, Hivos has also formed a provision for legal claims. This was done in light of ongoing court cases.

8. Long-term liabilities

Hivos has the following provisions for future costs for employees:

Long-term liabilities	01-01-2017	Added	Withdrawn	31-12-2017
General loan fund	84	-	3	81
Participation in North-South Plan	718	8	726	-
Total	**802**	**8**	**729**	**81**

The Hivos guarantees for the North-South Plan are all released in 2017, as foreseen in 2016.

Hivos's long-term project liabilities comprise project commitments with partners with terms of more than 1 year plus other liabilities.

Long-term project liabilities	Balance as at 31-12-2017	Payment obligation beyond 2018	Payment obligation beyond 2019	Payment obligation beyond 2020
Income from companies	9	9	-	-
Income from government subsidies	2,424	2,252	1,395	33
Income from other non-profit organisations	1,850	1,602	1,148	49
Total	**4,283**	**3,863**	**2,543**	**82**

9. Current liabilities

Hivos's current liabilities include amounts received in advance for programmes:

	31 December 2016		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Income from private individuals	1,396	60	-	-
Income from companies	580	82	150	46
Income from lotteries	-	-	7,389	7,389
Income from government subsidies	30,077	9,346	33,382	18,781
Income from other non-profit organisations	4,342	1,354	9,316	6,455
Other income	301	-	-	-
Total	**36,696**	**10,842**	**50,237**	**32,671**

Hivos's current project liabilities comprise project liabilities payable within 1 year plus other liabilities.

	31-12-2016	31-12-2017
Project liabilities	55,655	25,913

Accruals and deferred income as at 31 December can be broken down as follows:

Accruals and deferred income		31-12-2016	31-12-2017
Creditors	- Hivos	3,959	3,195
	- Intercompanies	-	-
	- Within Limiteds.	177	75
Open amounts related to salaries		53	39
Outstanding costs		869	4,280
Outstanding project payments (other)		1,059	1,113
Payments in transfer		349	34
Payable taxes		985	498
Other		63	81
Total		**7,514**	**9,315**

Pension charges:
Stichting Hivos has a pension scheme with PFZW pension fund to which the provisions of the Dutch Pension Act ('Pensioenwet') is applicable. Stichting Hivos pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. For existing obligations (other than premiums to be paid) to the pension fund or employees a provision is recognised.

Commitments and contingencies not included on the balance sheet:
The following long-term rental agreements have been entered into:
- Rental copy and printing equipment. Lessor: Pci Netherlands (Dantuma). The rental obligation until 01-07-2020 is € 57,639 (price level for 2017).

10. Reserves

The reserves serve to guarantee the continuity of the business operations in the short and medium term.

	Appropriated reserve for business operations	Appropriated reserve for programme management		Appropriated reserve for translation differences [*)]	Total reserves
Balance as at 1 January 2017	5,063	1,466		300	6,829
Added	9,486	-	1)	-	9,486
Withdrawn	505	1,397	2)	2,633	4,535
Total movements in 2017	8,981	(1,397)		(2,633)	4,951
Balance as at 31 December 2017	**14,044**	**69**		**(2,333)**	**11,780**

*) The Hivos offices abroad use local currencies. For consolidation into the Hivos annual accounts, which are denominated in euros, the 2016 and 2017 end-of-year exchange rates have been used for the balance sheet. The average exchange rate for 2017 has been used for the statement of income and expense. The resulting differences are settled in the reserve for translation differences. As this differences does not represent a real profit or loss, the reserve can have a negative balance at year end according to par 650 of the Guidelines for Annual Reporting.

1) Approved programme management fee.

2) Realised programme management fee.

Appropriated reserve for business operations	01-01-2017	Withdrawn/ Added from results	Withdrawn from reserve	31-12-2017
Continuity reserve for business operations	4,063	7,486	-	11,549
Calamities	1,000	2,000	505	2,495
Balance as at 31 December	**5,063**	**9,486**	**505**	**14,044**

Restricted purpose of reserve for business operations:
Continuity reserve for business operations: to guarantee the continuity of the organisation.
Calamities: to be used for claims of donors.

Appropriated reserve for business operations	Income Category	01-01-2017	Added		Withdrawn		31-12-2017
National Postcode Lottery (NPL)	Lottery organisations	2,570	1,375	1)	1,336	2)	2,609
Refunds and interest	Other income	4,220	280	1)	41	2)	4,459
Currency valuation	All categories	4,143	4,109		6,616		1,636
The Innovation Station B.V.	Companies	450	-		-		450
Hivos Impact Investments B.V.	Companies	343	-		260	3)	83
Hivos Food & Lifestyle Fund B.V.	Companies	132	174		-	3)	306
Hivos Mideast Creatives Fund B.V.	Companies	71	78		-	3)	149
HTF participations	Companies	38,218	1,438		2,595	5)	37,061
Programme Development	Companies	20,000	-		4,907	4)	15,093
Hivos Innovation Fund	Companies	11,418	-		605	2)	10,814
Balance as at 31 December		**81,565**	**7,454**		**16,360**		**72,660**

1) Additions represent the income for 2017.
2) Withdrawals represent the new programme liabilities for 2017.
3) BVs (limited companies) are valued at Net Asset Value. Amounts added represent Historical Cost Price, withdrawals the corrections on this including result in 2017.
4) Withdrawals of EUR 2 mln as a transfer to appropriated reserve for calamities
5) Participations of Bank Andara were sold in 2017. The value of the received amount (2,521 mln) is transferred to the appropriated reserve for business operations.

NPL: to be used for the objectives of the organisation, to finance social innovations and sensitive projects for which no donor can be found
Refunds and interest: to be used in 2017 and later, to finance innovations and sensitive projects for which no donor can be found; 25% of the fund is reserved for calamities
Currency valuation: to be used for revaluation of donor funds with source currencies other than euro
Programme funds related to BVs: to be used when limited companies are sold for the objectives of the organisation. These investments are financed from MFS-funding and therefore included as a fund
HTF participations: to be used for participations in microcredit- and financial institutions in the framework of Hivos' Green programme
Programme Development: financed from the HTF 2016-2020 loan agreement, to be used for Programme Development. These investments are financed from MFS-funding and therefore included as a fund
Hivos Innovation Fund: financed from the HTF 2016-2020 loan agreement, used forsocial innovations for which no donor can be found. These investments are financed from MFS-funding and therefore included as a fund

11. Funds

Appropriated funds	Income Category	01-01-2017	Added		Withdrawn		31-12-2017
Private Funds	Private individuals	4,383	2,748	1)	2,831	2)	4,300
Xandra Fund	Private individuals	(20)	10	1)	-		(10)
Stop Aids Now! (SAN!)	Other non-profit organisations	518	-		451	2)	67
Balance as at 31 December		**4,881**	**2,758**		**3,282**		**4,357**

1) Additions represent the income for 2017
2) Withdrawals represent the new programme liabilities for 2017

Restricted purpose of programme funds:
Private Funds: funds for CO2 compensation are used for renewable energy projects; earmarked private donations are used for the projects mentioned; unearmarked donations will be used in 2016 and later, to finance innovations and sensitive projects for which no donor can be found.
SAN!: to be used for Hiv/AIDS projects.

8. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

	Realisation 2017		Realisation 2016	
11. Income from private individuals		**1,622**		**2,278**
12. Income from companies [1]				
GRM International	12		115	
MyClimate	-		456	
NRECA International Limited	291		86	
Palladium International Pty Limited	310		39	
Other income from companies	66		(131)	
Income from companies total		**679**		**565**
13. Income from lottery organisations				
Nationale Postcode Loterij (NPL)		**8,371**		**1,350**
14. Income from government subsidies [2]				
Ministry of Foreign Affairs The Netherlands	19,321		24,975	
Royal Netherlands Embassy Bolivia	(5,103)		-	
Royal Netherlands Embassy Costa Rica	1,661		-	
Royal Netherlands Embassy Zimbabwe	86		519	
Delegation of the EU to Bolivia	594		124	
Delegation of the EU to Honduras	700		-	
Department for International Development (DFID)	4,837		11,501	
Deutsche Gesellschaft für Internationale Zusammenarbeit	2,026		2,244	
Millennium Challenge Account - Indonesia	306		3,317	
Norwegian Ministry of Foreign Affairs (NORAD)	469		473	
Swedish International Development Agency	2,563		2,964	
Swiss Agency for Development and Coorperation (SDC)	210		481	
The Global Fund	5,539		29,649	
US Department of State	151		622	
Other government subsidies	1,230		2,083	
Income from government subsidies total		**34,590**		**78,952**

	Realisation 2017		Realisation 2016	
15. Income from other non-profit organisations [3]				
Agentschap NL (Senternovem)	407		1,477	
American Jewish World Service	713		11	
Common Fund for Commodities	4		218	
Conservacion International Ecuador	91		-	
Ford Foundation	213		(311)	
Inter-American Development Bank	493		292	
King Baudouin Foundation	-		266	
King Baudouin Foundation United States	489		629	
Mondriaan fonds	83		228	
Oxfam Novib	789		241	
Practical Action	358		-	
Rutgers Kenniscentrum Seksualiteit	1,194		302	
Stop Aids Now! (SAN)	-		616	
Tides	699		531	
Twin	230		-	
William and Flora Hewlett Foundation	951		2,821	
Other non-profit organisations	1,078		1,159	
Income from other non-profit organisations total		**7,792**		**8,480**
		53,055		**91,625**

All incomes are incidental.
NPL has pledged a structural contribution of EUR 1,350 Mio per year, for periods of five years, starting from 2012.
The Netherlands Ministry for Foreign Affairs has entered into a Strategic Partnership with Hivos for a period of five years, starting 1 Jan 2016. Total contract value is EUR 50,279,606.

Negative income amounts are the result of:
- the adjustment in Accounting Principles (Note 6.3.3.) in regard of income for operations and income for direct programme costs. This has led to a reversal of internal contracts which were replaced by actual costs incurred. In case of a multiyear contract this may lead to a decrease of income.

[1] Income from companies, only amounts bigger than EUR 100k are shown
[2] Income from government subsidies, only amounts bigger than EUR 500k are shown
[3] Income from other non-profit organisations, only amounts bigger than EUR 200k are shown

9. NOTES TO THE CONSOLIDATED ALLOCATION OF EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

Appropriation	Objective										Total 2017	Budget 2017	Total 2016
	Open				Green								
Expense	Freedom of Expression	Sexual Rights and Diversity	Transparency & Accountability	Women's Empowerment	Sustainable Food	Renewable Energy	MFS2 alliantie partners	Total objective	Total income raised	Total mngt. & account.			
Grants and contributions	2,202	10,459	14,158	1,674	2,552	7,514	-	38,559			38,559	62,745	70,795
Publ. and communication	29	136	184	22	33	98	-	502	477	611	1,590	2,224	1,249
Employee costs	540	2,563	3,470	410	626	1,841	-	9,450	1,973	7,135	18,558	18,047	17,726
Costs of housing	13	61	82	10	15	44	-	225	47	169	441	540	518
Office and general expenses	93	444	601	71	108	319	-	1,636	341	1,235	3,212	2,942	2,550
Amortisation, depreciation and interest	9	42	58	7	10	30	-	156	33	118	307	372	335
Operating costs	*684*	*3,246*	*4,395*	*520*	*792*	*2,332*	-	*11,969*	*2,871*	9,268	*24,108*	*24,125*	*22,378*
Totals	**2,886**	**13,705**	**18,553**	**2,194**	**3,344**	**9,846**	-	**50,528**	**2,871**	**9,268**	**62,667**	**86,870**	**93,173**

Employee costs:	**2017**	**2016**
The breakdown of the employee costs for 2017 are:		
Salaries	13,855	13,878
Social Security	1,128	923
Pension	859	828
Temporary employees	1,234	866
Other employee costs	1,482	1,231
Total	**18,558**	**17,726**
Total contracted employees:		
The number of employees in FTE per end 2017 was:		
Hivos Global Office	117	137
Hivos Regional Offices	247	247
Total	**364**	**384**
Independent auditor costs:		
The breakdown of the independent auditor costs for 2017 are:		
Annual accounts	321	321
Ministry Foreign Affairs MFS II subsidy	-	24
Project audits	28	29
Fiscal advice	2	12
Total	**350**	**386**

10. NOTES TO THE RESULT FOR 2017

BUDGET VERSUS ACTUAL FIGURES

Consolidated Statement of income and expense for 2017

Income

Actuals 2017: 58.3 million; budget 2017: 85.7 million; actuals 2016: 124.4 million

Hivos income for 2017 was €58.3 million compared to a budget of €85.7 million and realised income of €124.4 million in 2016. Income comes mainly from government grants and multilateral institutions (which realised €34.6 million, compared with budget of €72.6 million and prior-year income of €79 million). In addition, income from lottery organisations amounted to €8.4 million (compared to budget of €1.5 million and €1.35 million in prior year), income from other non-profit organisations €7.8 million (compared to budget of €8 million and €8.5 realised in 2016). Other income of €5.2 million (compared to budget of €1 million and realised €32.8 in the previous year).

When comparing income with the budget, the main difference lies in income from government grants. Actuals amount to €34.6 million compared to a budget of €72.6 million, more than twice as high. This deviation is caused by lower levels of new partner grant commitments concluded in 2017 combined with the fact that in 2016 Hivos had entered into multi-year or long-term commitments for partner project subsidies and contributions. These prior year commitments lead to activities for the organisation and its partners in 2017, but do not show as income or expenses for the year. On the other hand, the budget is based on actual payments to partners (actuals were €41 million which reflects the cash flow impacts) whereas the annual account is based on new commitments to partners (actuals were €23.1 million) in accordance with the requirement of Dutch reporting standard RJ 650.

Until the end of 2016, contracts for Hivos programme activity costs and operational income were also accounted on the basis of multi-year commitments (similar to partner commitments). This policy was changed in 2017, when it was decided to recognise these expenses in the period when incurred. In other words, when Hivos secures new funding, only funding that is regranted in the financial year to partners is immediately included in income based on (multi-year) agreements with partners. Income related to Hivos programme activity costs and operational income (time spent) is now retained within our system and only recognised in subsequent years when the respective costs are incurred. This leads to lower income and costs in 2017 and the coming years, since part of the funding contracts for multi annual years before 2017 has already been accounted for in previous years. Also part of the funding obtained in the year 2017 is now retained for future years. Please note that the comparative figures for 2016 have been adjusted in line with this policy change, leading to €3.47 million less in income in that year. The change of policy is a reflection of the current strategy of Hivos which has resulted in a shifting role from being a grants management organisation to a project implementing organisation in which Hivos plays a bigger role in driving projects aimed at social innovation.

During 2017 Hivos concluded new funding contracts with donors amounting to €39.4 million in 2017 compared to €134 million in 2016 and €43.4 million in 2015. The amount for 2016 was much higher because this was the transition year after MFS II when Hivos concluded new multi annual agreements with a number of donors, including a 5-year (2016-2020) agreement of €50 million for the strategic partnerships (funded by the Netherlands Ministry of Foreign Affairs) and €31 million for multi annual programmes from the Global Fund.

The 2017 result also reflects a much lower reported position for other income of €5.2 million compared to €32.8 million in 2016. This sharp decrease is explained by the extraordinary nature of the new agreement with HTF accounted in 2016 which resulted in a once off revaluation gain of €32 million in 2016, covering annual disbursements during the period 2016-2020.

Income from lottery organisations exceeded expectations in 2017 as €8.4 million was realised compared with budget of €1.5 million and 2016 actuals of €1.4 million. This was due to the start of the All Eyes on the Amazon project early in 2017 (funded by the NPL Dream Fund for a total grant of €15 million), an innovative intervention that involves the indigenous population and the use of radical transparency, campaigning and (drone) technology to protect the Amazon forest in close cooperation with Greenpeace International and local civic actors.

Income from other non-profit organisations was €7.8 million compared to a budget of €8 million and actuals of €8.5 million in 2016, almost on target.

Other income includes exchange gains on operations €4 million and an exchange loss on revaluations of year end balances (€2.5 million). In all, about five times more other income was realised compared to foreseen, but overall the amount remains insignificant and is not expected to become a major source of income in future since this income is coincidental.

Expense

Actuals 2017: €62.7 million; budget 2017: €86.9 million; actuals 2016: €93.2 million

Our spending for 2017 totalled €62.7 million euros (compared to budget €86.9 million and €93.2 million in 2016), of which €50.5 million was spent on objectives. This constitutes 81% of our total spending (2016 was 91%). The thematic distribution was: Freedom of Expression €2.9 million; Sexual Rights and Diversity €13.7 million; Transparency and Accountability €18.6 million; Women's Empowerment €2.2 million; Renewable Energy €9.8 million; and Sustainable Food €3.3 million.

The deviation between the actuals spent on objectives of €50.5 million and the budget €74.3 million is due to the fact that regranting expenses in the budget are based on expected cash flow payments to partners within the year whereas in the annual account regranting costs are based on new contractual commitments concluded in 2017 (which are often multi-year). Actual payments to partners in 2017 were €41 million (based on cash flow), however the new commitments in 2017, which are used for the calculation of Spent on Objectives in the annual accounts, amount to €23.1 million (as per RJ 650 requirements), visualising the significant difference between actuals and budget in the annual accounts.

The reported expenses for external partners in the Annual Accounts are thus based on commitments, whereas the budget is based on planned payments to partners. The basis applied for the budget and internal monitoring of external partner commitments is aligned with the cash flow reality, and more importantly is consistent with the way we report to donors. Most donors require that we report partner spending based on payments to partners, while some prefer to receive reports based on actual spend by partners. Our external annual accounts reporting complies with the Dutch reporting standard RJ 650 in order to retain comparability with similar entities and attain compliance with regulatory requirements. Hivos actively works towards synchronising its monitoring and reporting systems for the future.

Of the total spent on objectives of €50.5 million, €23.1 million comprises new regranting commitments to partners and €27.4 million refers to direct costs for implementation and for time spent. This reflects the shift that has occurred in the role of Hivos leaning towards a projects implementer and social innovator combining activities implemented and coordinated by Hivos with those undertaken through partners, both contributing towards the project goals agreed with our donors and implementing partners.

Costs for generating income were €2.9 million (compared to budget €3.2 million and 2016 €1.9 million) or 5% of total income generated. Costs for management and accounting were €9.3 million (compared to budget €9.3 million and prior year €6.9 million) which is 15% of income. Due to the above highlighted changing environment in combination with the changes within Hivos itself, developing towards a project management organisation, it had been anticipated that a higher investment would be needed in organisational costs, and this has shown to be a correct assessment. Most significant is the increase in general communication and PR costs in 2017 € 1.6 million compared to the budget 2017 € 1.0 million (2016: € 1.2 million).

Result and appropriations

Comparing total income of €58.3 million with total spending of €62.7 million Hivos attained an operating loss of €4.4 million compared with a budgeted loss of €1.1 million. The €1.1 million deficit was foreseen in the budget, partly to compensate for anticipated under-recovery for some of the current projects (which were concluded before Hivos introduced its full cost recovery model), but for the most part for investment in programme development and innovation and interventions to bring staff and systems up to speed with new standards. This is largely a culmination of Hivos' decision to apply part of Hivos appropriated funds towards investments in innovation and programme development which are important for finding new solutions to persistent development challenges and for underpinning the sustainability of the organisation.

Although Hivos had foreseen an operational deficit of €1.1 million, the actual result was higher (deficit of €4,478 million). The actual result includes exchange losses on revaluation of the balance sheet for €2.5 million and negative income on investments of €350k. These items are both included under income and neither form part of the operational budget. The exchange loss on revaluation of the balance sheet is attributed to the losses in the value of contracts, banks and receivables which are denominated in other currencies when valued in EUR. This is mainly a reflection of the strengthening of the EUR in 2017 compared to the USD which results in exchange losses. The negative income for investment income represents additional investments into the Hivos Mideast Creatives Limited (BV). The higher deficit result is therefore not an outcome of Hivos normal operations since it is related mainly to revaluation of assets, liabilities and an additional investment into the Hivos impact investment portfolio.

Movements in the appropriated reserves and funds

Total appropriations were €4,478 million compared to the budget of €1.1 million. The appropriations turned out higher because of a number of year-end financial related appropriations which do not form part of the annual budget (these included translation differences €2.6 million; HTF participations -€1.2 million; currency valuations €2.5 million, in addition the appropriation for programme development turned out higher €4.9 million compared to budget €2.9 million). Translation differences arise from the consolidation of regional hubs financials (denominated in local currencies) when translated to the euro and the 2017 mutation is partly a result of the change that was effected in 2017 to transfer all partner contract liabilities to the regional units which account in local currencies. Although the translation risk appears to pose potential downside risks, this risk is mitigated by the stable outlook of the EUR and the fact that a sizeable portion of our portfolio is contracted in EUR which is also the reporting currency. Nevertheless, Hivos will examine the possibilities and costs of mitigating these currency risks in 2019.

The operating result of -€4,4 million is fully appropriated based on actual costs or income for the respective appropriated reserve or fund and includes an increase of €7.5 million on the appropriated reserve for business operations (compared to budget of €947k). The addition to the appropriated reserve for business is made in part from a reallocation of €2.5 million from the appropriated reserve HTF, includes the release of €725k from the North South Plan as foreseen in 2016, and for the remainder is due to the above-mentioned appropriations that were unforeseen but approved by the EB in view of building a continuity reserve appropriate for safeguarding operations in challenging times.

Appropriated reserve for business operations

The appropriated reserve for business operations increased from €5.1 million to €14 million in 2017 allocated between the continuity reserve for business operations €11.5 million and calamities reserve €2.5 million.

The increase in the continuity reserve for business operations is funded by the positive movements in reserves in 2017 of €7.5 million (mainly due to a number of year end appropriations as noted earlier) while the increase of the calamity reserve is funded through a transfer of €2 million from the appropriated fund for programme development against use of €505k. Hivos aims to attain a continuity reserve of 1.5 times of annual operating cost in accordance with the Dutch Association of fundraising organisations (Goede Doelen.nl) therefore the current levels are considered closer to our target level of €15 million, facilitating future stability of our operations under adverse circumstances. The target is based on the presumption that in a worst-case scenario all project operations can be closed at no additional cost to the organisation and that only Management and Accounting costs will need to be covered from the reserves, which in 2017 were at € 9.3 million at group level.

The increased appropriation towards the calamity reserve is to provision for costs related to a number of pending cases of irregularities from past projects which surfaced in 2017, including the security crisis in Turkey, fraud on the CVC project in Uganda, ghost biogas plants fraud in Tanzania; a legal dispute pending before the courts in Ken-ya and potential claims on an EU projects implemented in Cuba and India in the years 2011-2013. All of these cases emerged in 2017, however they actually occurred across several years. It must be noted that Hivos works with more than 400 partners in different countries and regions, for an annual budget of €80 million overall. Against that background, the increase of the appropriated reserve is considered to be within reasonable limits. Nevertheless, Hivos acts strongly and strictly upon each discovery of fraud or irregularity.

Reserves

Total reserves have decreased from €88.4 million to €84.4 million and the main reserves are the HTF participa-tions reserve of €37 million (2016: €38 million); programme development reserve of €15.1 million (2016: €20 million) and innovation reserve of €10.8 million (2016: €11.4 million).

The outflow from the appropriated reserve for programme development of €4.9 million included extra investments in fundraising and programme development of €732k; transfer to calamity reserve of €2 million; improvements to adapt to changed donor requirements of €510k and costs for project under-recoveries of €1.7 million.

Noteworthy, the under-recovery for current projects at €1.7 million turned out higher than the anticipated €1.1 million, indirectly covered by funds that were meant to be invested in programme development and innovation (aiming to enhance sustainability). The Hivos Executive Board has taken steps to assure that new contracts are cost recovering from the start and to assure closer monitoring of costs in 2018.

Workforce

Worldwide Hivos' workforce went from 384 full time equivalent (fte) at the end of 2016 to 364 fte at the end of 2017.

Approximately 68% of the workforce is based at the regional and country offices, where they are responsible for programme management (selecting and monitoring partner organisations) and programme development. The duties of the Global Office staff in The Hague include programme and policy development, resource mobilisation, programme management for MENA and worldwide programmes, central services such as finance and control, ICT and quality systems and corporate communication and knowledge management.

11. REMUNERATION OF THE EXECUTIVE BOARD (VFI)

The Supervisory Council determines the remuneration policy, the amount of the remuneration of the Executive Board and the amounts of the other elements of remuneration. Following an assessment in 2011, this parcel was once more confirmed in 2012, in accordance with the Remuneration Committee's advice. The Supervisory Council bases its decision on the VFI Advisory Regulations for the Remuneration of Directors of Charities, which use weight criteria to determine maximum standards for annual incomes. As a consequence, the remuneration policy and the amount of the remuneration of the Executive Board fall within the scope defined in the guidelines of the Wijffels Code and within the standard defined by the Dutch Ministry of Foreign Affairs for MFS co-financing organisations. The latter compliance is examined separately by the independent auditor as part of the MFS report.

The relevant actual annual incomes of the Executive Board for 2017 were € 118,039 (1,0556 fte/12 months) for the Executive Director Mr E Huizing and € 96,393 (1,0556 fte / 12 months) for the Director of Operations Ms S.W. Nolst Trenité. The VFI Guidelines have been followed, and the remunerations remained below the relevant ceilings (Wijffels Code, VFI, MFS organisations).

The amounts and composition of the remuneration is shown in the table below.

Name	**E.Huizing**		**S.W. Nolst Trenité**	
Title	**Executive Director**		**Director of Operations**	
Employment				
Type of contract (duration)	5 years		permanent	
hours	38		38	
part-time percentage	105,56%		105,56%	
period	1/1-31/12		1/1-31/12	
Remuneration (EUR)				
Annual income				
gross wages/salary	109,295		89,564	
holiday allowance	8,744		7,165	
end-of-year bonus, 13th/14th month	0			
variable annual income	0			
Total		**118,039** *)		**96,729** *)
Social security charges (employer's contribution)		**9,494**		**9,494**
Taxable allowances/additions				
Pension charges (employer's contribution)		**14,224**		**13,613**
Other future remuneration				
End-of-employment payments				
Total remuneration for 2017		**141,757**		**119,836**
Total remuneration for 2016		*142,218*		*99,686*

*) Relevant for DG standard of the Dutch Ministry of Foreign Affairs

12. REMUNERATION OF THE EXECUTIVE BOARD (WNT)

Report pursuant to the Dutch Remuneration of Senior Executives in the Public and Semi-Public Sector (Standardisation) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector, 'WNT')

Notes on the preparation of the WNT report
The report pursuant to the WNT (Standards for Remuneration act) presented in this section is based on the applicable legislative framework and the Audit Protocol 2017, as issued by the Dutch Ministry of the Interior and Domestic Relations on 10 November 2017.
The legislative framework can be found on https://www.topinkomens.nl/actueel/wet--en-regelgeving (for English see: https://www.government.nl/topics/senior-public-sector-pay/documents/publications/2015/09/28/standards-for-remuneration-act-the-netherlands).
The applicable remuneration maximum according to WNT in 2017 for Hivos is € 168,000.

Remuneration of senior executives & former senior executives - with employment contracts

2017

Title	Name	BoD/SC (T) On payroll (L) or External (E)	Former Senior Executive?	Date from	Date to	Part-time %	FTE (1 is maximum for WNT)	Nr of days in year	WNT-maximum	Fixed remuneration	Variable remuneration	Taxable fixed and variable expense allowances	Provisions for future remunerations	Total remuneration	Type of variable remuneration	Undue payment	Justification for excess remuneration
Executive Director	E. Huizing	L	No	01/01/2017	31/12/2017	105,56%	1,0	365	168,000	118,038			14,224	132,262		na	na
Director of Operations	S. Nolst Trenité	L	No	01/01/2017	31/12/2017	105,56%	1,0	365	168,000	96,393			13,613	110,006		na	na

2016

Title	Name	BoD/SC (T) On payroll (L) or External (E)	Former Senior Executive?	Date from	Date to	Part-time %	FTE (1 is maximum for WNT)	Fixed remunera-tion	Variable remunera-tion	Provisions for future remunerations	Total remuneration	Type of variable remuneration	Provisions for future remunerations	Total remuneration	Type of variable remuneration	Undue payment	Justification for excess remuneration
Executive Director	E. Huizing	L	No	01/01/2016	31/12/2016	105,56%	1,0	117,742		14,914	132,656		14,224	161,794		na	na
Director of Operations	S. Nolst Trenité	L	No	01/02/2017	31/12/2016	105,56%	1,0	80,674		9,649	90,323		13,613	113,585		na	na

Remuneration of Supervisory Council members - no employment contracts

2017

Title	Name	BoD/SC (T) On payroll (L) or External (E)	Former Senior Executive?	Date from	Date to	Part-time %	Involve-ment in year	Nr of days in year	WNT-maximum	Fixed remuneration	Variable remuneration	Taxable fixed and variable expense allowances	Provisions for future remunerations	Total remuneration	Type of variable remuneration	Undue payment	Justification for excess remuneration
Voorzitter	Mr. J.E.C. de Groot	T	No	01/01/2017	31/12/2017	15,00%	1,0	365	25,200					-		na	na
Lid 1	Ms A. van Gorsel	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800	3,630				3,630		na	na
Lid 2	Prof. M. Baud	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800					-		na	na
Lid 3	Dr. J. van de Ven	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800	1,815				1,815		na	na
Lid 4	Mr. A.P. Mesker	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800					-		na	na
Lid 5	Mr. M. Karman	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800					-		na	na
Lid 6	Mr. V. Vivekanandan	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800					-		na	na
Lid 7	Ms. C.R. Hibbs	T	No	01/01/2017	31/12/2017	10,00%	1,0	365	16,800	3,178				3,178		na	na

2016

Title	Name	BoD/SC (T) On payroll (L) or External (E)	Former Senior Executive?	Date from	Date to	Part-time %	Involve-ment in year	Nr of days in year	WNT-maximum	Fixed remuneration	Variable remuneration	Taxable fixed and variable expense allowances	Provisions for future remunerations	Total remuneration	Type of variable remuneration	Undue payment	Justification for excess remuneration
Voorzitter	Mr. J.E.C. de Groot	T	No	01/01/2016	31/12/2016	15,00%	1,659			1,659				1,659		na	na
Lid 1	Ms A. van Gorsel	T	No	01/01/2016	31/12/2016	10,00%	1,422			1,422				1,422		na	na
Lid 2	Prof. M. Baud	T	No	01/01/2016	31/12/2016	10,00%	1,185			1,185				1,185		na	na
Lid 3	Dr. J. van de Ven	T	No	01/01/2016	31/12/2016	10,00%	1,422			1,422				1,422		na	na
Lid 4	Mr. A.P. Mesker	T	No	01/01/2016	31/12/2016	10,00%	-			-				-		na	na
Lid 5	Mr. M. Karman	T	No	01/01/2016	31/12/2016	10,00%	-			-				-		na	na
Lid 6	Mr. V. Vivekanandan	T	No	01/01/2016	31/12/2016	10,00%	474			474				474		na	na
Lid 7	Ms. C.R. Hibbs	T	No	01/01/2016	31/12/2016	10,00%	474			474				474		na	na

Other reporting obligations WNT

In 2017 there were no other employees that had a remuneration above the applicable WNT maximum. There also were no employees for which a listing based on WOPT or WNT should have been done.

In 2017 no severance payments were done to other employees that based on the WNT should be included in the list above.

Assessment

Movement in the reservation for outstanding leave entitlement not included in the remunerations presented above to be recognised in this assessment in accordance with the applicable regulations.

E Huizing: movement in reservation for outstanding leave entitlement for 2017 is EUR 1,984

S. Nolst Trenité: movement in reservation for outstanding leave entitlement for 2017 is EUR 2,207

13. PROPOSED APPROPRIATION OF NET RESULT

In the course of the appropriation of the negative result of €4,478 million an amount of €7,486 million will be added to the appropriated reserve for business operations. Of this amount, €725k represents the released guarantee of Hivos for the North South Plan which was anticipated in 2016 and effected in 2017, and €2,521 million is an additional reallocation from the appropriated reserve HTF (the extraction is mitigated by the exchange gain of €1,363 as presented under Other income). The remainder has been approved by the EB in view of building a continuity reserve appropriate for safeguarding operations in challenging times and includes reallocations from the Programme management and the Programme development reserves.

€1,495 million will be added to the appropriated reserve for business operations - calamities. This amount is transferred from the appropriated reserve for programme development and projects.

14. EVENTS AFTER BALANCE SHEET DATE

There have been no events after balance sheet date which have an impact on the annual accounts 2017 that is not included in these annual accounts. The provision for legal claims on the balance sheet has been included as a result of events after balance sheet date and the possibility of a claim against Hivos.

15. FOUNDATION ONLY BALANCE SHEET AS AT 31 DECEMBER 2017

amounts x EUR 1,000

After appropriation of the result

	Notes	31-12-2017		31-12-2016	
ASSETS					
Intangible fixed assets					
Software for business operations		88		175	
Goodwill		2		3	
Intangible fixed assets	1		**90**		**178**
Tangible fixed assets					
Buildings for business operations		465		532	
Furniture and fixtures for business operations		357		353	
Cars for business operations		29		38	
Buildings for objective		455		429	
Tangible fixed assets	2		**1,306**		**1,352**
Financial fixed assets					
Certificates Triodos Bank/Other Participations		3,000		3,000	
HTF Participations		37,061		38,218	
Shares		273		281	
Loans		14,432		19,912	
Financial fixed assets	3		**54,766**		**61,411**
Claims, prepayments and accrued income					
Claims for grants	4	48,519		83,604	
Prepayments and accrued income	5	2,665		13,541	
Claims, prepayments and accrued income			**51,184**		**97,145**
Cash at bank and in hand	6		**71,104**		**49,807**
Total			**178,450**		**209,893**

[1] *Itemised in Chapter 17: Notes to the Foundation only balance sheet as at 31 December 2017*

After appropriation of the result

	Notes	31-12-2017		31-12-2016	
LIABILITIES					
Provisions					
Provision for sabbatical leave		328		112	
Provision for reorganisation		62		110	
Provisions	7		**390**		**222**
Long-term liabilities					
Long-term project liabilities		3,468		20,221	
Long term liabilities		81		802	
Long-term liabilities	8		**3,549**		**21,023**
Current liabilities					
Project grants received in advance		54,918		35,159	
Current project liabilities		20,979		53,653	
Accruals and deferred income		12,197		5,951	
Current liabilities for staff		882		819	
Current liabilities	9		**88,977**		**95,582**
Total long-term and current liabilities			**92,915**		**116,827**
RESERVES AND FUNDS					
Appropriated reserve for business operations		8,286		3,854	
Appropriated reserve for business operations - calamities		2,495		1,000	
Appropriated reserve for programme management		69		1,466	
Appropriated reserve for translation differences		(2,333)		300	
Appropriated reserve, Nat.Postcode Lottery		2,609		2,570	
Appropriated reserve, Refunds + Interest		4,459		4,220	
Appropriated reserve, Currency valuation		1,636		4,143	
Appropriated reserve related to The Innovation Station B.V.		450		450	
Appropriated reserve related to Hivos Impact Investments B.V.		83		343	
Appropriated reserve related to Hivos Food & Lifestyle Fund		306		132	
Appropriated reserve related to Hivos Mideast Creatives Fund		149		71	
Appropriated reserve, HTF participations		37,061		38,218	
Appropriated reserve for Programme Development & projects		15,093		20,000	
Appropriated reserve for Innovation		10,814		11,418	
	10		**81,177**		**88,185**
Funds					
Appropriated fund, Private Funds		4,300		4,383	
Appropriated fund, Xandra Fund		(10)		(20)	
Appropriated fund, Stop Aids Now!		67		518	
	11		**4,357**		**4,881**
Reserves and funds			**85,534**		**93,067**
Total			**178,450**		**209,894**

[1] *Itemised in Chapter 17: Notes to the Foundation only balance sheet as at 31 December 2017*

16. FOUNDATION ONLY STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

INCOME	Notes	Actual 2017	Budget 2017	Actual 2016	Budget 2018
Income from private individuals			1,911		2,365
Donations and gifts		735		1,509	
Legacies		210		763	
Climate fund CO2 compensation		677		7	
Income from private individuals	11	1,622	1,911	2,279	2,365
Income from companies	12	679		497	
Income from lottery organisations	13	8,371	1,451	1,350	4,557
Income from government subsidies	14	30,033	68,495	80,526	60,638
of which MFS-2 grant of Alliance partners		-	-	*242*	-
Income from other non-profit organisations	15	5,234	3,400	8,816	3,400
Sub total Income generated	B	**45,939**	**75,257**	**93,468**	**70,960**
Other income					
Net investment / unrealized exchange gains HTF participations		1,363		9,548	
Dividend HTF participations		1,175	1,000	1,333	870
Revaluation HTF Loan Agreement 2016-2020		653		22,398	
Income from investments		-		-	
Exchange risk gain/loss revaluation Balance Sheet		(2,507)		(451)	
Exchange gain/loss of Operations		961		(35)	
Other income		772	13	1,190	38
Other income		2,417	1,013	33,983	908
Total income	D	**48,356**	**76,270**	**127,451**	**71,868**

[1] *Itemised in 18: Notes to the Foundation only Statement of income and expense and in 19: Notes to the foundation only allocation of expense*

			Actual 2017	Budget 2017	Actual 2016	Budget 2018
EXPENDITURES						
Spent on objectives/Programmes				66,109		62,103
Open	Freedom of Expression		2,874		2,773	
	Sexual Rights and Diversity		13,125		29,888	
	Transparency & Accountability		16,277		20,168	
	Women's Empowerment		1,820		10,742	
Green	Sustainable Food		3,175		5,790	
	Renewable Energy		5,986		11,318	
MFS-2 programmes of Alliance partners			-		242	
Total expenditure on objectives		C	**43,257**	**66,109**	**80,921**	**62,103**
Spent on generating income		A	**2,741**	**3,100**	**1,795**	**5,845**
Management and accounting costs		E	**9,791**	**8,649**	**7,338**	**9,835**
Total expenditures		F	**55,789**	**77,858**	**90,054**	**77,783**
Operating Result before financial income and expenses			**(7,433)**	**(1,588)**	**37,397**	**(5,915)**
Balance of financial income and expenses			**99**	**-**	**(8)**	**-**
Final operating result			**(7,532)**	**(1,588)**	**37,405**	**(5,915)**
Costs of generating income as a % of total income generated (=A/B)			6%	4%	2%	8%
Costs spent on objective as a % of total income (= C / D)			89%	87%	63%	86%
Costs spent on objective as a % of total costs (= C / F)			78%	85%	90%	80%
Man. and accounting costs as a % of total income (= E / F)			18%	11%	8%	13%
Results before appropriation			**(7,532)**	**(1,588)**	**37,405**	**(5,915)**
Added to/withdrawn from:						
Reserves						
	Appropriated reserve for business operations		4,431	947	6,748	24
	Appropriated reserve for business operations calamities		1,495	-	548	(100)
	Aprropriated reserve for programme management		(1,397)	-	(1,393)	-
	Appropriadte reserve for translation differences		(2,633)	-	103	-
	Appropriated reserve for NPL		39	-	-	-
	Appropriated reserve Refunds and interst		242	-	-	-
	Appropriated reserve Currency valuation		(2,507)	-	-	-
	Appropriated reserve The Innovation Station b.v.		-	-	-	-
	Appropriated reserve to Hivos Impact investment b.v.		(260)	-	(1,219)	-
	Appropriated reserve Hivos Food & Lifestyle Fund		173	-	-	-
	Appropriated reserve Hivos Mideast Creatives Funds		78	-	-	-
	Appropriated reserve HTF		(1,158)	-	9,548	-
	Appropriated reserve for Programme Development & projects		(4,907)	(3,335)	21,406	(4,791)
	Appropriated reserve for innovation		(604)	-	-	(2,550)
	Subtotal appropriations reserves		**(7,008)**	**(2,388)**	**35,741**	**(7,417)**
Funds						
	Appropriated fund Private funds		(83)	800	1,664	1,502
	Appropriated fund Xandra fund		10	-	-	-
	Appropiated fund, Stop Aids now		(450)	-	-	-
	Subtotal appropriations funds		**(524)**	**800**	**1,664**	**1,502**
Total addition/withdrawal			**(7,532)**	**(1,588)**	**37,405**	**(5,915)**

17.
NOTES TO THE FOUNDATION ONLY BALANCE SHEET AS AT 31 DECEMBER 2017

amounts x EUR 1,000

ASSETS

1. Intangible fixed assets

The accumulated acquisition prices of and amortisation on the fixed assets as at 31 December are as follows:

	Software	Goodwill	Total
Intangible assets for business operations			
Acquisition price, 01-01-2017	1,823	4	1,827
Mutations 2017	5	-	5
Acquisition price after mutations, 31-12-2017	**1,828**	**4**	**1,832**
Accumulated amortisation, 01-01-2017	1,648	1	1,649
Mutations 2017	92	1	93
Accumulated amortisation after mutations, 31-12-2017	**1,740**	**2**	**1,742**
Book value, 01-01-2017	175	3	178
Additions 2017	5	-	5
Amortisation 2017	92	1	93
Book value, 31-12-2017	**88**	**2**	**90**
Total intangible fixed assets	**88**	**2**	**90**

2. Tangible fixed assets

The accumulated acquisition prices of and depreciation on the fixed assets as at 31 December are as follows:

	Buildings (10-50 yrs) [1]	Furniture and fittings (3-10 yrs)	Cars (5 yrs)	Total assets for business operations	Building in Harare (50 yrs) [2]	Building in San Jose (10 - 50 yrs) [3]	Total assets for objectives	Total all
Tangible assets for business operations								
Acquisition price, 01-01-2017	1,424	1,149	109	**2,682**	106	397	**503**	**3,185**
Mutations 2017	-	106	2	**108**	-	45	**45**	**153**
Acquisition price after mutations, 31-12-2017	**1,424**	**1,255**	**111**	**2,790**	**106**	**442**	**548**	**3,338**
Accumulated depreciation, 01-01-2017	892	795	71	**1,758**	63	11	**74**	**1,832**
Mutations 2017	67	103	11	**181**	2	17	**19**	**200**
Accumulated depreciation after mutations, 31-12-2017	**959**	**897**	**82**	**1,939**	**65**	**28**	**93**	**2,032**
Book value, 01-01-2017	532	354	38	**924**	43	386	**429**	**1,353**
Additions 2017	-	106	2	**108**	-	45	**45**	**153**
Depreciation 2017	67	103	11	**181**	2	17	**19**	**200**
Book value, 31-12-2017	**465**	**357**	**29**	**851**	**41**	**414**	**455**	**1,306**
Total intangible fixed assets	**465**	**357**	**29**	**851**	**41**	**414**	**455**	**1,306**

[1] The offices premises with land and gardens in The Hague, at Raamweg 15 and 16, listed in the Land Register as Municipality of The Hague, section X, number 472, 5 ares and 55 centiares in size, and number 522, 5 ares and 55 centiares in size, were purchased for €635,292 in 1987. The value for purposes of the Dutch Valuation of Immovable Property Act (Wet waardering onroerende zaken) in 2017 was €1,075,000.

[2] The office premises in Harare, stand 2956, Salisbury Township, 2855 centiares in size, was purchased for €76,245 at the end of 1994.

[3] The office premises in San Jose, District 09, Pavas Canton 01 (norte: Victor Rosabal, sur: Calle Publica, este: cia Agricola Roberth SA, oeste: Hilda Herrera) , 512 m2 in size, was purchased for $325,000 in 2015.

3. Financial fixed assets

- Reserved cash
See notes to the consolidated Balance Sheet.

- Certificates Triodos Bank/Other Participations
See notes to the consolidated Balance Sheet.

- HTF Participations
See notes to the consolidated Balance Sheet.

- Shares

	Ownership %	31-12-2016		Ownership %	31-12-2017
Hivos Impact Investments B.V.	100%	78		100%	-182
Hivos Food & Lifestyle Fund B.V.	100%	132		52%	306
Hivos Mideast Creatives Fund B.V.	100%	71		100%	149
		281			**273**

- Hivos is the only shareholder in Hivos Impact Investment B.V., a for-profit social venture that manages impact investment funds that are aligned with the programmes of Hivos Foundation.
- Hivos is the only shareholder in Mid East Creatives Fund B.V. The aim of Mid East Creatives Fund is to offer financial support to start-ups in the creative sector in the MENA region, with a social impact.
- Hivos is the majority shareholder (52%) in Food & Lifestyle Fund B.V. The aim of Food & Lifestyle Fund is to offer financial support to start-ups in the food sector, with a social impact

Loans	Interest %	Duration	31-12-2016	Added	Withdrawn	31-12-2017
Hivos Triodos Fund Subordinated Loan	3%	interest-only	2,013	-	2,013	-
Hivos Triodos Fund Subordinated Loan (A)	0%	interest-only	4,500	-	-	4,500
Hivos Triodos Fund Subordinated Loan (B)	0%	interest-only	12,684	-	3,467	9,217
Hivos Impact Investments B.V.	3%	interest-only	265	-	-	265
The Innovation Station BV (loan 1)	0%	5 years	300	-	-	300
The Innovation Station BV (loan 2)	5%	5 years	150	-	-	150
			19,912	**-**	**5,480**	**14,432**

4. Claims for grants

All outstanding claims at year-end concern claims on donors and are as follows:

	31 December 2016		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Income from private individuals	1,336	-	-	-
Income from companies	481	-	1,026	28
Income from lotteries	1,350	-	1,352	1,350
Income from government subsidies	74,900	25,404	41,005	25,833
Income from other non-profit organisations	5,236	2,938	4,937	3,653
Other income	301	-	199	125
	83,604	**28,342**	**48,519**	**30,989**

5. Prepayments and accrued income

Prepayments and accrued income as at 31 December can be broken down as follows:
All items have a remaining term of less than one year

	31-12-2016	31-12-2017
Debtors not including grants	11,034	297
Intercompanies	1,413	-
Prepayments (employees/travelling)	177	507
Receivable (and prepaid)	917	1,654
Other	-	207
	13,541	**2,665**

The fair value of the receivables approximates the book value, due to their short-term character.

6. Cash at bank and in hand

Cash at bank and in hand is at the Foundation's disposal.
Cash at bank and in hand can be broken down as follows:

	31-12-2016	31-12-2017
In hand	8	5
Bank	49,799	71,099
	49,807	**71,104**

LIABILITIES

7. Provisions
See notes to the consolidated Balance Sheet.

8. Long-term liabilities
See notes to the consolidated Balance Sheet.

9. Current liabilities
Hivos's current liabilities include amounst received in advance for programmes:

	31 December 2016		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Income from private individuals	1,396	60	-	-
Income from companies	580	82	150	46
Income from lotteries	-	-	7,389	7,389
Income from government subsidies	28,674	8,745	38,355	18,781
Income from other non-profit organisations	4,208	1,249	9,024	6,179
Other income	301	-	-	-
Total	**35,159**	**10,136**	**54,918**	**32,395**

Hivos's current liabilities comprise project liabilities payable within 1 year plus other liabilities.

	31-12-2016	31-12-2017
Project liabilities	53,653	20,979

Accruals and deferred income as at 31 December can be broken down as follows:

Accruals and deferred income	31-12-2016	31-12-2017
Creditors - Hivos	3,219	2,494
- Intercompanies (extraction Hub EA)	-	3,952
Open amounts related to salaries	47	41
Outstanding costs	662	4,080
Outstanding project payments (other)	858	912
Payments in transfer	502	363
Payable taxes	797	333
Other	(134)	22
Total	**5,951**	**12,197**

10. Reserves
See notes to the consolidated Balance Sheet.

In 2017, Hub East Africa registered a surplus of income over expenses of EUR 3,054 Mio. This entity had a share of EUR 208,773 in the Appropriated reserve for for business operations as of 1 Jan 2017. Therefore, the appropriated reserve for business operations in the annual accounts of the Hivos Foundation only are EUR 3,263 Mio lower than in the consolidated accounts.
All other positions of appropriated reserves and approprated funds are the same as in the Consolidated Annual Accounts.

11. Funds
See notes to the consolidated Balance Sheet.

18. NOTES TO THE STATEMENT OF INCOME AND EXPENSE FOR THE FOUNDATION ONLY FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

	Realisation 2017		Realisation 2016	
11. Income from private individuals		**1,622**		**2,279**
12. Income from companies [1]				
GRM International	12		115	
MyClimate	-		456	
NRECA International Limited	291		86	
Palladium International Pty Limited	310		39	
Other income from companies	66		(199)	
Income from companies total		**679**		**497**
13. Income from lottery organisations				
Nationale Postcode Loterij (NPL)		**8,371**		**1,350**
14. Income from government subsidies [2]				
Ministry of Foreign Affairs The Netherlands	16,318		24,975	
Royal Netherlands Embassy Bolivia	(5,103)		-	
Royal Netherlands Embassy Costa Rica	1,661		-	
Royal Netherlands Embassy Zimbabwe	86		519	
Delegation of the EU to Bolivia	594		124	
Delegation of the EU to Honduras	700		-	
Department for International Development (DFID)	4,838		11,501	
Deutsche Gesellschaft für Internationale Zusammenarbeit	654		2,244	
Millennium Challenge Account - Indonesia	306		3,317	
Norwegian Ministry of Foreign Affairs (NORAD)	469		473	
Swedish International Development Agency	2,557		2,964	
The Global Fund	5,539		29,649	
US Department of State	151		622	
Other government subsidies	1,263		4,139	
Income from government subsidies total		**30,033**		**80,527**

	Realisation 2017		Realisation 2016	
15. Income from other non-profit organisations [3]				
Agentschap NL (Senternovem)	-		1,477	
Ford Foundation	181		(311)	
Inter-American Development Bank	493		292	
King Baudouin Foundation	-		266	
King Baudouin Foundation United States	489		629	
Mondriaan fonds	83		228	
Oxfam Novib	789		241	
Practical Action	358		-	
Rutgers Kenniscentrum Seksualiteit	1,194		302	
Stop Aids Now! (SAN)	-		616	
Tides	699		531	
Other non-profit organisations	948		4,545	
Income from other non-profit organisations total		**5,234**		**8,816**
		45,939		**93,468**

All incomes are incidental.
NPL has pledged a structural contribution of EUR 1,350 Mio per year, for periods of five years, starting from 2012.
The Netherlands Ministry for Foreign Affairs has entered into a Strategic Partnership with Hivos for a period of five years, starting 1 Jan 2016. Total contract value is EUR 50,279,606.

Negative income amounts are the result of:
- the decentralisation process of 2017, where funding contracts were reallocated from Global Office to regional offices. Where funding was reallocated to the Hub East Africa, this leads to negative income at Global Office level, not compensated by the Hub increased income for the same amount as Hub East Africa is not included in the Foundation Only statement
- the correction of errors, see Accounting Principles sub 6.1.5. in regard of income for operations and income for direct programme costs. This has led to a reversal of internal contracts which were replaced by actual costs incurred. In case of a multiyear contract this may lead to a decrease of income.

[1] Income from companies, only amounts bigger than EUR 100k are shown
[2] Income from government subsidies, only amounts bigger than EUR 500k are shown
[3] Income from other non-profit organisations, only amounts bigger than EUR 200k are shown

19. NOTES TO THE FOUNDATION ONLY ALLOCATION OF EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2017

amounts x EUR 1,000

Appropriation	**Objective**											**Budget 2017**	**Total 2016**
	Open				**Green**						**Total 2017**		
Expense	**Freedom of Expression**	**Sexual Rights and Diversity**	**Transparency & Account-ability**	**Women's Empower-ment**	**Sustainable Food**	**Renewable Energy**	**MFS2 alliantie partners**	**Total objective**	**Total income raised**	**Total mngt. & account.**			
Grants and contributions	2,277	10,397	12,895	1,442	2,515	4,743	-	**34,269**	-	-	**34,269**	**56,339**	**69,994**
Publ. and communication	22	103	127	14	25	47	-	**338**	473	677	**1,488**	1,487	1,192
Employee costs	473	2,160	2,678	300	522	985	-	**7,118**	1,866	7,500	**16,484**	16,484	15,778
Costs of housing	10	47	58	6	12	21	-	**154**	40	162	**356**	356	395
Office and general expenses	83	380	472	53	92	173	-	**1,253**	329	1,321	**2,903**	2,903	2,375
Amortisation, depreciation and interest	9	38	47	5	9	18	-	**125**	33	131	**290**	289	320
Operating costs	*597*	*2,728*	*3,382*	*378*	*660*	*1,244*	-	***8,988***	***2,741***	**9,791**	***21,520***	***21,519***	***20,060***
Totals	**2,874**	**13,125**	**16,277**	**1,820**	**3,175**	**5,987**	-	**43,257**	**2,741**	**9,791**	**55,789**	**77,858**	**90,054**

Employee costs:	**2017**	**2016**
The breakdown of the employee costs for 2017 are:		
Salaries	12,008	12,264
Social Security	1,122	910
Pension	864	732
Temporary employees	1,231	866
Other employee costs	1,259	1,006
Total	**16,484**	**15,778**
Total contracted employees:		
The number of employees in FTE per end 2017 was:		
Hivos Head Office	117	137
Hivos Regional Offices	247	247
Total	**364**	**384**
Independent auditor costs:		
The breakdown of the independent auditor costs for 2016 are:		
Annual accounts	302	321
Ministry Foreign Affairs MFS II subsidy	-	24
Project audits	28	29
Fiscal advice	2	12
Total	**331**	**386**

20. INDEPENDENT AUDITORS REPORT

Deloitte.

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Independent auditor's report

To the management and the Supervisory Board of Stichting Hivos

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2017 of Stichting Hivos, based in Den Haag.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Hivos as at 31 December 2017, and of its result for 2017 in accordance with Guidline 650 of the Dutch Accounting Standard Board and the rules of and following the Dutch Standards for Remuneration of Senior Officials in the Public and Semi – Public Sector Act (WNT).

The financial statements comprise:

1. The consolidated and company balance sheet as at 31 December 2017.
2. The consolidated and company statement of income and expense for the year ended 2017.
3. The notes comprising a summary of 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 Hivos 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.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

- Management Board's Report
- Other Information

Based on the following procedures performed, we conclude that the other information:

Deloitte.

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Guidline 650 of the Dutch Accounting Standards.

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

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

Management is responsible for the preparation of the other information, including the Management Board's Report and the other information.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Guidline 650 of the Dutch Accounting Standards. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Deloitte.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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 identified during our audit.

Den Haag, December 28, 2018

Deloitte Accountants B.V.

M.A. van Dreumel

Initials for identification purposes:

3114559830/2018.058646/JJ/3

ANNEX 1.
OVERVIEW EXPENDITURES 2017 FOR WE4L PROGRAMME

WE4L expenditures 2017

	Political Parties	Public Administration	Women Leaders	Women's CSOs	General Public	Civic Organisations	Overall Costs	Total
General			€ 78,745					**€ 78,745**
Jordan	€ 1,835	€ 63,052	€ 211,783	€ 20,045	€ 121,252			**€ 417,966**
Lebanon	€ 69,860	€ 72,480	€ 68,603	€ 159,067	€ 508,018	€ 12,511		**€ 890,539**
Malawi	€ 68,966	€ 1,916	€ 44,800	€ 62,003	€ 17,522	€ 1,361	€ 28,648	**€ 225,217**
Zambia	€ 25,095	€ 9,955	€ 52,074	€ 35,385	€ 62,633	€ 1,099		**€ 186,242**
Zimbabwe	€ 122,949	€ 36,614	€ 71,376	€ 32,263	€ 51,729	€ 20,866	€ 5,000	**€ 340,797**
All countries							€ 65,449	**€ 65,449**
Program Management							€ 701,974	**€ 701,974**
Other costs							€ 3,370	**€ 3,370**
Grand Total	**€ 288,705**	**€ 184,017**	**€ 527,381**	**€ 308,764**	**€ 761,154**	**€ 35,838**	**€ 804,441**	**€ 2,910,300**

Hivos
people unlimited