

HIVOS – Annual Accounts 2018

Hivos 2018 Executive Board report	2
Supervisory Council report	17
Consolidated Balance sheet as at 31 December 2018	22
Consolidated Statement of income and expense for the year ended 31 December 2018	24
Cash flow Statement for the year ended 31 December 2018	27
Accounting principles	28
Notes to the consolidated Balance sheet as at 31 December 2018	34
Notes to the consolidated Statement of income and expense for the year ended 2018	40
Notes to the consolidated allocation of expense for the year ended 2018	43
Remuneration of the Executive Board (VFI)	44
Remuneration of the Executive Board (WNT)	45
Foundation only Balance sheet as at 31 December 2018	47
Foundation only Statement of income and expense for the year ended 31 December 2018	50
Notes to the Foundation only Balance sheet as at 31 December 2018	53
Notes to the Foundation only Statement of income and expense for the year ended 2018	56
Notes to the Foundation only allocation of expense for the year ended 2018	58
Annex 1 Overview of specific projects	59
Independent auditor's report	60

Hivos 2018 Executive Board report

1. Our objectives, mission and vision

In 2018 Hivos commemorated 50 years of mission, partnering frontrunners in championing and funding innovative, daring, and impactful programs to implement new and creative solutions to persistent global problems; solutions created and owned by the people to enable them to take charge of their own destinies in different parts of the world. Hivos continues to be a positive counterbalancing force against discrimination, inequality, abuse of power, and the unsustainable use of our planet's resources.

Our work in 2018 reaffirmed our vision premised on our firm belief that every human has the right to live in freedom and dignity, to be who they are, with due respect for their individual gender and sexual identities. Our objective is to attain an open world in which individuals are free to express themselves, challenge governments, and influence the established order, without impinging on the freedom of others and while assuring the sustainable use of natural resources for a greener future of next generations.

Our mission and vision objectives are attained through smart projects in the right places under the Open Society domain (women's empowerment, sexual rights and diversity, freedom and accountability) and the Green Society domain (sustainable food and renewable energy). This Board report focuses on governance, financial management and the results of our financial performance in 2018. Detailed information on our programmatic progress and results in 2018 is described in the annual report, which elaborates how our 2018 results contributed to the Hivos vision, mission, and objectives. The financial report comprises the consolidated report of Hivos (income and cash flow statements, balance sheet) presented alongside the Foundation's separate data. However, the focus of the Board report is mainly on the overall consolidated results of 2018.

Organization structure, governance and management

In 2018, Hivos Foundation retained its core structure premised on Hivos's registration as a Foundation in the Netherlands, implementing programs through 7 productive units comprising 4 Regional Offices in Latin America, South East Asia, East Africa, and Southern Africa, with a varying number of country offices, working alongside 3 units based at our Global Office. These 3 units are Open Society, Green Society, and the Middle East and North Africa. Each of the 7 Units reports to the Hivos Executive Board, as do the 3 service units also based at the Global Office: FSC (Finance Services & Control), SCI (Strategy Communication & Innovation), and EB (Executive Board unit, comprising Human Resources).

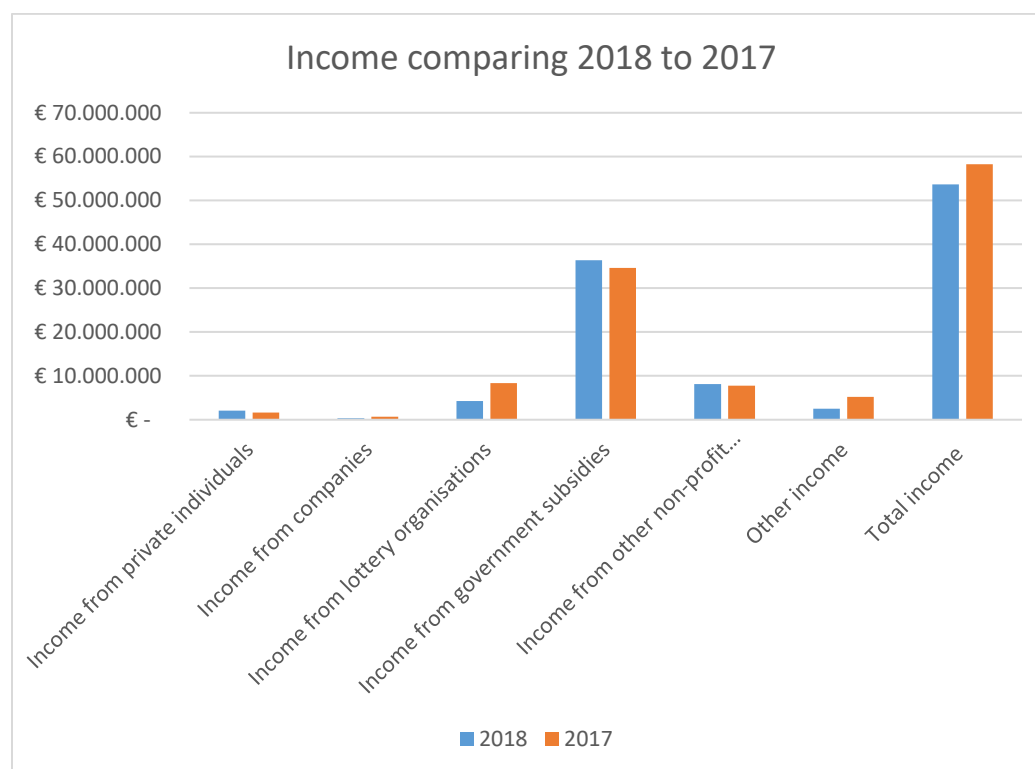
Hivos has a flat organizational structure comprising a two-headed Executive Board, two Program Directors (Open & Green), and three Unit Managers (FSC, HR & SCI) at the Global Office, working alongside four Regional Directors (Southern Africa, East Africa, South East Asia, Latin America) and a Regional Manager for the Middle East and North Africa. Unit heads are integrally responsible for content of programs, management, and finances within the confines of annual management contracts agreed with the Executive Board.

Hivos is governed through a two-tier governance model comprising an Executive Board and a Supervisory Council (SC). The Executive Board is responsible for the overall management of Hivos. The Supervisory Council comprises independent board members (of diverse backgrounds and experience) and has responsibility for assuring the business continuity of Hivos, for approving the multi annual strategy and for

approving annual budget and accounts. Furthermore, the Supervisory Council is the employer of the Executive Board and advises the EB on all aspects of the organization. The Executive Board convenes once every 3 weeks on average and the Supervisory Council convenes on average 6 times each year and also regularly visits some of the Hivos projects in the separate regions. Some members of the Supervisory Council serve in sub committees (the Remuneration and Audit Committees) that provide specialized input in accordance with their respective mandates.

2. Financial policy and financial results for 2018

2.1 Income and resource mobilization



Hivos's income for 2018 was €53.7 million, compared with a realized income of €57.8 million in 2017. The bulk of this income is derived from government grants and multilateral institutions (which realized €36.3 million, compared with the prior-year income of €34.6 million). In addition, income from other non-profit organizations (mainly foundations) was €8.2 million (compared with a budget of €7.0 million and prior-year income of €7.8 million). Income from lottery organizations was €4.2 million (compared with a budget of €4.6 million and €8.4 million in the previous year), and income from private individuals and companies was €2.1 million, compared with a prior-year income of €1.6 million. See for more details the consolidated statement of income and expenses in the annual accounts 2018.

Comparing the total income of €53.7 million with the budgeted €79.8 million, the main difference lies in a difference of principles in how Hivos designs annual budgets and how it applies accounting principles for the Annual Accounts 2018. The main differences also appear in income from government grants. Actuals for 2018 were €36.3 million, compared with a budget of €64.7 million, a difference of €28.4 million. This difference was caused by the fact that the annual budget 2018 was based on expected actual payments to

regranting partners, aligned to how we report to most donors; while the actuals as reflected in the Annual Accounts of 2018, represent the value of new commitments extended to partners in 2018. More specifically, actual regranting payments in 2018 were €35 million whereas the regranting expenses reported based on new partner commitments were €15 million (i.e., a difference of €20 million). Starting with the budget for 2020, budgets will use the same accounting principles as the financial statements.

Additionally, and in practical terms, projects tend to report higher actual income in their initial years (when partner commitments are often concluded), whereas in subsequent years income will be lower since it includes income for operations and income for direct costs only. If Hivos reported its total income based on actual spending by partners, it would increase from the reported €53.7 million to €73.7 million (92% of the expected budget of €79.8 million). The difference of €6.1 million (7%) represents the true shortfall against our expected income target for 2018.

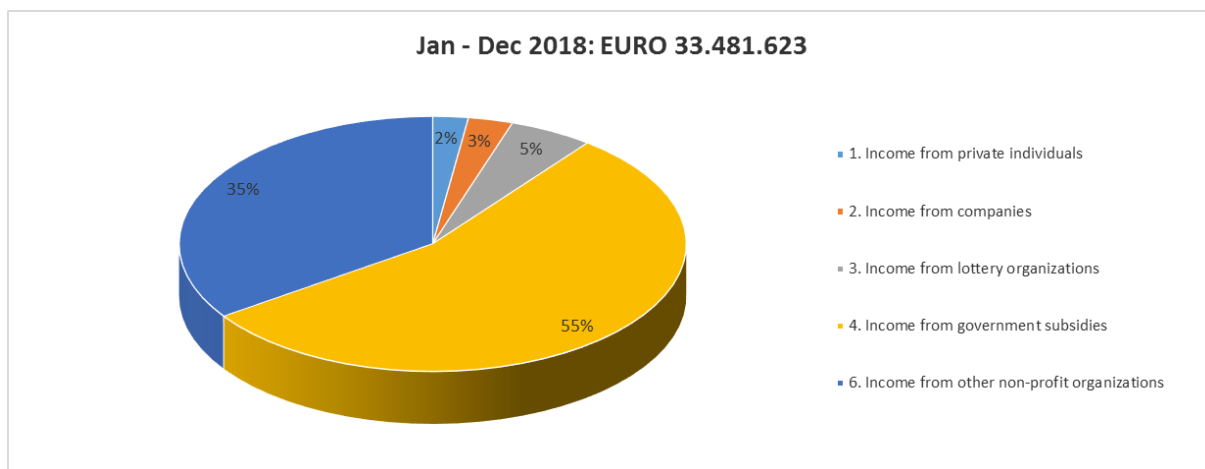
The key sources of grant income from governments (€36.3 million) included the Dutch Ministry of Foreign Affairs (€19.4 million), The Global Fund (€5 million), Swedish International Development Aid (€4.6 million), the Millennium Challenge Account (€3.7 million), the Swiss Agency for Development and Cooperation (€1.9 million), the US Department of State (€1.6 million), the Delegation of the European Union in Indonesia (€1 million), and the Royal Netherlands Embassy in Costa Rica (€0.3 million). The reported income is based on the expenses declared during the year, although the actual cash received from each donor may be higher (or lower), being based on the remittance schedule agreed with the individual funder and often includes cash flows for regranting recognized as income in prior years.

Income from other non-profit organizations (€8.2 million) performed better than expected (€7.0 million). The key sources (above €200 thousand) were the William & Flora Hewlett Foundation (€1.8 million), Rutgers Kenniscentrum Seksualiteit (€1.7 million), the King Baudouin Foundation (€1 million), the Inter-American Development Bank (€443 thousand), the Ford Foundation (€416 thousand), the KNVC Tuberculosis Foundation (€270 thousand), NED (€261 thousand), Arcus (€230 thousand), Acted (€212 thousand), and the Bloomberg Foundation (€208 thousand). See also the notes 15 and 16 on income in the annual accounts 2018.

Sources of income from private individuals are split into three categories; donations and gifts (€1 million), legacies (€109 thousand), and Climate Fund CO2 compensation (€935 thousand). The total of €2.1 million is 82% of the €2.5 million budgeted (compared with €1.6 million for the year before). Although Hivos did not attain the target for the year, it outperformed the previous year, demonstrating the first results of Hivos's intensified fundraising efforts.

Income from lottery organizations (totaling €4.2 million, compared with a budget of €4.6 million and a prior-year total of €8.4 million) is split between an annual structural contribution of €1.35 million and project contributions of €2.85 million, for a total of €4.2 million. Both contributions came through the Dutch National Postcode Lottery. The reason why the prior-year amount was higher was that 2017 was the start of the All Eyes on the Amazon project (funded by the NPL Dream Fund, for a total grant of €15 million), and the first year accounted for a higher portion of the grant committed towards partners.

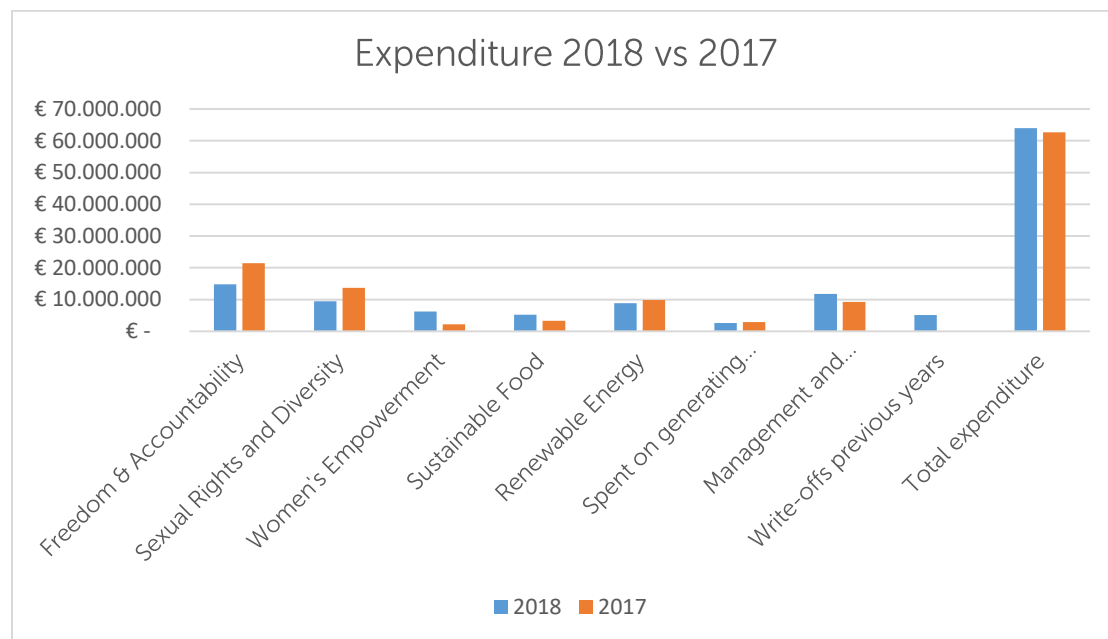
During 2018 Hivos concluded new funding contracts with donors for a total of €33.5 million (compared with €39.4 million in 2017). The overview below shows the new funding agreements concluded in 2018.



Donor Type	Signed donor contracts in EURO	# of signed donor contracts
1. Income from private individuals	756,162	1
2. Income from companies	949,498	9
3. Income from lottery organizations	1,793,333	2
4. Income from government subsidies	18,394,771	25
6. Income from other non-profit organizations	11,587,859	28
Grand Total	33,481,623	65

The trend reflecting a drop in income per funding source and an increase in the number of projects demonstrates how Hivos's strategy has shifted from being a grants management organization to a project implementing organization. Our fundraising success rate in 2018 remained virtually stable, at 67% compared with 68% in 2017.

2.2 Expenditure and implementation of projects



Our total spending in 2018 was €64.4 million (compared with a budget of €86.7 million and actuals of €62.7 million in the previous year). Of this total, €44.5 million was spent on objectives (compared with €50.5 million in 2017); this constitutes 69% of the total spending and 83% of income (2017: 81% of spending and 87% of income). For 2020, management will set a target for what is acceptable in terms of management and accounting costs, aiming for a higher percentage to be spent on objectives.

The spending on objectives is split between the Open domain (€30.5 million) and the Green domain (€14 million) (2017: Open €37.3 million and Green €13.2 million). The thematic distribution was Freedom & Accountability €14.8 (2017: €21.4 million), Sexual Rights and Diversity €9.4 million (2017: €13.7 million), Women's Empowerment €6.2 million (2017: €2.2 million), Renewable Energy €8.9 million (2017: €9.8 million) and Sustainable Food €5.2 million (2017: €3.3 million).

The overall deviation between the actuals spent on objectives of €44.5 million and the €69.8 million budgeted was caused by the disclosure requirement (explained above) to report regranteeing costs based on new contractual commitments (which are often multi-year) concluded during the year.

Of the €44.5 million total spent on objectives, €15 million comprises new regranteeing commitments to partners, and €16.4 million was spent on direct costs of implementation; this reflects Hivos's new role as a projects implementation organization that combines activities directly implemented by Hivos with activities undertaken by partners. Based on the year-end review of the performances of productive Units, the Executive Board has established that most Units concluded the year at around 10% below their forecasts for project spending (comparing actuals with budgets, based on planned payments to partners). The difference is explained in part by the slowdown impact of the new stricter control framework. However, the Executive Board also noted that some Units had been too ambitious regarding how much they could deliver in terms of direct costs, owing to delayed project starts and an overestimation of what Hivos could deliver through its own implementation. These are generally speaking common effects in project implementation, and need to be better managed.

Costs of generating income were €2.6 million (compared with a budget of €6.4 million and 2017's costs of €2.9 million), or 5% of the total income generated. The difference between the actuals and the budget mainly lies in innovation, program development, and activities subsequently cancelled or deferred to 2019. In the second half of 2018, Hivos slowed down innovation expenses and adopted measures to improve processes for innovation and accelerated processes for development of new projects, which will be reinforced in 2019 through the review of our overall business development processes.

Costs of management and accounting were €11.8 million (compared with a budget of €10.6 million and prior-year costs of €9.3 million). This is 18% of the total expenditure (compared with a projected 12% in the budget). Extra costs were made for audit work and additional financial expertise. It is important to note that the higher percentage ratio for actuals is attributable to the fact that regrating expenses are based on commitments. However, a recalculation based on actual payments yields an actual performance of 14%, compared with the projected ratio of 12%. Key costs include indirect staff employment costs (€18.9 million), office and general expenses (€4.1 million), publicity & communication costs (€1.8 million), and housing (€0.3 million).

Late in 2018, the Executive Board reached a decision to roll out a new accounting and project management system (All Solutions) to replace Osiris, which is at the end of its useful life. The new system is better suited to our current role and requirements and will help to improve our management and reporting. In the Annual Account 2018, measures aimed at assuring a transfer of clean audited balances to the new system revealed redundant balances requiring write-offs including provisions totaling €5.5 million. This created additional work and in combination with the Osiris flaws caused the audited report for 2018 to be delayed.

2.3 Financial instruments and performance of HTF fixed financial investments 2018

Hivos does not use complex financial instruments such as swaps, hedges, or futures. The treasury policy is to invest only in relatively safe HTF participations, loans, and certificates held with Triodos Bank. The investments in participations are aligned to our core programmatic objectives. Hivos maintains a strict separation between funds invested with HTF and those held for our regular projects. For the latter, Hivos prefers to maintain substantial amounts on bank accounts, which results in a positive liquidity situation to mitigate risks and safeguard continuity.

In 2018 Hivos retained its fixed financial investments in the Hivos Triodos Fund (HTF). In 2018, Hivos changed its accounting policy also, to disclose the participations net of 25% carried interest on the realized "profit" on each sale, which is payable to Triodos Investment Management on disposal of the participations. At the end of 2018, Hivos had participations with a gross value of €37 million with HTF (2017: €37 million) which are reported at €29.6 million after adjustment for the carried interest (2017: €30 million). Responsibility for managing the participations lies with HTF (with Triodos Investment Management actually managing the portfolio on behalf of HTF). However, the beneficial ownership and benefits accrue to Hivos. In 2018, Hivos received a dividend of €1.025 million, which exceeded the budget amount of €870 thousand (2017: €1.2 million).

The bulk of the participations at year-end were held in the Centenary Bank of Uganda (€21 million; sold in 2019) and Bellweather of India (€4.4 million). Hivos retains a dedicated reserve in its balance sheet to mitigate possible negative impacts if the market value of the participations drops, which would lead to impairment adjustments (reversing part of the revaluation gains accrued by Hivos to date). Hivos retains also the options of withdrawing the participations or retaining them at HTF (as investments in the new strategy, either as equity in new companies or as loans to SMEs). Exercising the second option would result in the investments being converted into subordinated loans that will be retained as assets in Hivos's financials.

In 2016, Hivos recognized an extraordinary income item of €32 million for the revaluation of the HTF agreement. However, the repayments are ongoing and will stretch until 2020. The HTF loan was reduced from €13.7 million in 2017 to €8.9 million in 2018, due to further repayments received from HTF in 2018 based on the 2016 HTF agreement; that agreement provided for repayment from HTF in three installments of €8 million between 2016 and 2018 (for a total of €24 million) and two installments of €4 million in 2019 and 2020 (for an additional €8 million). The balance of €2 million on the expected repayment for 2018 was received after the balance sheet date (in May 2019). In 2019 Hivos will engage with HTF to review the 2016 agreement, potentially leading to a new or revised agreement, to be signed in 2020.

The 2018 report includes a note which discloses Hivos's claim on HTF's equity if HTF winds up. This claim is based on the HTF agreement, which stipulates that if the partnership between Hivos and HTF ends "Hivos will get 100% of the equity ... if the equity is higher than the equity at year-end 2015, Hivos and Triodos are both entitled to 50% of the equity above the value at year-end 2015". The HTF equity position was €13 million at the end of 2015 and €15 million at the end of 2018. It is now included as a contingent asset in the notes to the Financial Statements 2018.

2.4 Results and reserves

Comparing the total income of €53.7 million with the total expenditure of €64.4 million leads to an operating deficit of €10.7 million, compared with a budgeted deficit of €6.9 million (and a prior-year deficit of €4.9 million). A negative result before appropriations of €6.9 million was expected in the budget 2018. This planned deficit, to invest in program renewal, comprises €8.4 million for organizational development, including innovation, and €1.5 million inflow to the appropriated fund for private funds.

Total appropriations were €10.7 million, compared with a budget of €6.9 million mainly because of the €5.5 million write offs including provisions which were needed for assuring a transfer of clean audited balances to the new system AllSolutions. This resulted in a reduction of the appropriated reserve for business operations of €5.2 million. Other key appropriations were derived from the appropriated reserve for program development & projects (€3.6 million; budgeted €5.8 million), and the appropriated reserve for innovation (€629 thousand; budget €2.6 million) for covering actual costs of innovations, program development and fundraising. The appropriated funds for private funds registered a negative movement of €1.6 million (compared with an expected positive movement of €1.5) as a result of the accelerated withdrawals from funding from private funds of €3.5 million, compared with the inflows of €2 million received during the year. Only the NPL reserve registered a significant addition of €1.3 million. In 2019, Hivos is taking significant steps to review our business development process in order to improve the processes for generating future business, and to reduce our dependence on reserves for financing such investments.

2.5 Year-end position of appropriated reserves & funds

The total reserves (combining both organizational and project reserves) decreased from €81.7 million to €71.0 million. The main components of the reserves are the HTF participations reserve of €30 million (2017: €30 million), the program development reserve of €11.4 million (2017: €15.1 million), and the innovation reserve of €10.2 million (2017: €10.8 million).

The appropriated reserve for business operations registered a decrease from €14 million in 2017 to €8.9 million in 2018 due to the impact of the write offs, the reserve is allocated between the continuity reserve for business operations (€6.4 million) and the calamities reserve (€2.5 million). No movements occurred in the calamity reserve: formal claims received in 2018 for cases of fraud and irregularities totaling €369 thousand were expensed. The Executive Board considers the current level of the appropriated fund for calamities to be adequate to cover any liabilities that might arise for settling ongoing outstanding cases of the irregularities in past projects that surfaced in 2017 and 2018: the ghost biogas plant fraud in Tanzania, a partner legal dispute pending before the courts in Kenya, and potential claims on an EU project implemented India in 2011-2013.

The movements in the appropriated reserves for program development & projects and innovation funds were mostly related to planned and approved extra investments in program development and resource mobilization, which are required to stimulate the acquisition of new projects, and so contribute towards making Hivos future-proof. In 2019, the Executive Board has initiated a process to review the business development cycle, which is expected to lead to improved efficiencies and returns on such investment outlays. The outflow of €3.6 million from the appropriated reserve for program development includes also costs for project under-recoveries of €510 thousand (2017: €1.7 million), mostly to cover agreements concluded in the past before Hivos applied the full cost recovery fee model. This trend reflects a downwards movement in exposure, as the Executive Board has taken progressive steps to assure that all new contracts

are cost-recovering from the start. In 2019 the Executive Board will commission a review of the Hivos fee model, to determine whether it serves the intended objective or requires adjustment.

At the end of 2018, €68 million was held as liquid assets, while €42.5 million was held as financial fixed assets. Our balance sheet total is €129 million, of which €71.0 million, or 55% (2017: 52%), comprises funds and reserves. The balance sheet shows a healthy current ratio (comparing liquid current assets to current liabilities) of 1.8 (2017: 1.5) Hivos's current ratio is higher than the minimum standard of 1. The Executive Board is satisfied with the organization's solvency and liquidity positions, which provide a sound basis for the organization's going concern status and sustainability.

3. Communication with stakeholders

Similar to prior years, Hivos continues to actively monitor and fulfill its contractual reporting obligations to most donors on a project basis. We facilitate also wide distribution of the Annual Report and the audited Annual Accounts to our key stakeholders. In 2018, Hivos continued to enjoy warm and cordial relationships, based on mutual trust and respect, with our most important core funders: the Dutch Ministry of Foreign Affairs, and a renewed deep engagement with the UK Department for International Development (through the UK Connect programs).

In 2018, Hivos revamped its websites and social media platforms, which provide a basis for sharing information with donors, implementing partners, beneficiaries, and wider stakeholders. This effort was steered by the SCl (Strategy, Communication, and Innovation) department. 2018 marked the organization's 50th anniversary, and Hivos convened anniversary celebrations in all its Hubs, culminating in the commemoration event in the Netherlands, which was attended by stakeholders from across a wide spectrum. Hivos also hosted numerous other general and project-specific events, which increase awareness of our work and provide platforms for lobbying and advocacy. These events are mostly coordinated by our Advocacy and Communication officers working in various projects and Hubs.

As a projects implementation organization, Hivos greatly values the close interaction and collaboration of our staff with different stakeholders on a more operational and daily basis. In the last quarter of 2018, Hivos commissioned Keystone to carry out a Partner Survey (KPS) to gain insight on its partners' perceptions of the partnerships (including what Hivos does well and where it can improve). This involved an online survey that was sent to all partners across all Hivos's Regional Offices, complemented with further insights through 22 qualitative interviews in the first quarter 2019. While the survey yielded positive findings in respect of Hivos's understanding of the local contexts, it was also critical in respect of the types and volumes of funding, capacity development, communication, financial support, joint advocacy, policy influencing, and impact investments. The data yielded revealing insights (particularly when segmented by Regional Hub), which will be useful for improving our performance and delivery in 2019 and beyond. The findings of the report will receive our full attention in 2019.

In 2018, Hivos spent €1.8 million (2017: €1.6 million) on publicity and communications, as part of our total spending of €64.4 million. A significant portion of this amount is connected directly or indirectly to our core program objectives.

4. Social responsibility policies

Hivos seeks to integrate social responsibility issues into 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, Hivos's values, diversity, 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 encompasses our approaches towards reducing the carbon footprint within our work, including various initiatives to reduce carbon emissions (examples include use of shared transportation, avoidance of unnecessary travel, and

energy saving). Hivos encourages employees and partners to use modern online communication media for regular communications, which helps to reduce the number of face-to-face meetings and the associated travels.

We have continued to emphasize our policies on protecting the environment to contribute towards a greener future through reduction of carbon emissions. One of the steps that we have taken internally for 2019 includes moving our Global Office from its current location into a new more environmental friendly building (with shared facilities) at Grote Marktstraat 47a, 2511 BB, The Hague.

In the second half of 2018, Hivos built on previous Executive Board communications, on safeguarding concerns at partner level in 2017 and accelerated by the Oxfam-Haiti crisis and #metoo, by developing a more robust policy on safeguarding the vulnerable groups with which we interact (partners, suppliers, beneficiaries, etc.). Previously, Hivos had specific policies to prevent harassment, assure equality, proper conduct and whistleblowing. However, these policies were in 2018 integrated into a comprehensive safeguarding policy covering all elements of our work related to all vulnerable groups. The policy now applies also to the conditions for all our downstream partners, suppliers, and service providers, which was effected early in 2019. In 2019, Hivos has also engaged a new external administrator for its whistleblower facility, which has been extended to provide a confidential channel for reporting incidents of any safeguarding violations, fraud, or impropriety involving any Hivos employee, partner, or service provider. This will become an important element for administering our zero-tolerance policy towards safeguarding violations and detection of fraud.

Hivos subscribes to the Partos code of conduct and the Code Goede Doelen.nl on good governance of Dutch charities. Hivos has an internal code of conduct and integrity stipulations, which regulate the conduct of our staff and their interactions with stakeholders. Staff in different countries comply with relevant statutory codes also. Hivos fully conforms to codes that are obligated by our funders. In addition, Hivos assesses the social responsibility policies and practices of our regranteeing partners. Earlier in 2019, Hivos introduced a detailed safeguarding policy, which will extend to staff and partner interactions with vulnerable groups or individuals within society. All staff have signed declarations confirming that they have read and understood the requirements of the code, while key elements were included also in the conditions for our regranteeing partners.

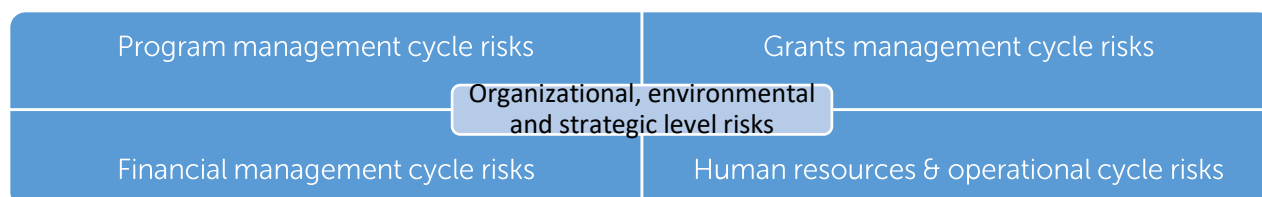
In 2018 Hivos also amended its contractual conditions and policies to comply with the General Data Protection Regulation (Regulation (EU) 2016/679). This regulation on data protection and privacy for all individuals within the European Union (and the European Economic Area) was introduced into EU law to address the export of personal data outside the EU and EEA. In 2019, Hivos will ensure further embedding of General Data Protection Regulation in the organization.

Hivos actively promotes gender equality in all spheres of life, ranging from the projects that we implement to the composition of our Board and management team. In 2018, the Executive Board comprised 1 male and 1 female member; the Hivos management team comprised 8 female and 2 male members, while the Hivos Supervisory Council comprised 5 male and 4 female members. Overall staff composition is 56% female and 44% male.

5. Key risks and uncertainties

5.1 Enterprise risk management

In the second half of 2018, the Hivos Executive Board and Supervisory Council took steps to strengthen our overall risk management framework, by adopting a more explicit risk management policy to provide a more effective tool for assuring our stakeholders how we mitigate risks across the main facets of our operations.



Hivos has identified five categories of risks: environmental, organizational & strategic level risks; project management cycle risks; grants management cycle risks; financial management cycle risks; and human resources and operational cycle risks. The first category is concerned with the organization's overall strategy (i.e., covered through business & strategic plans), while the other categories are concerned with the operational cycles within the organization. Our improved framework defines the key risks for each cycle, evaluates the risks, and develops mitigation measures (policies, procedures, and control checks) for handling or reducing the identified risks. Actual mitigation of risks is attained through the risk mitigation policies and controls, and is actively monitored through regular review of risk registers and through internal audits.

Within Hivos risk management, the projects', programmatic, administrative and finance staff start implementing the risk mitigation measures (procedures and controls), while the Executive Board and management have responsibility for assuring the adequacy of the risk management measures. The Audit Committee and Supervisory Council are responsible for assessing levels of risk and assuring adequate management of downside (negative) risks and upside (positive risks/opportunities).

In 2019, Hivos aims to further deepen the foundation of our enterprise risk management by reviewing our risk appetite, to define the forms and levels of risk that Hivos is willing to take in various spheres to meet its strategic objectives (for instance strategic, operational, financial, compliance, safety, and security risks). This is important, given the inherent nature of our work in sensitive thematical and geographical areas, which requires establishing a delicate balance between managing our risks and our strategic choice to extend support to emerging nascent organizations and front runners. However, it is a necessary risk to reach our mission objectives.

Late in 2017, Hivos introduced a risk-based approach to grants management. This led to the introduction of risk-based financial intake procedures for assessing sub-grants which (alongside the donor requirements) now form the basis for contract conditions, monitoring, and external audit options. During the course of 2018, Hivos made some adjustments to improve the flexibility and efficiency of the framework, respond to the risk appetites of the funders, and establish a balance between the risk management and our regular deliberate choice to work with grassroots civic entities. Based on an extensive partner evaluation, Hivos is planning another review of its control mechanism for regranters in 2019.

While Hivos has successfully introduced this risk-based approach, we still need to strengthen its compliance and qualitative implementation by improving on the link between risk assessment, risk

mitigation, and ongoing monitoring of partners. As such, the full rollout and embedding of this framework will be one of the priorities for 2019 and beyond.

One of the most important lessons from implementing the new control framework in 2018 concerned the use of capacity building support as an important risk mitigation measure. This enables Hivos to continue working with emerging nascent organizations with measures for mitigating risks, thereby assuring full accountability for third party funds. This is an important strategy for Hivos projects in risk-prone regions and our strategic choice to support partners that work on sensitive topics (such as LGBTI issues, sexual and reproductive health rights, open contracting, and digital safety) who do not always have adequately developed capacities in financial and administrative operations. Going forward, Hivos needs to improve its use of capacity building as an instrument for risk mitigation.

One of the key adjustments in the control framework in 2018 led to some flexibility for applying lighter forms of intake instruments and lighter forms of expenditure verification on certain projects or partners (for instance based on risk appetite of the funders, our prior experiences with the partner, the outcome of our previous intake assessments, and our reliance on intakes by other donors).

In 2018 we continued to encounter uncertainties due to diminishing space for civil society and restrictions on specific themes. This impacts the work of some of our partners. Internally we encountered some delays in the renewal of our registration in Indonesia also, leading to the registration of a local entity (Yayasan) which will have a local board. The arrangements regarding the new entity, which are awaiting formal approval by the Hivos Supervisory Council, will lead to a cooperation agreement between the two legal entities to enable the new entity to become fully operational in 2020.

In 2018, Hivos did not experience any major incidents related to physical or digital security. However, we continue to intensify our security measures to cover our staff, service providers, and project partners working in high-security regions and countries where they are subjected to potential security threats and violations. Hivos currently has 2 project staff working on improving safety & security protocols, with the objective of embedding this project in the standing organization from 2020 onwards.

The OECD in its latest report indicated an overall decline of ODA including to least developed countries. (<http://www.oecd.org/newsroom/development-aid-drops-in-2018-especially-to-neediest-countries.htm>). The Executive Board has acknowledged this trend and also sees increasingly that governments link their development policies to their trade policies. This trend presents a risk; however, Hivos is aligning with the changes in order to leverage opportunities relevant to our mission.

Lastly, Hivos has a number of ongoing funding agreements with DFID, which are funded in GBP. This creates a potential currency risk in light of the possibility of a hard Brexit. Like many other organizations in mainland Europe, Hivos is exploring avenues for minimizing the attendant risks.

5.2 Fraud and financial irregularities

During 2018, Hivos maintained its zero-tolerance policy towards fraud, bribery, and corruption. In 2018, we did not experience any new confirmed reports of fraud, although we continue to receive some reports of financial irregularities (which may still reveal ineligible spending or fraud cases). Currently Hivos is handling 2 cases of fraud, 7 cases of confirmed irregularities, and 8 cases of suspected irregularities involving our implementing partners on a total of over 460 partners.

The total value of cases of fraud and irregularities is €1.8 million, and Hivos has maintained its calamity reserve at €2.5 million for settling any liabilities that may arise. We have continued processes towards attaining closure in two fraud cases from 2017, in Tanzania and Uganda. The processes are taking longer than expected to conclude, because we are often forced to rely on the commitment and actions of third parties (such as partners, government, forensic auditors, prosecuting authorities, etc.) to attain criminal justice or civic restitution of the misappropriated project resources.

With its improved control framework, Hivos took steps (late in 2017) to extend revised general conditions to partner agreements, to ensure that all our downstream partners enforce our policy of zero tolerance for fraud, corruption, and bribery with the same rigor. In 2018, we adapted our consortium partner agreements also to include similar conditions, and so provide a clearer pronouncement of our stance even in consortium arrangements.

Until the end of 2018, Hivos maintained an internal whistleblower facility. This has been strengthened in 2019 with an outsourced whistleblower facility, which will provide a more secure and protected channel for reporting suspected or confirmed incidents of fraud and violations by employees, partners, suppliers, and stakeholders.

The Executive Board aims to ensure that fraud cases can be closed within reasonable time, and accordingly is looking into enacting further improved fraud response procedures in order to provide regular information on dealings with donors, action against perpetrators, steps to deter further leakages, and wider implementation of the lessons learned (leading to improved general controls across the board).

Despite these added mitigating and risk-reducing efforts, risk will always be an inherent part of Hivos's operations, as we often aim to work with new and innovative organizations and seek to promote ownership and responsibility of these organizations for sustainability.

6. Expected course of affairs; looking into the future

Our budget for 2019 reflects a total income of €81 million (€52 million in signed contracts), with income for operations accounting for 26% of the total income. The bulk of our income for 2019 (€77 million) will be derived from government grants and third-party campaigns. In 2018 the EB decided to reduce the total amount of planned investments, to arrive at a break-even budget in the near future. This resulted in a planned and approved budget deficit of €3.9 million euro for 2019. The budget for 2019 remains above the €70 million per annum income target as stated in the current Hivos business plan. At the same time, the Board will take additional steps to improve our ability to forecast into future periods that go beyond the current financial resilience planning.

The year 2018 has once again highlighted the new reality that our total income will fluctuate more than before, both at the global level and within Hivos's regional Hubs and themes. In 2018, the Board acknowledged a trend of less ODA as well as higher competition and initiated steps to accelerate, program development, and resource mobilization, which are the basis for project and programs. These, including a wish to diversify funding sources, will be further strengthened in 2019, through a review of Hivos's business development processes to improve the turnaround timeframes, efficiency, and return on investments required to attain further growth in 2020 and beyond.

Throughout 2018, we continued our efforts to explore strategic partnerships with likeminded organizations that will contribute towards greater impact and growth but also efficiency in our spheres of influence. Although the 2018 exploration with Cordaid did not attain the intended objectives, we will continue to explore wider collaborations and other forms of partnering to improve the scale and impact of our programs. At the same time, we will reinforce Hivos's business model by aligning our cost structures to the available levels of income.

In reflection of our decentralization policy, the process for the planned relocation of the Middle East and North Africa Region from the Global Office to Lebanon was initiated in 2017 through the registration of a legal entity followed by the operationalization of a local liaison office in 2018. This will be followed by the recruitment of a Director in 2019 and the relocation of many of the projects to that new office, which will become a fifth Hub within Hivos. However, a skeleton staff will continue to administer the remaining projects from the Global Office. This process is underway, and is expected to be completed early 2020.

In 2019 the Executive Board will continue its efforts to accelerate processes to gain greater financial control of our activities. To that end, the Executive Board commissioned a process for a new accounting system, All Solutions, in September 2018. Implementation started in January 2019 and implementation of the All Solutions projects and time registration modules will follow early in 2020. The new All Solutions application for project management is expected to provide a better understanding of donor contracting, partner contracting, project management, own implementation, time writing, expense claims, and project progress estimation. The new systems are being implemented with a project approach, to prevent any further delays in the necessary improvements. With this new system in place, Hivos will be more accountable to donors and will contribute to better balanced project management. In the third quarter of 2019, Hivos hopes also to initiate the process of adding a CRM (Customer Relationship Management) module to support improved funder relationship and pipeline management. A M&E (Monitoring and Evaluation) module will be investigated to complement this new system.

Hivos has committed to retaining the cash held in participations and loans at HTF until 2021, which means that the participations will be invested according to a change of strategy and portfolio agreed upon in 2016. The full implementation of this strategy was delayed due to the difficulties engaged in the planned disposal of the 18% stake in the Centenary Bank in Uganda for €30 million. This sale was only completed in June 2019 and the proceeds have reverted back to the HTF, where they are now, finally available for

investments in small and medium scale companies and in Micro Finance Institutions, mainly in the renewable energy and sustainable food sector.

The Executive Board has initiated steps to reduce the unbilled and/or difficult to bill activities which are part of our current structural costs and once off investments in program development and innovation, starting with a worldwide structural cost reduction program of €5 million. These measures are necessary to guarantee our sustainability for the future, as the funding landscape has become more competitive and fluctuations in income have become more probable within our current business model (as a projects-based organization that depends on a wider range of project funding sources).

Finally, the Executive Board recognizes the challenges facing the organization and remains committed to making the difficult choices that are necessary to guarantee a sustainable future for the years ahead.

To be able to guarantee this sustainable future, Hivos engaged Michel Farkas as its new Chief Operating Officer in January 2019. Michel has vast experience in financial and operational management, skills that are sorely required in our current transition to transform Hivos into a fully developed project-based organization. Michel has assumed leadership responsibility for accelerating the change agenda on a wide range of financial and operational matters.

We wish to thank all our employees, donors, and partners worldwide for their trust and support in 2018.

The Hague, 19 November 2019

Edwin Huizing and Michel Farkas
Hivos Executive Board

Supervisory Council report

2018, again, was a year of change for Hivos and for the communities it serves. As Hivos is reviewing its running programs in relation to its strategic objectives, the Supervisory Council assures a critical eye to help the organization reach more strategic and programmatic focus and impact. Shrinking civic space, the social impact of climate change and digitization, as well as a tight donor market are major factors impacting Hivos' field of activity going forward.

The Supervisory Council is critical, but positive about the direction in which the organization is heading and approved the revised Strategic Plan, early 2018. It encouraged the Executive Board to put even more emphasis on programmatic focus, strengthening its innovative power and differentiating capabilities, as well as reaching for scale by collaboration with others. The Supervisory Council aims to accompany the Executive Board and managers to assess the related risks carefully. The goal is to ensure that Hivos stays true to its values and focused to its mission, while, at the same time, improving operational management and the management of complex multi-stakeholder programs, such as "All Eyes on the Amazon" and the strategic partnership program of the "Citizen Agency Consortium" with the Dutch Ministry of Foreign Affairs, Art.19 and IIED. Risk management in general remained an important theme, throughout the reporting year.

Nowadays, digital security and physical security are considered equally important and very much intertwined. Internet and social media have made the world flatter. However, it is not a level playing field as long as there is no equal opportunity for those of different genders, colors, religion, political, social or sexual orientations. Organizations like Hivos should be prepared to fight the proliferation of inequality due to ill-devised algorithms and the attacks on democracy and human values through the spread of fake news. The Supervisory Council initiated discussions with the Executive Board on, on the one hand side, the increased threat of digitalization and algorithms and, on the other hand side, new opportunities that digitization may bring to realize Hivos' ambitions.

During 2018, the Supervisory Council formally convened six times face-to-face, including two 1,5 days strategic sessions, in the presence of the Executive Board members. The Supervisory Council also engaged in the informal exchanges with the international management team and the Works Council of the global office.

It is regrettable that the completion of the 2017, as well as 2018 annual accounts, took much longer than planned, due to systemic challenges. The Supervisory Council discussed the progress several times with the Executive Board, as well as with the external auditor, while the Audit Committee was involved on a monthly basis. The Supervisory Council supported the Executive Board's conclusion that lack of clear and consistent accounting principles and a change in 2018 accounting principles that also reflects on former years, in combination with an outdated operating system, were the main causes for this delay. Subsequently, the Supervisory Council supported the decision to initiate a complete overhaul and introduction of a new accounting and project management system, to be finalized in 2019. The Supervisory Council concludes with the Executive Board that, generally, 'house in order' is crucial to improve during 2019.

The Supervisory Council continued its review of Hivos' governance structure, amongst others in relation to setting up new legal entities in Lebanon and Indonesia. The Executive Board seeks to strike the right balance and interaction between controlling the organization from the center, and placing responsibility and ownership at the regional level. Sometimes, legal requirements of countries in which Hivos operates impose governance models in which Hivos cannot have full control. While the political dynamics in countries may 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 realize its vision and mission in the societies where human rights are most under pressure. The Supervisory Council monitors the relevant checks and balances.

We consider strategic partnering a relevant option for Hivos to increase its impact and secure its longer term viability. During 2018, the Supervisory Council became engaged in the exploratory talks of Hivos and Cordaid to form a strategic partnership. In spite of the mutual best efforts, early 2019, both organizations concluded that there was insufficient common ground for entering into a far-reaching form of collaboration.

Mid-2018, several Supervisory Council members paid a visit to Zambia and Malawi. They participated in a "Disrupt!" event in which selected social entrepreneurs in the Food & Lifestyle sector pitched their business proposals. Also, a flower farm exhibiting Hivos "Women@work" program and an intense discussion with the LGBTI community about the local challenges they face were part of the program. In Malawi, women rights were discussed with a variety of civil society partners of Hivos' "Women Empowered for Leadership program", as well as citizen involvement in government spending with partners from the "OpenUp Contracting" program. Furthermore, a cultural youth activity was visited. A delegation of the Supervisory Council visited investees of Hivos Impact investment "Food&Lifestyle Fund", in Malawi and in Johannesburg.

The Supervisory Council operates with two permanent committees – the Audit Committee and the Remuneration Committee – to which it has delegated the preparation of specific tasks. The Audit Committee has two members, Marcel Karman (chair) and August Mesker. In 2018, the Audit Committee met several times and discussed the management information, the budget and the control environment. In addition, the Audit Committee discussed intensely and often with the Executive Board the process and content of the annual accounts.

The Remuneration Committee consists of Anja van Gorsel (chair) and Johan van de Ven. The Remuneration 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 to discuss the dynamic context of Hivos and its functioning and effectiveness within this context. As detailed in the Annual Accounts, the Executive Board remuneration is in line with the Dutch Standards for Remuneration Act, as well as with Hivos' pay scales. In early 2018, the Remuneration Committee, assisted by an outside search bureau, led the process of recruiting a Chief Operations Officer. Based on the unanimous recommendation by the Committee, the chair of the Executive Board, a delegation of the management team and the Works Council, the Supervisory Council appointed Michel Farkas as effective January 2019. The Supervisory Board recognizes the additional tasks taken up by the chair of the Executive Board and several team members in the months between the departure of the previous Director of Operations and the arrival of Michel Farkas.

The Supervisory Council regularly evaluates its own functioning by way of a self-assessment. Although the country visit and regular staff presentations in Supervisory Council meetings provided some exposure to Hivos staff beyond management team level, enhanced interactions with staff would be welcomed by the Supervisory Council members. Also, the expressed wish of the Supervisory Council for more involvement and visibility of (non-financial) risk and control, will receive more attention. The Supervisory Council members appreciated the level of involvement in Hivos' exploratory partnership discussions with Cordaid.

Balancing the interests of continuity and fresh eyes, during the year, the Supervisory Council decided to renew the terms of August Mesker and Johan van de Ven, to recruit one or two new members and to formally bring the maximum number of terms down from three to two. As of October 2019, the Supervisory Council is pleased to include Marianne van Kimmenade as a new member.

Composition of the Supervisory Council /scheme of resignation

First appointment	Name, position, term <i>(max. three terms)</i>	End of current term	Occupation and other positions
2012	Jan Ernst de Groot <i>Chair (2nd term)</i>	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 <i>Vice Chair (2nd term)</i> <i>Chair Remuneration Committee</i>	2021	Partner, Wesselo & Partners; Chair of SC Tappan; Member of SC Staedion.
2006	Michiel Baud (<i>3rd term</i>)	2020	Professor in Latin American studies, University of Amsterdam and Centre for Latin American Research and Documentation (CEDLA).
2011	Marcel Karman <i>(2nd term) Chair, Audit Committee</i>	2019	Advisor, Dubois & Co. Registeraccountants; member, Supervisory council Hivos Triodos Fund; supervisory council Stichting Juridisch Loket, board member Stichting Living Landscapes.
2010	August Mesker <i>(3rd term) Member, Audit Committee</i>	2022	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 (<i>3rd term, Member Remuneration Committee</i>)	2022	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 (1 st term)	2020	International consultant in grant-making, strategy development and organizational capacity; board member, American British Cowdray Hospital, Mexico City; board member, Mexican Institute for Competitiveness (IMCO).
2018	Elizabeth Lwanga (1 st term)	2022	Innovations in Development Advisor; Search for alternative approaches to Africa's development; Leadership development; Creative talent promotion; Gender and development
2018	Claudia Surjadjaja (1 st 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
2019 As of October, 2019	Marianne van Kimmenade	2023	Chartered Accountant, senior policy advisor fraud and governmental auditing at the Royal Netherlands Institute of Chartered Accountants and former partner of EY.

In accordance with the guidelines of the Dutch Central Bureau on Fundraising (CBF) and the Dutch Good Governance Code for Charities and Cultural Organizations, it was established that, during 2018, none of the individual Supervisory Council members held primary or additional occupations that were in conflict with their supervisory role at Hivos.

On behalf of the Supervisory Council, I would like to thank the Executive Board and all employees and partners of Hivos for their continued efforts towards a free, fair and sustainable world.

The Hague, 19 November 2019

For the Supervisory Council,

Jan Ernst de Groot, Chair

Consolidated Balance sheet as at 31 December 2018 (amounts x EUR 1,000)

After appropriation of the result

ASSETS

		31-12-2018	31-12-2017
	Notes		
Intangible fixed assets			
Software for business operations		273	95
Goodwill		0	1
Intangible fixed assets	1	273	96
Tangible fixed assets			
Buildings for business operations		400	465
Furniture and fixtures for business operations		449	387
Cars for business operations		15	29
Buildings for objective		433	455
Tangible fixed assets	2	1.297	1.336
Financial fixed assets			
Certificates Triodos Bank/Other Participations		3.000	3.000
HTF Participations		29.586	29.996
Loans		9.865	14.167
Financial fixed assets	3	42.451	47.163
Claims, prepayments and accrued income			
Claims for grants	4	12.279	31.812
Prepayments and accrued income	5	4.981	3.215
Claims, prepayments and accrued income		17.260	35.027
Cash at bank and in hand	6	68.083	72.579
Total		129.364	156.201

Notes are itemised in Chapter 7: Notes to the consolidated balance sheet as at 31 December 2018

Consolidated Balance sheet as at 31 December 2018 (amounts x EUR 1,000) continued

After appropriation of the result

RESERVES AND FUNDS			
		31-12-2018	31-12-2017
Reserves			
Appropriated reserve for business operations		5.958	11.552
Appropriated reserve for business operations - calamities		2.495	2.495
Appropriated reserve for programme management		(0)	69
Appropriated reserve for translation differences		(2.333)	(2.333)
Appropriated reserve, Nat.Postcode Lottery		3.893	2.609
Appropriated reserve, Refunds + Interest		4.421	4.459
Appropriated reserve, Currency valuation		1.636	1.636
Appropriated reserve related to The Innovation Station B.V.		100	450
Appropriated reserve related to Hivos Impact Investments B.V.		39	83
Appropriated reserve related to Hivos Food & Lifestyle Fund		741	306
Appropriated reserve related to Hivos Mideast Creatives Fund		116	149
Appropriated reserve, HTF participations		29.586	29.996
Appropriated reserve for Program Development & projects		11.449	15.093
Appropriated reserve for Innovation		10.185	10.814
	7	68.287	77.378
Funds			
Appropriated fund, Private Funds		2.678	4.300
Appropriated fund, Xandra Fund		-	(10)
Appropriated fund, Stop Aids Now!		45	67
	8	2.723	4.357
Reserves and funds		71.010	81.735
LIABILITIES			
		31-12-2018	31-12-2017
Provisions			
Provision for legal claims		499	130
Provision for sabbatical leave		229	328
Provision for reorganisation		-	62
Provision for jubilee		3	2
Provision for cost to go / future losses on project implementation		1.287	-
Provisions	9	2.018	520
Long-term liabilities			
Long-term project liabilities		9.251	4.283
Long term liabilities		81	81
Long-term liabilities		9.332	4.364
Current liabilities			
Project grants received in advance		21.836	33.475
Current project liabilities		16.447	25.913
Accruals and deferred income		7.770	9.313
Current liabilities for staff		952	882
Current liabilities	10	47.004	69.582
Total provisions and liabilities		58.354	74.466
Total		129.364	156.201

¹⁾ Itemised in Chapter 7: Notes to the consolidated balance sheet as at 31 December 2018

Consolidated Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

		Actual 2018	Budget 2018	Actual 2017
INCOME	Notes			
Income from private individuals				
Donations and gifts		1.047		735
Legacies		109	2.545	210
Climate fund CO2 compensation		935		677
Income from private individuals	11	2.091	2.545	1.622
Income from companies	12	333	-	679
Income from lottery organisations	13	4.239	4.557	8.371
Income from government subsidies	14	36.346	64.659	34.590
Income from other non-profit organisations	15	8.163	7.000	7.792
sub total Income generated	B	51.172	78.761	53.054
Other income				
Net investment / unrealized exchange gains HTF participations		2.461		893
Dividend HTF participations		1.025	870	1.175
Revaluation HTF Loan Agreement 2016-2020		61		653
Income from investments		(478)		(350)
Revaluation Ltds (BVs)		-		111
Exchange risk gain/loss revaluation Balance Sheet		-		(2.507)
Exchange gain/loss of Operations		(820)		4.018
Other income		255	208	772
Other income		2.504	1.078	4.765
TOTAL INCOME	D	53.676	79.839	57.818
EXPENDITURES				
Spent on objectives/Programmes				
Open Freedom & Accountability		14.828		21.439
Sexual Rights and Diversity		9.434		13.705
Women's Empowerment		6.212	69.753	2.194
Green Sustainable Food		5.194		3.344
Renewable Energy		8.860		9.846
Total expenditure on objectives	C	44.528	69.753	50.528
Spent on generating income	A	2.561	6.377	2.871
Management and accounting costs	E	11.775	10.610	9.268
Exceptional items and provisions	16	5.515	-	-
TOTAL EXPENDITURES	F	64.379	86.740	62.667
Operating Result before financial income and expenses		(10.703)	(6.901)	(4.849)
Balance of financial income and expenses		21	-	100
FINAL OPERATING RESULT		(10.724)	(6.901)	(4.949)
Costs of generating income as a % of total income generated (=A/B)		5%	8%	5%
Costs spent on objective as a % of total income (= C / D)		83%	87%	87%

Consolidated Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

	Actual 2018	Budget 2018	Actual 2017
Costs spent on objective as a % of total costs (= C / F)	69%	80%	81%
Man. and accounting costs as a % of total expenditures (= E / F)	18%	12%	15%
Result before appropriation	(10.724)	(6.901)	(4.949)

Consolidated Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

	Actual 2018	Budget 2018	Actual 2017
Added to/withdrawn from:			
Reserves	Actual 2018	Budget 2018	Actual 2017
Appropriated reserve for business operations	(5.594)	24	7.486
Appropriated reserve for business operations calamities	-	(100)	1.495
Appropriated reserve for programme management	(69)	-	(1.397)
Appropriated reserve for translation differences	-	-	(2.633)
Appropriated reserve for NPL	1.284	-	39
Appropriated reserve Refunds and interest	(38)	-	239
Appropriated reserve Currency valuation	-	-	(2.507)
Appropriated reserve The Innovation Station b.v.	(350)	-	-
Appropriated reserve to Hivos Impact investment b.v.	(44)	-	(260)
Appropriated reserve Hivos Food & Lifestyle Fund	435	-	174
Appropriated reserve Hivos Mideast Creatives Funds	(33)	-	78
Appropriated reserve HTF	(409)	-	(1.627)
Appropriated reserve for Programme Development & projects	(3.644)	(5.777)	(4.907)
Appropriated reserve for innovation	(629)	(2.550)	(604)
Subtotal appropriations reserves	(9.091)	(8.403)	(4.424)
Funds			
Appropriated fund Private funds	(1.621)	1.502	(83)
Appropriated fund Xandra fund	10	-	10
Appropriated fund, Stop Aids now	(22)	-	(451)
Subtotal appropriations funds	(1.633)	1.502	(524)
Total addition/withdrawal	(10.724)	(6.901)	(4.948)

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

Cash flow statement for the year ended 31 December 2018 (amounts x EUR 1,000)

Using the indirect method		2018	2017
	Ref.		
Cash flow from operating activities			
Movements in reserves and funds		(10.725)	(4.478)
Amortisation and depreciation	2)	242	313
Movements in claims for grants	3)	19.533	57.900
Movements in other claims	3)	(1.766)	10.640
Movements in provisions	3)	1.498	297
Movements in long-term and current project liabilities	3)	4.968	(19.260)
Movements in current liabilities	3)	(22.578)	(31.102)
Cash flow from operating activities		(8.828)	14.310
Cash flow from investing activities			
Additions to tangible fixed assets	2)	(126)	(155)
Additions to intangible fixed assets	2)	(254)	(3)
Withdrawals from financial fixed assets	2)	4.712	6.638
Cash flow from investing activities		4.332	6.480
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		<u>(4.496)</u>	<u>20.790</u>
Recapitulation			
Cash at bank and in hand at end of financial year	3)	68.083	72.579
Cash at bank and in hand at start of financial year	3)	72.579	51.789
Movements in cash at bank and in hand		<u>(4.496)</u>	<u>20.790</u>

¹⁾ See Chapter 4: Consolidated Statement of income and expense for 2018

²⁾ See Chapter 7: Notes to the consolidated balance sheet

³⁾ See Chapter 3: Consolidated Balance sheet as at 31 December 2018

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 (RJ650) 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.

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 organisation.

1 General notes

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), South East Asia regional office (Jakarta, Indonesia) and Middle East and North Africa (Beirut, Lebanon).

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 (inactive), and Stichting AFFM Source Code Foundation the Netherlands, (not active).

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

1.2 Hivos Foundation only

The annual accounts for the Hivos Foundation Only include 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 South East Asia regional office (Jakarta, Indonesia) including all local offices that are extensions of these regional offices.

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), Hivos Food & Lifestyle Fund B.V. (52% of shares), and Hivos 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.

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.

1.4 Estimates

To apply the accounting principles and rules for compiling the annual accounts, the Managing 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.

2 Valuation principles

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 (RJ650).

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.

2.2 Comparison with the previous year

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

Changes in accounting principles

Participations in partner organisations, such as those through Hivos Triodos Fund (HTF), were presented at fair value, taking into account possible impairments at the reporting date. As from 2018, the commissions payable of the participations are taking into account in the valuation. These commissions payable (carried interest) are 25% of the increased value of the participations which has to be paid to the fund manager when the participations are sold. The reasons for this change in accounting principle are a better legally required insight in the (net) valuation of the participations and the decision to sell a large part of the participations in short term. The impact for 2018 on equity is EUR 7.5 million negative and on the final operating result EUR 0.4 million negative.

Correction of errors

The impact of correction of errors of previous years was not material and booked in the profit and loss account 2018.

2.3 Foreign currencies

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.

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.

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 legal reserve for translation differences within equity.

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. Intangible fixed assets are amortized in 5 years on a straight line basis.

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.

The fixed assets are depreciated as follows:

Land	- not depreciated
Buildings	- 10-50 years
Renovations	- 15 years
Furniture & fittings	- 10 years
Computers & ICT	- 5 years
Vehicles	- 5 years

2.6 Financial fixed assets

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 as well as any commissions payable (carried interest) that are directly linked to the value of the participations, in terms of existing management agreements at the reporting date.

2.6.2 BV Investments

Investments in BV's are presented at net equity value.

2.7 Claims for grants and other claims

Claims for grants refer to claims on governments and other authorities arising from liabilities into which the Foundation has entered based on agreements to that effect as part of its programme; these amounts include the related programme management fee.

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.

2.8 Cash at bank and in hand

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

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. A prerequisite for a provision is that a reliable estimate can be made. If it not possible to make a reliable estimate and the impact could be material, this contingent liability is described in the notes of the financial statements.

2.10 Reserves and funds

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.

Continuity reserve

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.

Calamities reserve

The reserve for calamities will be used for unexpected claims from donors in cases of fraud or otherwise prematurely terminated projects. For expected claims we have a provision for legal claims. The appropriated reserve for business operations is freely disposable.

2.10.b Appropriated funds for programmes

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

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.

3 Principles for determination of the results

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 2018, the previous year 2017 and the budget 2019

In the Statement of income and expenditure for the year ended we included the comparison with the budget 2018, the previous year 2017 and the budget 2019. In the notes to the Statement of income and expenditure we included the comparison with the previous year 2017 only.

3.2 Legacies

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

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 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 commitments signed during a particular year and on actual costs incurred for operations and direct programme costs.

3.4 Project liabilities

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

Estimates of costs required to complete running projects up to their end date are compared with the committed project funds on an annual basis. As soon as an inevitable funding gap (excluding overhead costs) is identified, it is accrued in the year it is identified.

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.

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.

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.

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, or a maximum of 15 years in the case of renovations. Land is not depreciated. If

the estimated remaining useful life changes, the future amortisation or depreciation is adjusted accordingly.

4 Financial instruments and risk management

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).

4.2 Credit risk

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

Notes to the consolidated balance sheet as at 31 December 2018 (amounts x €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			
Acquisition price, 01.01.2018	1.836	4	1.840
Mutations 2018	254	-	254
Acquisition price after mutations, 31.12.2018	2.089	4	2.093
Accumulated amortisation, 01.01.2018	1.743	2	1.745
Mutations 2018	75	1	76
Accumulated amortisation after mutations, 31.12.2018	1.818	3	1.821
Book value, 01.01.2018	95	1	96
Additions 2018	254	-	254
Amortisation 2018	75	1	76
Book value, 31.12.2018	273	(0)	273
Total intangible fixed assets	273	(0)	273

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, 01.01.2018	1.424	1.379	111	2.914	106	442	548	3.462
Mutations 2018	-	126	(0)	126	-	-	-	126
Acquisition price after mutations, 31.12.2018	1.424	1.506	110	3.040	106	442	548	3.588
Accumulated depreciation, 01.01.2018	959	992	82	2.033	65	28	93	2.126
Mutations 2018	66	64	13	143	2	21	22	166
Accumulated depreciation mutations, 31.12.2018	1.025	1.057	95	2.176	66	49	115	2.292
Book value, 01.01.2018	465	387	29	881	41	414	455	1.336
Additions 2018	-	126	(0)	126	-	-	-	126
Depreciation 2018	66	64	13	143	2	21	22	166
Book value, 31.12.2018	400	449	15	864	40	393	433	1.297
Total tangible fixed assets at 31.12.2018	400	449	15	864	40	393	433	1.297

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 €1,225,000

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.

Notes to the consolidated balance sheet as at 31 December 2018 (amounts x €1,000)

ASSETS

3 Financial fixed assets

Certificates Triodos Bank/Other Participations	31.12.2017	Added		Withdrawn	31.12.2018
Certificates Triodos Bank	<u>3.000</u>	-	1)	<u>-</u>	<u>3.000</u>

1) 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 31/12/2018 was €3,680,628 (2017: €3,636,811).

HTF Participations	01.01.2018	Added		Withdrawn	31.12.2018
HTF Participations	<u>29.995</u>	3.231	1)	<u>3.639</u>	<u>29.586</u>

Due to a change in Accounting Principles, the valuation of the participations Hivos holds at HTF has been adjusted for carried interest. Carried interest is due to Triodos Investment Management (TIM) upon sales of participations for 25% of the realised value increase (for participations acquired after 31.12.2016: 15%). The value of the participations presented now includes the estimated carried interest due to TIM. In 2018, the estimated mutation in carried interest estimate amounted to €440,225 (2017: €470,391).

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

2) The participations in Africap and Akiba were revaluated to zero value at 31 December 2018, while the participations in Banco Solidario were sold by Hivos in 2018. 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 31-12-2018.

The breakdown of the HTF participations valuations per 31.12.2018 are as follows:

Company	Geography	Ownership %	31.12.2017	Ownership %	31.12.2018
Africap	South Africa	2,07%	78	2,07%	-
Akiba Bank	Tanzania	7,94%	255	7,94%	-
Banco Solidario	Ecuador	1,23%	859		-
Bellwether	India	18,77%	4.118	18,77%	4.354
Centenary	Uganda	18,29%	20.223	18,29%	21.273
Eco E II	Costa Rica	7,53%	1.697	6,22%	1.142
LeapFrog	South Africa	1,85%	973	1,85%	401
MFX Solutions	USA	3,52%	632	3,43%	627
Novastar	Mauritius	3,73%	1.160	3,76%	1.789
			<u>29.995</u>		<u>29.586</u>

Note 1: The HTF participations are bought with a subordinated loan from Hivos to HTF, 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 2018: € 9,514,203 (2017: €10,665,449).

Note 2: The participations in Banco Solidario were sold by Hivos in 2018, whereas the participations in Africap and Akiba are valued at nil.

Note 3: The participation in Centenary was sold in 2019 and the net proceeds will via a subordinated loan from Hivos be used by HTF to invest in other companies.

ASSETS**Loans ¹⁾**

	Interest %	Duration	31.12.2017	Added	Withdrawn	Revaluation	31.12.2018
Hivos Triodos Fund Subordinated Loan (A)	0%		4.500	-	-	-	4.500
Hivos Triodos Fund Subordinated Loan (B)	0%		9.217	1.151	6.000	-	4.369
The Innovation Station BV (loan 1)	0%	5 years	300	-	300	-	0
The Innovation Station BV (loan 2)	5%	5 years	150	-	-	50	100
Hivos Impact Investments BV				39	-	-	39
Other, related to investment BV's							857
			14.167	1.190	6.299	50	9.865

1) Of the above loans A and B from Hivos to HTF, at year's end 2018 €6 million is a short term receivable (31.12.2017: €8 million).

Loans to TIS and Hivos Impact Investments are revaluated and provisioned for, while maintaining a claim on the full amount owed. In 2018, the negative equity of Hivos Impact Investments BV was deducted from the pending loan of €265,000.

Hivos registered Hivos Civil Company Lebanon Limited in Beirut, Lebanon, in 2017. At the time, a foundation capital of LBP 1,000,000 was required, to be achieved through purchase of shares. Total shares owned by Hivos (staff) amount to €621.12. 1% is held at a local lawyer firm, as required by law. At consolidated level, the equivalent value is part of the foundation capital.

Hivos has the following inactive and empty entities which will be liquidated in the near future:

- * Malawi Hivos Limited, 100%
- * African Clean Energy Switch Biogas Limited, 100% Uganda
- * Biogas Solutions Limited, 50%, Uganda, joint venture under SNV control
- * Hivos India Advisory Services Private Limited, 100%

4 Claims for grants

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

	31.12.2018		31.12.2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Receivable from private individuals	-	-	-	-
Receivable from companies	277	-	1.026	28
Receivable from lotteries	1.378	28	1.352	1.350
Receivable from government subsidies	7.837	3.874	24.156	9.016
Receivable from other non-profit organisations	2.520	1.189	5.079	3.809
Receivable from Other sources	266	-	199	125
	12.279	5.091	31.812	14.328

The decrease in 'Claims for grants' is mainly a result of a better way of presenting which eliminates large debit and credit amounts including revaluations.

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

	31.12.2018	31.12.2017
Debtors not including grants	1.953	870
Intercompanies	-	-
Prepayments (employees/travelling)	52	527
Receivable (and prepaid)	2.976	1.654
Other	(0)	128
Ltds (BVs)	-	36
	4.981	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:

	31.12.2018	31.12.2017
In hand	8	7
Bank	68.075	72.572
	68.083	72.579

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

Hivos is the registered owner of 5.210 Gold Standard Verified Emission Reductions (VER), The Gold Standard VERs are

ASSETS

purchased and sold in the framework of the Renewable Energy/biogas programmes, to strengthen the financial sustainability of the programmes.

Hivos is the main founder of Stichting Hivos-Triodos Fonds. There is a contingent asset for Hivos regarding the equity of Stichting Hivos-Triodos Fonds if the partnership with Hivos ends. At this moment there is no intention to stop this partnership and the existing contract will (at least) not stop before 2025. If the partnership ends and the equity is at that moment lower or equal than the equity at yearend 2015 (approximately EUR 13 million), Hivos is entitled to get 100% of the equity of Stichting Hivos-Triodos Fonds. If the equity will be higher than the equity at yearend 2015, Hivos and Triodos Bank N.V. are both entitled to get 50% of the equity above the equity value at yearend 2015. The equity of Stichting Hivos-Triodos Fonds is at yearend 2018 approximately EUR 15 million (yearend 2017: EUR 14 million).

7 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
Balance as at 1 January 2018	<u>11.552</u>	<u>69</u>	<u>(2.333)</u>	<u>9.288</u>
Added	(5.594)	-	-	(5.594)
Withdrawn	-	69	-	69
Total movements in 2018	<u>(5.594)</u>	<u>(69)</u>	<u>-</u>	<u>(5.663)</u>
Balance as at 31 December 2018	<u>5.958</u>	<u>0</u>	<u>(2.333)</u>	<u>3.625</u>

*) The Hivos offices abroad use local currencies. For consolidation into the Hivos annual accounts, which are denominated in euros, the 2017 and 2018 end-of-year exchange rates have been used for the balance sheet. The average exchange rate for 2018 has been used for the statement of income and expense. The resulting differences are settled in the reserve for translation differences. As this difference 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.

Appropriated reserve for business operations	31.12.2017	Withdrawn/Added from results	Withdrawn from reserve	31.12.2018
Continuity reserve for business operations	11.552	(5.594)	-	5.958
Calamities	2.495	-	-	2.495
Balance as at 31 December	<u>14.047</u>	<u>(5.594)</u>	<u>-</u>	<u>8.453</u>

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.

Other appropriated reserves	Income Category	31.12.2017	Added	Withdrawn	31.12.2018
National Postcode Lottery (NPL)	Lottery organisations	2.609	1.284 1)	- 2)	3.893
Refunds and interest	Other income	4.459	6 1)	44 2)	4.421
Currency valuation	All categories	1.636	-	-	1.636
The Innovation Station B.V.	Companies	450	-	350	100
Hivos Impact Investments B.V.	Companies	83	826	869	39
Hivos Food & Lifestyle Fund B.V.	Companies	306	500	65	741
Hivos Mideast Creatives Fund B.V.	Companies	149	-	33	116
HTF participations	Companies	29.996	63	472 3)	29.587
Programme Development	Companies	15.093	342	3.986	11.449
Hivos Innovation Fund	Companies	10.814	463	1.092 2)	10.185
Balance as at 31 December		<u>65.595</u>	<u>3.483</u>	<u>6.911</u>	<u>62.167</u>
Total all reserves		<u>77.378</u>	<u>3.483</u>	<u>12.574</u>	<u>68.287</u>

1) Additions represent the income for 2018.

2) Withdrawals represent the new programme liabilities for 2018.

3) Participations of Banco Solidario were sold in 2018, while participations in Africap and Akiba were valued at nihil.

The participation in Centenary was sold in 2019 and the net proceeds will via a subordinated loan from Hivos be used by HTF to invest in other companies.

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 2019 and later, to finance innovations and sensitive projects for which no donor can be found.

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 for social innovations for which no donor can be found.

These investments are financed from MFS-funding and therefore included as a fund.

8 Funds

Appropriated funds	Income Category	31.12.2017	Added	Withdrawn	31.12.2018
Private Funds	Private individuals	4.300	1.994 1)	3.616 2)	2.678
Xandra Fund	Private individuals	(10)	10 1)	-	-
Stop Aids Now! (SAN!)	Other non-profit organisations	67	-	22 2)	45
Balance as at 31 December		<u>4.357</u>	<u>2.004</u>	<u>3.638</u>	<u>2.723</u>

1) Additions represent the income for 2018

2) Withdrawals represent the new programme liabilities for 2018

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.

SAN!: to be used for HIV/AIDS projects.

LIABILITIES**9 Provisions**

Hivos has the following provisions for future costs:

		31.12.2017	added	withdrawn	31.12.2018	period
Sabbatical leave	1)	328	-	99	229	>5 yrs
Reorganisation	2)	62	-	62	-	
Legal claims	3)	130	369	-	499	>1 yr
Jubilee		-	6	3	3	1 yr
Cost to go	4)	-	1.287	-	1.287	>1 yr
total		520	1.662	164	2.018	

- 1) After five years of employment, staff at Global Office are entitled to sabbatical leave. Hivos contributes if it is used for educational purposes. 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 2018. 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. All remaining obligations were settled in 2018. Therefore, the provision is depleted at year's end.
- 3) In 2017, Hivos has also formed a provision for legal claims. This was done in light of ongoing court cases. The claim has been settled in 2019. Based on an analysis of pending cases of irregularities and fraud, which may lead to losses for Hivos, a provision has been made in 2018 for covering such losses. Hivos has a calamity reserve as part of its Reserves and Funds which can absorb the costs.
- 4) In 2018, Hivos has for the first time made a detailed analysis of the cost to go of running projects, identifying possible future losses on implementation. A provision has been made on the basis of an analysis of ongoing projects in 2018, and using projected losses 2019 as per approved budget 2019.

10 Current liabilities

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

	31 December 2018		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Received from private individuals	-	-	-	-
Received from companies	252	-	150	46
Received from lotteries	3.980	3.816	7.389	7.389
Received from government subsidies	16.505	12.031	16.620	18.781
Received from other non-profit organisations	1.099	437	9.316	6.455
Received from Other sources	-	-	-	-
total	21.836	16.284	33.475	32.671

The decrease in 'Projects grants received in advance' is a result of a better way of presenting which eliminates large debit and credit amounts including revaluations

	31.12.2018	31.12.2017
Project liabilities	16.447	25.913
Hivos's current project liabilities comprise project liabilities payable within 1 year.		

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

	31.12.2018	31.12.2017
Accruals and deferred income		
Creditors - Hivos	3.945	3.195
- Within Limiteds	-	75
Open amounts related to salaries	84	39
Outstanding costs	2.931	4.278
Outstanding project payments (other)	657	1.113
Payments in transfer	1	34
Payable taxes	90	498
Other	61	81
total	7.770	9.313

	31.12.2018	31.12.2017
Current liabilities for staff	952	882

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 € 34,583 (price level for 2018).
- In 2019 Hivos Global Office will relocate to a rented office in the Hague. Annual rent will be € 235,531. The rent is agreed for a period of five years and will start as of 1 July 2019.

There are a few projects with audits and one litigation procedure pending where partners argue that Hivos has to pay back a part of the grant. The reasons are e.g. discussion regarding ineligible costs or irregularities. For concrete cases for which it is possible to make a reliable estimate, a provision for legal claims is recorded. For other (possible) disputes, no provision can be recorded because the uncertainty if and how much Hivos has to pay back is unknown at year-end 2018. Based on legal advice obtained and the provisions made, management expects not that any further significant financial liabilities will arise out of these procedures.

Events after balance date

There have been no events after balance date which have an impact on the annual accounts 2018 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 date and the possibility of a claim against Hivos.

Notes to the Consolidated Statement of income and expense for the year ended 31 December 2018 (amounts x €1,000)

	Realisation 2018	Realisation 2017
11 Income from private individuals	2.091	1.622
12 Income from companies ¹⁾		
GRM International	(248)	12
NRECA International Limited	181	291
Palladium International Pty Limited	327	310
Other income from companies	72	66
Income from companies Total	333	679
13 Income from lottery organisations		
Structural contribution	1.350	1.350
Project contribution including from foreign postcode lotteries	2.889	7.021
	4.239	8.371
14 Income from government subsidies ²⁾		
Ministry of Foreign Affairs The Netherlands	19.432	19.321
Royal Netherlands Embassy Bolivia	-	(5.103)
Royal Netherlands Embassy Costa Rica	330	1.661
Delegation of the EU to Bolivia	38	594
Delegation of the EU to Honduras	(40)	700
Delegation of the European Union to Indonesia	962	(164)
Department for International Development (DFID)	(1.030)	4.837
Deutsche Gesellschaft für Internationale Zusammenarbeit	(1.715)	2.026
Millennium Challenge Account - Indonesia	3.676	306
Swedish International Development Agency	4.661	2.563
Swiss Agency for Development and Cooperation (SDC)	1.866	210
The Global Fund	4.998	5.539
US Department of State	1.570	151
Other government subsidies	1.597	1.950
Income from government subsidies Total	36.346	34.590
15 Income from other non-profit organisations ³⁾		
Acted	212	118
Agentschap NL (Senternovem)	198	407
American Jewish World Service	-	713
Arcus Foundation	230	126
Bloomberg Foundation	208	50
Conservacion International Ecuador	(198)	91
Ford Foundation	416	213
Inter-American Development Bank	443	493
King Baudouin Foundation United States	1.047	489
KNCV Tuberculosis Foundation	270	183
National Endowment for Democracy	261	-
Oxfam Novib	137	789
Practical Action	120	358
Rutgers Kenniscentrum Seksualiteit	1.676	1.194
Tides	178	699
Twin	152	230
William and Flora Hewlett Foundation	1.760	951
Other non-profit organisations	1.053	687
Income from other non-profit organisations Total	8.163	7.792
Total income generated	51.172	53.055

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 and renewed in 2017.

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 correction of errors, including see Accounting Principles sub 5.1.4. 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

16 In the year 2018, Hivos prepared toward introduction of a new bookkeeping software as of 2019. As a result, all balance accounts, both at Global Office and Hubs, were thoroughly analysed and cleaned up for old balances and currency differences of previous years. This includes currency differences for foreign partner commitments and foreign funding contracts. Furthermore, these expenses include some other exceptional items such as a provision for loss making contracts. A materiality assessment of all corrections related to prior years was done and based on this it was decided to present the full amounts in the book year 2018.

Related Parties: no transactions were made with related parties.

Notes to the consolidated allocation of expense for the year ended 31 December 2018 (amounts x EUR 1,000)

Appropriation	Objective								Total 2018	Budget 2018	Total 2017
	Open			Green							
Expense	Freedom of Expression	Sexual Rights and Diversity	Women's Empowerment	Sustainable Food	Renewable Energy	Total objective	Total income raised	Total mngt. & account.			
Grants and contributions	11.056	7.034	4.631	3.873	6.607	33.201			33.201	57.912	38.559
Publ. and communication	182	116	76	64	109	548	428	827	1.802	4.995	1.590
Employee costs	2.848	1.812	1.193	998	1.702	8.553	1.692	8.687	18.932	19.953	18.558
Costs of housing	86	55	36	30	51	258	51	262	570	641	441
Office and general expenses	612	389	256	214	366	1.838	364	1.867	4.069	2.908	3.212
Amortisation, depreciation and interest	44	28	18	15	26	131	26	133	290	331	307
Operating costs	3.772	2.400	1.580	1.321	2.254	11.327	2.561	11.775	25.663	28.828	24.108
Exceptional items and provisions									5.515		
Totals	14.828	9.434	6.212	5.194	8.861	44.528	2.561	11.775	64.379	86.740	62.667

Employee costs:

The breakdown of the employee costs are:

	Y2018	Y2017
Salaries	13.834	13.855
Social Security	1.305	1.128
Pension	948	859
Temporary employees	1.253	1.234
Other employee costs	1.592	1.482
Total	18.931	18.558

Total contracted employees:

The number of employees in FTE per end 2018 was:

	Y2018	Y2017
Hivos Global Office	157	131
Hivos Regional Offices	241	241
	<u>398</u>	<u>372</u>

Independent auditor costs:

The breakdown of the independent auditor costs for 2018 are:

	Y2018	Y2017
Annual accounts	766	321
Internal audits	3	-
Project audits	18	28
Fiscal advice	21	2
	<u>809</u>	<u>350</u>

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 € 124,870 (1,0556 fte/12 months) for the Executive Director Mr E. Huizing and € 60,605 (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 BSD score for Stichting Hivos as described in the remuneration model has been established at 590 points. Taking into account Hivos' governance model in 2018, the respective scores are 513 points (category J) for Mr. E. Huizing and 472 points (category H) for Ms. S.W. Nolst Trenité.

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

Name Title	E. Huizing Executive Director	S.W. Nolst Trenité Director of Operations
Employment		
Type of contract (duration)	5 years <i>(extended in 2018)</i>	permanent
hours	38	38
part-time percentage	105,56%	105,56%
period	1/1-31/12	1/1-31/7
Remuneration (EUR)		
Annual income		
gross wages/salary	115.969	52.245
holiday allowance	8.901	8.359
end-of-year bonus, 13th/14th month	0	
variable annual income	0	
Total	124.870 *)	60.605 *)
Social security charges (employer's contribution)	10.153	5.922
Taxable allowances/additions		
Pension charges (employer's contribution)	14.571	7.737
Other future remuneration		
End-of-employment payments		24.825
Total remuneration for 2018	149.594	99.089
<i>Total remuneration for 2017</i>	<i>141.757</i>	<i>119.836</i>

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

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 2018 for Hivos is € 174.000.

1 Remuneration of senior executives and former senior executives with employment contracts

Amounts x € 1	E. Huizing	S. Nolst Trenite
Title	Executive Director	Director of Operations
Date start and end in 2018	01/01 - 31/12	01/01 - 31/07
Part time %	105.56% for WNT: 1 fte	105.56% for WNT: 0.6 fte in the year
Employee	Yes	Yes
Remuneration		
Remuneration and taxable reimbursements	€ 125.605	€ 60.605
Provision for future remuneration	€ 14.571	€ 7.737
Subtotal	€ 140.176	€ 68.342
Applicable WNT maximum	€ 174.000	€ 101.500
Undue payment	n/a	n/a
Total remuneration	€ 140.176	€ 68.342
Justification for excess remuneration	n/a	n/a
Explanation claim for undue payment	n/a	n/a

Comparative data 2017	E. Huizing	S. Nolst Trenite
Title	Executive Director	Director of Operations
Date start and end in 2017	01/01 - 31/12	01/01 - 31/12
Part time %	105.56% for WNT 1 fte	105.56% for WNT 1 fte
Employee	Yes	Yes
Remuneration		
Remuneration and taxable reimbursements	€ 118.038	€ 96.393
Provision for future remuneration	€ 14.224	€ 13.613
Subtotal	€ 132.262	€ 110.006
Applicable WNT maximum	€ 168.000	€ 168.000
Total remuneration 2017	€ 132.262	€ 110.006

2 Remuneration of Supervisory Council members - no employment contracts

Amounts x € 1	Mr J E C de Groot	Ms A van Gorsel	Prof M Baud	Dr J van de Ven	Mr A P Mesker	Mr M Karman	Ms C R Hibbs	Ms C Surjadjaja	Ms E Lwanga King
Title	Chair	Member	Member	Member	Member	Member	Member	Member	Member
Date start and end in 2018	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/07 - 31/12	01/07 - 31/12
Remuneration									
Total remuneration	€ 0	€ 3.000	€ 0	€ 1.500	€ 0	€ 0	€ 1.500	€ 1.000	€ 0
Applicable WNT maximum	€ 26.100	€ 17.400	€ 17.400	€ 17.400	€ 17.400	€ 17.400	€ 17.400	€ 8.700	€ 8.700
Undue payment not yet received in return	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Justification for excess remuneration	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Explanation claim for undue payment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Comparative data 2017									
	Mr J E C de Groot	Ms A van Gorsel	Prof M Baud	Dr J van de Ven	Mr A P Mesker	Mr M Karman	Ms C R Hibbs	Mr V Vivekanandan	
Title	Chair	Member	Member	Member	Member	Member	Member	[Voorzitter/Lid]	
Date start and end in 2017	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/07 - 31/12	
Remuneration									
Total remuneration	€ 0	€ 3.630	€ 0	€ 1.815	€ 0	€ 0	€ 3.178	€ 0	
Applicable WNT maximum	€ 25.200	€ 16.800	€ 16.800	€ 16.800	€ 16.800	€ 16.800	€ 16.800	€ 16.800	

3 Severance pay of senior executives and former senior executives with employment contracts

Amounts x € 1	S. Nolst Trenite
Position	
Title at termination date	Director of Operations
Part time %	105.56%
	for WNT: 0.6 fte in the
	year 2018
Year in which employment ended	2018
Severance pay	
Agreed severance pay	€ 24.825
Applicable WNT maximum	€ 75.000
Undue payment not yet received	n/a
Total severance pay	€ 24.825
Of which paid out in 2018	€ 24.825
Justification for excess remuneration	n/a
Explanation claim for undue payment	n/a

4 Other reporting obligations WNT

In 2018 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 2018 no severance payments were done to other employees that based on the WNT should be included in the list above

5 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 2018 is EUR 9,169.86.

Foundation only Balance sheet as at 31 December 2018 (amounts x EUR 1,000)

After appropriation of the result

ASSETS				
		31-12-2018	31-12-2017	
	Notes			
Intangible fixed assets				
Software for business operations		268	88	
Goodwill		0	2	
Intangible fixed assets	1	268	90	
Tangible fixed assets				
Buildings for business operations		400	465	
Furniture and fixtures for business operations		386	357	
Cars for business operations		15	29	
Buildings for objective		433	455	
Tangible fixed assets	2	1.234	1.306	
Financial fixed assets				
Certificates Triodos Bank/Other Participations		3.000	3.000	
HTF Participations		29.586	29.995	
Shares		857	273	
Loans		9.008	14.432	
Financial fixed assets	3	42.451	47.700	
Claims, prepayments and accrued income				
Claims for grants	4	11.962	31.757	
Prepayments and accrued income	5	5.182	2.665	
Claims, prepayments and accrued income		17.144	34.422	
Cash at bank and in hand	6	66.720	71.104	
Total		127.817	154.622	

¹⁾ Itemised in Chapter 17: Notes to the Foundation only balance sheet as at 31 December 2018

Foundation only Balance sheet as at 31 December 2018 (amounts x EUR 1,000) continued

After appropriation of the result

RESERVES AND FUNDS

		31-12-2018	31-12-2017
Appropriated reserve for business operations		5.396	8.286
Appropriated reserve for business operations - calamities		2.495	2.495
Appropriated reserve for programme management		(0)	69
Appropriated reserve for translation differences		(2.333)	(2.333)
Appropriated reserve, National Postcode Lottery		3.893	2.609
Appropriated reserve, Refunds + Interest		4.421	4.459
Appropriated reserve, Currency valuation		1.636	1.636
Appropriated reserve related to The Innovation Station B.V.		100	450
Appropriated reserve related to Hivos Impact Investments B.V.		39	83
Appropriated reserve related to Hivos Food & Lifestyle Fund B.V.		741	306
Appropriated reserve related to Hivos Mideast Creatives Fund B.V.		116	149
Appropriated reserve, HTF participations		29.586	29.996
Appropriated reserve for Program Development & projects		11.449	15.093
Appropriated reserve for Innovation		10.185	10.814
	7	67.726	74.112
Funds			
Appropriated fund, Private Funds		2.678	4.300
Appropriated fund, Xandra Fund		-	(10)
Appropriated fund, Stop Aids Now!		45	67
	8	2.723	4.357
Reserves and funds		70.449	78.469

LIABILITIES

		31-12-2018	31-12-2017
	Notes		
Provisions			
Provision for legal claims		369	-
Provision for sabbatical leave		229	328
Provision for reorganisation		-	62
Provision for jubilee		3	2
Provision for cost to go / future losses on project implementation		1.287	-
Provision for investment in Hivos Impact Investment		539	-
Provisions	9	2.428	392
Long-term liabilities			
Long-term project liabilities		9.218	3.468
Long term liabilities		81	81
Long-term liabilities		9.298	3.549
Current liabilities			
Project grants received in advance		21.430	38.156
Current project liabilities		14.417	20.979
Accruals and deferred income		8.843	12.195
Current liabilities for staff		951	882
Current liabilities	10	45.642	72.213

Foundation only Balance sheet as at 31 December 2018 (amounts x EUR 1,000) continued

After appropriation of the result

RESERVES AND FUNDS

	31-12-2018	31-12-2017
Appropriated reserve for business operations	5.396	8.286
Appropriated reserve for business operations - calamities	2.495	2.495
Appropriated reserve for programme management	(0)	69
Appropriated reserve for translation differences	(2.333)	(2.333)
Appropriated reserve, National Postcode Lottery	3.893	2.609
Appropriated reserve, Refunds + Interest	4.421	4.459
Appropriated reserve, Currency valuation	1.636	1.636
Appropriated reserve related to The Innovation Station B.V.	100	450
Appropriated reserve related to Hivos Impact Investments B.V.	39	83
Appropriated reserve related to Hivos Food & Lifestyle Fund B.V.	741	306
Appropriated reserve related to Hivos Mideast Creatives Fund B.V.	116	149
Appropriated reserve, HTF participations	29.586	29.996
Appropriated reserve for Program Development & projects	11.449	15.093
Appropriated reserve for Innovation	10.185	10.814
7	67.726	74.112
Funds		
Appropriated fund, Private Funds	2.678	4.300
Appropriated fund, Xandra Fund	-	(10)
Appropriated fund, Stop Aids Now!	45	67
8	2.723	4.357
Reserves and funds	70.449	78.469
LIABILITIES		
Total provisions and liabilities	57.368	76.154
Total	127.817	154.622

¹⁾ Itemised in Chapter 17: Notes to the Foundation only balance sheet as at 31 December 2018

Foundation only Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

		Actual 2018	Budget 2018	Actual 2017
INCOME		Notes		
Income from private individuals				
Donations and gifts		1.047		735
Legacies		109	2.365	210
Climate fund CO2 compensation		935		677
Income from private individuals	11	<u>2.091</u>	<u>2.365</u>	<u>1.622</u>
Income from companies	12	255		679
Income from lottery organisations	13	4.239	4.557	8.371
Income from government subsidies	14	36.561	60.638	30.033
Income from other non-profit organisations	15	5.306	3.400	5.234
sub total Income generated	B	48.450	70.960	45.939
Other income				
Net investment / unrealized exchange gains HTF participations		2.461		893
Dividend HTF participations		1.025	870	1.175
Revaluation HTF Loan Agreement 2016-2020		61		653
Income from investments		(1.017)		-
Exchange risk gain/loss revaluation Balance Sheet		-		(2.507)
Exchange gain/loss of Operations		(906)		961
Other income		<u>56</u>	<u>38</u>	<u>772</u>
Other income		1.680	908	1.947
TOTAL INCOME	D	50.131	71.868	47.886
EXPENDITURES				
Spent on objectives/Programmes				
Open Freedom & Accountability		12.487		19.151
Sexual Rights and Diversity		9.099		13.125
Women's Empowerment		5.957	66.109	1.820
Green Sustainable Food		5.109		3.175
Renewable Energy		9.127		5.986
Total expenditure on objectives	C	41.778	66.109	43.257
Spent on generating income	A	2.401	3.100	2.741
Management and accounting costs	E	11.653	8.649	9.791
Exceptional items and provions	16	5.607	-	-
TOTAL EXPENDITURES	F	61.440	77.859	55.788
Operating Result before financial income and expenses		(11.309)	(5.991)	(7.903)
Balance of financial income and expenses		19	-	99
FINAL OPERATING RESULT		(11.328)	(5.991)	(8.002)
Costs of generating income as a % of total income generated (=A/B)		5%	4%	6%

Foundation only Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

	Actual 2018	Budget 2018	Actual 2017
Costs spent on objective as a % of total income (= C / D)	83%	92%	90%
Costs spent on objective as a % of total costs (= C / F)	68%	85%	78%
Man. and accounting costs as a % of total expenditures (= E / F)	19%	11%	18%
Result before appropriation	(11.328)	(5.991)	(8.002)

Foundation only Statement of income and expense for the year ended 31 December 2018 (amounts x EUR 1,000)

	Actual 2018	Budget 2018	Actual 2017
Added to/withdrawn from:			
Reserves	Actual 2018	Budget 2018	Actual 2017
Appropriated reserve for business operations	(6.198)	947	4.431
Appropriated reserve for business operations calamities	-	-	1.495
Appropriated reserve for programme management	(69)	-	(1.397)
Appropriated reserve for translation differences	-	-	(2.633)
Appropriated reserve for National Postcode Lottery	1.277	-	39
Appropriated reserve Refunds and interest	(38)	-	242
Appropriated reserve Currency valuation	-	-	(2.507)
Appropriated reserve The Innovation Station B.V.	(350)	-	-
Appropriated reserve to Hivos Impact investment B.V.	(44)	-	(260)
Appropriated reserve Hivos Food & Lifestyle Fund B.V.	-	-	173
Appropriated reserve Hivos Mideast Creatives Funds B.V.	-	-	78
	-	-	(1.628)
Appropriated reserve for Programme Development & projects	(3.644)	(3.335)	(4.907)
Appropriated reserve for innovation	(629)	-	(604)
Subtotal appropriations reserves	(9.695)	(2.388)	(7.479)
Funds			
Appropriated fund Private funds	(1.621)	800	(83)
Appropriated fund Xandra fund	10	-	10
Appropriated fund, Stop Aids now	(22)	-	(450)
Subtotal appropriations funds	(1.633)	800	(524)
Total addition/withdrawal	(11.328)	(1.588)	(8.002)

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

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 fixed assets			
Acquisition price, 01.01.2018	1.828	4	1.832
Mutations 2018	254	-	254
Acquisition price after mutations, 31.12.2018	2.082	4	2.086
Accumulated amortisation, 01.01.2018	1.740	2	1.742
Mutations 2018	74	1	76
Accumulated amortisation after mutations, 31.12.2018	1.814	3	1.817
Book value, 01.01.2018	88	2	90
Additions 2018	254	-	254
Amortisation 2018	74	1	76
Book value, 31.12.2018	268	0	268
Total intangible fixed assets	268	0	268

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, 01.01.2018	1.424	1.255	111	2.790	106	442	548	3.338
Mutations 2018	-	106	(0)	105	-	-	-	105
Acquisition price after mutations, 31.12.2018	1.424	1.361	110	2.895	106	442	548	3.443
Accumulated depreciation, 01.01.2018	959	897	82	1.939	65	28	93	2.032
Mutations 2018	66	77	13	156	2	21	22	179
Accumulated depreciation after mutations, 31.12.2018	1.025	974	95	2.095	66	49	115	2.211
Book value, 01.01.2018	465	357	29	851	41	414	455	1.306
Additions 2018	-	106	(0)	105	-	-	-	105
Depreciation 2018	66	77	13	157	2	21	22	179
Book value, 31.12.2018	400	386	15	799	40	393	433	1.234
Total tangible fixed assets	400	386	15	799	40	393	433	1.234

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 €1,225,000

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 %	31.12.2018	Ownership %	31.12.2017
Hivos Impact Investments B.V.	100%	0	100%	-182
Hivos Food & Lifestyle Fund B.V.	68%	741	52%	306
Hivos Mideast Creatives Fund B.V.	100%	116	100%	149
		857		273

Notes to the Foundation only balance sheet as at 31 December 2018 (amounts x €1,000)

- 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. In 2018, new shares were purchased for EUR 300,000.
- 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 (68%) 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. In 2018, new shares were purchased for EUR 500,000.

Hivos has shares in three Limited companies at 31 December 2018.
The Limited companies are valued as indicated below.

	Ownership %	31.12.2017	Added	Withdrawn	31.12.2018	Ownership %
Hivos Impact Investments BV	100%	-182	182	-	-	100%
Hivos Food & Lifestyle Fund BV (at 67% of value, as Hivos owns 67% of share)	52%	306	500	65	741	68%
Hivos Mideast Creatives Fund BV	100%	149	-	33	116	100%
		273	682	98	857	

Hivos registered Hivos Civil Company Lebanon Limited in Beirut, Lebanon, in 2017. At the time, a foundation capital of LBP 1,000,000 was required, to be achieved through purchase of shares. Total shares owned by Hivos (staff) amount to €621.12. 1% is held at a local lawyer firm, as required by law. At consolidated level, the equivalent value is part of the foundation capital.

Hivos has the following inactive and empty entities which will be liquidated in the near future:

- * Malawi Hivos Limited, 100%
- * African Clean Energy Switch Biogas Limited, 100% Uganda
- * Biogas Solutions Limited, 50%, Uganda, joint venture under SNV control
- * Hivos India Advisory Services Private Limited, 100%

Loans

	Interest %	Duration	31.12.2017	Added	Withdrawn	Revaluation	31.12.2018
Hivos Triodos Fund Subordinated Loan	3%	interest-only	-	-	-	-	-
Hivos Triodos Fund Subordinated Loan (A)	0%	interest-only	4.500	-	-	-	4.500
Hivos Triodos Fund Subordinated Loan (B)	0%	interest-only	9.217	1.151	6.000	-	4.368
Hivos Impact Investments B.V.	3%	interest-only	265	-	-	226	39
The Innovation Station BV (loan 1)	0%	5 years	300	-	299	-	1
The Innovation Station BV (loan 2)	5%	5 years	150	-	-	50	100
			14.432	1.151	6.299	276	9.008

Loans to TIS and Hivos Impact Investments are revaluated and provisioned for, while maintaining a claim on the full amount owed.

4 Claims for grants

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

	31 December 2018		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Receivable from private individuals	-	-	-	-
Receivable from companies	277	-	1.026	28
Receivable from lotteries	1.378	28	1.352	1.350
Receivable from government subsidies	7.837	3.874	24.243	9.071
Receivable from other non-profit organisations	2.204	1.189	4.937	3.653
Receivable from other sources	266	-	199	125
	11.962	5.091	31.757	14.227

The decrease in 'Claims for grants' is mainly a result of a better way of presenting which eliminates large debit and credit amounts including revaluations.

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

	31.12.2018	31.12.2017
Debtors not including grants	2.162	297
Prepayments (employees/travelling)	45	507
Receivable (and prepaid)	2.976	1.654
Other	-	207
	5.182	2.665

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

Cash at bank and in hand

6 Cash at bank and in hand is at the Foundation's disposal.

Cash at bank and in hand can be broken down as follows:

	31.12.2018	31.12.2017
In hand	8	5
Bank	66.711	71.099
	66.720	71.104

Notes to the Foundation only balance sheet as at 31 December 2018 (amounts x €1,000)

7 Reserves

Total equity of the Foundation only accounts is EUR 422 lower than in the consolidated accounts.

This is caused by the impact of the limited companies and the small own reserves of Hub EA:

Foundation only	70.449	
Provision made for Hivos Impact Investme	539	not applicable in Consolidation
Hub EA	22	included in Consolidation, not in Foundation Only
Consolidated	<u>71.010</u>	

8 Funds

See notes to the consolidated Balance Sheet.

LIABILITIES

9 Provisions

See notes to the consolidated Balance Sheet. The provision in the Foundation only balance sheet is mainly higher due to a provision for Hivos Impact Investment B.V.

10 Current liabilities

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

	31 December 2018		31 December 2017	
	Total	Remaining term > 1 year	Total	Remaining term > 1 year
Received from private individuals	-	-	-	-
Received from companies	252	-	150	46
Received from lotteries	3.980	3.816	7.389	7.389
Received from government subsidies	16.099	12.031	21.593	2.019
Received from other non-profit organisati	1.099	437	9.024	6.179
Received from Other sources	-	-	-	-
total	<u>21.430</u>	<u>16.284</u>	<u>38.156</u>	<u>15.633</u>

The decrease in 'Projects grants received in advance' is a result of a better way of presenting which eliminates large debit and credit amounts including revaluations.

	31.12.2018	31.12.2017
Project liabilities	14.417	20.979

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

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

	31.12.2018	31.12.2017
Accruals and deferred income		
Creditors - Hivos	3.862	2.494
- Intercompanies (extraction Hub EA, MENA)	1.134	3.952
Open amounts related to salaries	84	41
Outstanding costs	2.963	4.078
Outstanding project payments (other)	657	912
Payments in transfer	1	363
Payable taxes	82	333
Other	61	22
	<u>8.843</u>	<u>12.195</u>
	31.12.2018	31.12.2017
Current liabilities for staff	951	882

Notes to the Foundation only Statement of income and expense for the year ended 31 December 2018 (amounts x €1,000)

	Realisation 2018	Realisation 2017
11 Income from private individuals	2.091	1.622
12 Income from companies 1)		
GRM International	(248)	12
NRECA International Limited	181	291
Palladium International Pty Limited	327	310
Other income from companies	(6)	66
Income from companies Total	255	679
13 Income from lottery organisations		
Structutural contribution	1.350	1.350
Project contribution including from foreign postcode	2.889	7.021
	4.239	8.371
14 Income from government subsidies 2)		
Ministry of Foreign Affairs The Netherlands	17.577	16.318
Royal Netherlands Embassy Bolivia	-	(5.103)
Royal Netherlands Embassy Costa Rica	330	1.661
Delegation of the EU to Bolivia	38	594
Delegation of the EU to Honduras	(40)	700
Delegation of the EU to Indonesia	962	(164)
Department for International Development (DFID)	(1.030)	4.838
Deutsche Gesellschaft für Internationale Zusammenz	(3)	654
Millennium Challenge Account - Indonesia	3.676	306
Norwegian Ministry of Foreign Affairs (NORAD)	400	469
Swedish International Development Agency	5.082	2.557
Swiss Agency for Development and Cooperation (SD	1.866	210
The Global Fund	4.998	5.539
US Department of State	1.570	151
Other government subsidies	1.134	1.303
Income from government subsidies Total	36.561	30.033
15 Income from other non-profit organisations 3)		
Acted	212	118
Arcus Foundation	230	126
Conservacion International Ecuador	(198)	91
Inter-American Development Bank	443	493
King Baudouin Foundation	1.047	489
KNCV Tuberculosis Foundation	270	183
National Endowment for Democracy	261	-
Oxfam Novib	104	789
Practical Action	120	358
Rutgers Kenniscentrum Seksualiteit	1.676	1.194
Tides	178	699
Other non-profit organisations	962	694
Income from other non-profit organisations Total	5.306	5.234
	48.451	45.939

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 and renewed in 2017. 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 correction of errors, including see Accounting Principles sub 5.1.4. 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

16 We refer to note 16 of the Consolidated of income and expense

Notes to the Foundation only allocation of expense for the year ended 31 December 2018 (amounts x EUR 1,000)

Appropriation	Objective							Total 2018	Budget 2018	Total 2017	
	Open		Green								
Expense	Freedom & Accountability	Sexual Rights and Diversity	Women's Empowerment	Sustainable Food	Renewable Energy	Total objective	Total income raised	Total mngt. & account.			
Grants and contributions	9.670	7.046	4.613	3.956	7.068	32.352			32.352	50.020	34.269
Publ. and communication	128	93	61	52	93	427	428	842	1.698	2.861	1.488
Employee costs	2.120	1.545	1.011	867	1.550	7.094	1.556	8.523	17.172	17.614	16.484
Costs of housing	57	42	27	24	42	192	42	231	466	739	356
Office and general expenses	478	348	228	195	349	1.598	350	1.920	3.869	2.544	2.903
Amortisation, depreciation and interest	34	25	16	14	25	114	25	137	276	552	290
Operating costs	2.817	2.053	1.344	1.153	2.059	9.426	2.401	11.653	23.480	24.310	21.520
Exceptional items and provisions									5.607		
Totals	12.487	9.100	5.957	5.109	9.127	41.778	2.401	11.653	61.440	74.330	55.789

Employee costs:

The breakdown of the employee costs are:

	Y2018	Y2017
Salaries	12.437	12.008
Social Security	1.298	1.122
Pension	816	864
Temporary employees	1.243	1.231
Other employee costs	1.378	1.259
Total	17.172	16.484

Total contracted employees:

The number of employees in FTE per end 2017 was:

	Y2018	Y2017
Hivos Head Office	157	117
Hivos Regional Offices	193	247
	350	364

Independent auditor costs:

The breakdown of the independent auditor costs are:

	Y2018	Y2017
Annual accounts	746	302
Internal audits	3	-
Project audits	18	28
Fiscal advice	21	2
	788	331

Annex 1 - Overview of specific projects



a. Overview expenditures 2018 for WE4L programme

Financial Report 2018 Women Empowered for Leadership Program (WE4L)										
Outcomes	Budget per Outcome	Spent per Outcome	Outcome Indicators	Spent per Indicator	Expend. Jordan	Expend. Lebanon	Expend. Malawi	Expend. Zambia	Expend. Zimbabwe	Expend. Overall
1. Significant increase in women elected officials and new appointees at sub-national political and administrative level, participating fully and effectively	€ 665.000	€ 721.418	1a. Introduction of quota system for sub-national politics	€ 166.748	€ 10.319	€ 84.422	€ 38.142	€ 19.290	€ 14.575	€ 0
			1b. Number of women in elected/ appointed political positions at sub-national/ local level	€ 321.802	€ 52.884	€ 93.883	€ 85.915	€ 9.778	€ 79.343	€ 0
			1c. Existence of internal policies and practices in state institutions and councils at sub-national level that promote work-life balance	€ 232.868	€ 134.830	€ 51.503	€ 37.402	€ 9.133		€ 0
2. Women's CSOs and established and aspiring women leaders collaborate and impact political and societal development and opinions	€ 950.000	€ 699.506	2a. Number of women's CSOs with linkages to networks for political and social support of women leadership	€ 314.884	€ 86.072	€ 84.437	€ 79.438	€ 9.963	€ 50.000	€ 4.974
			2b. Number of women leaders participating in autonomous virtual and/or real-world spaces	€ 181.619	€ 77.292	€ 22.515	€ 25.549	€ 16.726	€ 39.536	€ 0
			2c. Number of women leaders with improved communication skills	€ 107.472	€ 0	€ 15.257	€ 28.049	€ 15.889	€ 48.277	€ 0
			2d. Capacity assessment forecasts and scores of CSOs in setting up systems to promote women's equal participation	€ 95.532	€ 3.825	€ 2.029	€ 26.549	€ 23.468	€ 39.660	€ 0
3. The general public increasingly recognizes and supports women in leadership positions	€ 900.000	€ 608.650	3a. Number of articles and broadcasts about the women leaders in the media	€ 309.314	€ 130.783	€ 102.541	€ 21.549	€ 14.902	€ 39.538	€ 0
			3b. Proportion of target population that is positive towards women equal political participation	€ 299.336	€ 137.333	€ 38.602	€ 39.968	€ 13.616	€ 69.818	€ 0
4. Civic organizations demonstrate a significant change in their policies and practices on full and equal participation of women in leadership positions	€ 615.000	€ 683.181	4a. Existence of internal organizational procedures to provide for equal participation of men and women in organizational leadership structures	€ 299.694	€ 90.600	€ 109.852	€ 32.677	€ 25.665	€ 40.900	€ 0
			4b. Number of tools and manuals developed by CSOs on women participation	€ 187.735	€ 74.748	€ 40.209	€ 27.402	€ 20.291	€ 25.085	€ 0
			4c. Percentage of women in board positions in selected social organizations and political parties	€ 195.752	€ 99.955	€ 35.959	€ 24.994	€ 14.844	€ 20.000	€ 0
5. Improved preconditions for women's rights and gender equality	€ 307.372	€ 186.352	5a. Number of demonstrable contributions to women's rights and gender equality by public and private sector institutions	€ 186.352	€ 15.657	€ 44.447	€ 33.515	€ 13.184	€ 40.017	€ 39.532
6. Programme management and other programme activities (evaluations, audits, FLOW policy dialogues)	€ 740.603	€ 777.286	6a. Programme management administration and reporting	€ 736.457						€ 736.457
			6b. Evaluations and audits	€ 37.760						€ 37.760
			6c. Participation in annual FLOW policy dialogues	€ 3.069						€ 3.069
Total	€ 4.177.975	€ 3.676.393		€ 3.676.393	€ 914.299	€ 725.656	€ 501.149	€ 206.749	€ 506.748	€ 821.792

Please note that in Hivos Annual Accounts 2017 the total amount reported amounted to EUR 2,910,300. Due to a correction for programme management costs, the total amount should have been EUR 2,897,000. The decrease of EUR 13,302 in reported expenses for programme management costs (from EUR 701,974 to EUR 688,672) has been communicated correctly to the funding partner, the Netherlands Ministry of Foreign Affairs.

b. Overview expenditures 2018 for programme Coworking for Sustainable Employment

Coworking for sustainable employment 2018	Budget Tunisia	Actual Tunisia	Budget Egypt	Actual Egypt	Budget Algeria	Actual Algeria	Budget Libia	Actual Libia	Total Budget 2018	Total Actual 2018	Differences	Notes
Outcome indicator												
Outcome indicator 1 A media campaign has been carried out to promote entrepreneurship amongst women.									109.957	99.044	-10%	
Direct	21.814	21.033	21.814	21.033	21.814	21.033	21.814	21.033	87.256	84.130		
Indirect	5.676	3.728	5.676	3.728	5.675	3.728	5.675	3.728	22.701	14.914		
Outcome indicator 2A support programme for young entrepreneurs has been established in medium-sized towns, tailored to local needs and in particular to the needs of young women.									963.778	920.029	-5%	
Direct	524.084	537.243	119.397	174.283	47.624	35.018	12.084	17.120	703.189	763.663		
Indirect	236.964	68.482	18.901	68.482	2.363	17.120	2.362	2.283	260.589	156.366		
Outcome indicator 3 Local coworking spaces have grown into financially self-supporting hubs, where coworkers collaborate with each other and with other businesses, civil sector and local authorities in innovative, st									544.239	668.756	23%	
Direct	109.871	217.075	131.204	185.752	57.157	62.547	22.157	51.210	320.389	516.584		
Indirect	90.808	60.103	67.857	60.103	33.018	15.983	32.168	15.983	223.850	152.172		
Outcome indicator 4Young entrepreneurs are investment-ready and local businesses in growth sectors have been linked up with investors.									196.193	197.943	1%	
Direct	82.628	44.405	82.628	44.405		44.405		44.405	165.256	177.618		
Indirect	15.469	5.081	15.469	5.081		5.081		5.081	30.937	20.325		
Total Expenditure		957.149		562.866		204.916		160.843	1.814.167	1.885.773	71.606	The Programme Has overspent this amount due to the use of the carry on funds From 2016 and 2017.
Carried forward un-used balance from 2016-2018										104.390		Unused Funds will be used to support activities under outcomes 1, 2 and 4. Detailed allocation and expected results will be discussed with the ministry during the month of May and communicated in the Narrative Report submitted for 2018.

Independent auditor's report

To the Executive Board and the Supervisory Board of Stichting Hivos

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2018 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 December 31, 2018, and of its result for 2018 in accordance with Guideline 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 foundation only balance sheet as at December 31, 2018.
2. The consolidated and foundation only statement of income and expense for the year ended 2018.
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:

- HIVOS 2018 executive Board report
- Supervisory Council report
- Annex 1 Overview specific projects
- Other information

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

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Guideline 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.

Executive Board is responsible for the preparation of the other information, including the HIVOS 2018 Executive Board's Report, Supervisory Council report, Annex 1 Overview specific projects and the other information.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of Executive Board and the Supervisory Board for the financial statements

Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with Guideline 650 of the Dutch Accounting Standards. Furthermore, Executive Board is responsible for such internal control as executive board 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, executive board is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, executive board should prepare the financial statements using the going concern basis of accounting unless executive board either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

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

Supervisory Board is responsible for overseeing the foundation's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by executive board.
- Concluding on the appropriateness of executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.
- 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, November 19, 2019

Deloitte Accountants B.V.

Signed on the original: M.A. van Dreumel