



# Annual report 2016



AGRICULTURE



DRINKING WATER



PARENTING

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# Uta Jivunia: proud farmers



Ronald Messelink ICS Director

**These are turbulent times for the world. Mass flows of refugees, climate crises and political tensions dominate the front pages of our newspapers. Of course, 'our' farming families in Kenya and Tanzania are also affected by these topics, directly or indirectly. These developments and sentiments make our work more important than ever. ICS therefore continues its efforts in 2017, through its social agricultural businesses Agrics and Alizetics, start-up Geodatics and the parenting programme Skilful Parenting, to work together with these farmers on the sustainable building of a decent existence in their own, familiar home environment.**

## Agriculture

### *The importance of certified seed in unpredictable weather conditions*

The weather phenomenon El Niño caused severe drought in 2016 and resulted in a silent disaster in many places, especially in Africa. Harvests failed, leading to dramatic food shortages for millions of people. And at the start of 2017, the Horn of Africa, but also parts of Kenya and Tanzania, are experiencing hard times again.

Using certified seed in agriculture makes a huge difference. The seed can germinate better and grow into strong plants, even under prolonged drought conditions. Agrics, our social enterprise which supplies this seed and fertilizer on credit to farmers in Kenya and Tanzania, provided services to more than 30,000 smallholder farmers in the past year. This is almost twice as many farmers as the year before. The farmers' harvest increased, the turnover of Agrics grew and profitability is now within reach for this social enterprise.

### *Agrics heading towards profit*

This did not come about entirely without incident, however. Halfway through 2016, Agrics Kenya was compelled to take a number of rigorous measures to restore the business to good health. A new manager was appointed to prepare the organisation for an increase in scale. Purchases for the distribution of inputs for 2017 were made under better terms and the runaway operational expenses were brought back under control. It is expected that Agrics Kenya will post a profit in the first quarter of 2017, a milestone we are looking forward to. A financially sustainable business model will enable us to scale up further, so that we can supply seed and fertilizer on credit to even more farmers.

## Parenting

### *A positive family environment as basis for a bright future*

Our successful parenting programme Skilful Parenting runs parallel with our agricultural activities. This 12-week course supports parents in rural areas in the upbringing of their children. Poverty takes a heavy toll on families. Parents feel powerless, stop sending their children to school and turn to physical violence more frequently, with women and children in particular being the victims. The courses restore the parents' self-confidence and create more equality between family members. In the past year, ICS itself and our partners trained around 8,500 parents.

### *Skilful Parenting wins prizes*

Not only the parents themselves react enthusiastically, other non-governmental orga-

*This year we provided over 30,000 farmers with agricultural inputs on credit*



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nisations (NGOs), foundations and colleagues have also embraced the method. We can look back on the past year as highly successful. ICS-SP, our Nairobi-based NGO which runs the programme in Kenya and Tanzania, accepted the Klaus J. Jacobs Best Practice Prize in Switzerland. Furthermore, ICS and partner organisations receive support from the Dreams Innovation Fund in the rollout of a special combination programme aimed at reducing the number of HIV infections among young women and girls. And then there are the exciting developments in West Africa. Discussions are currently at an advanced stage with a major player in the international cocoa industry. Our plan is to offer our training programme to cocoa farmers there, to improve very difficult family situations and combat child labour.

## Development cooperation

### *Standing on our own two feet*

The recent election results in The Netherlands have also brought the financial support of developing countries up for discussion. The two largest parties want to cut the budget back or even give it up altogether. For ICS this is an unwelcome development, in which we have no faith. Nevertheless, it is our ideal to be able to operate increasingly independently. Our ambition is for all our enterprises to be standing on their own two feet within a few years. We are not there yet, but in 2016 we did make great strides in the right direction. That is why we also made a concerted effort in the past year to secure alternative funding, and why the structure and extension of our social enterprises have become a core activity of ICS. Our parenting programme does still rely on donations and will continue to do so for the time being.

### *Uta Jivunia: farmers to be proud of*

At the end of 2016, Agrics introduced the 'Jivunie loyalty programme' to strengthen the bond with farmers. Loyal farmers who attend the agricultural training courses and pay off their outstanding debts on time are rewarded. 'Uta Jivunia' is an important concept in East Africa. It means something like: 'you reap what you sow'. People who make an effort for their fellow man make themselves and the community proud. Our farmers are proud farmers. And we are proud too. We are proud of them and proud of the results we have been able to achieve in the past year.

Ronald Messelink, ICS Director



# 2016 Timeline

- Kenya: start of distribution of seed and fertilizer to approximately 24,000 farmers

## January

- Positive research report on Skilful Parenting published by the University of Utrecht
- El Niño causes severe drought in large areas of Africa; Agrics farmers have a lucky escape
- Agrics receives USD 600,000 from investor AECF to expand the activities
- Alizetics starts buying back sunflower seed from farmers in Tanzania



- Kenya: harvesting 'long rains season'
- Continuation of buying back sunflower seed from farmers in Tanzania

## February

- Kenya: continuation of distribution of seed and fertilizer + sowing 'long rains season'
- Tanzania: harvesting in Geita region



## March

## April

- Achmea Foundation visits Agrics in Kenya and provides advice on how to deal with the introduction of agricultural insurance
- Tanzania: harvesting in Shinyanga/Simiyu regions
- Alizetics continues buying back sunflower seed from farmers in Tanzania

## May

## June

- Kenya: ninth water station delivered in Busia; 12,000 inhabitants can now collect clean drinking water close to home

## July

- ICS receives USD 1,700,000 support from Dreams Innovation Fund for a combined approach to combating HIV among young girls
- Geodatics website goes live

## August

- Reorganisation of Agrics Kenya

## September

- Kenya: sowing 'short rains season', test drilling for water in Maai Mahiu starts
- Tanzania: delivery of water tower, distribution of seed and fertilizer to more than 6,000 farmers, sowing time in the Geita region



## October

- Kenya: Residents of Epe, the Netherlands, climb Mount Kenya and collect €23,000 for the Maai Mahiu water project
- Tanzania: continuation of distribution of seed and fertilizer



## November

- Kenya: harvesting 'short rains season'
- Tanzania: Geodatics supplies the first pilot advice to 325 farmers, sowing in Shinyanga/Simiyu regions



## December

- ICS wins the Klaus J. Jacobs Best Practice Prize for the Skilful Parenting programme
- Tanzania: delivery of first four water points in North Tanzania
- Alizetics sells the bought-back sunflower seeds to oil producers

# ICS in a nutshell



*Not only do we tackle the cause of poverty but also common side effects as domestic violence, child labour and large gender divide*

## Vision

We strive for a world in which all farming families are able to take control of their situation. A world in which farmers in developing countries are also able to achieve a good harvest, a viable income and a positive family environment. Our ideal is a world in which men, women and children are treated equally. A world in which poverty is a thing of the past and is no longer the cause of domestic violence or neglect of children.

## Mission

Millions of Africans have to live on what their piece of land can produce, but in many cases this is very little or not enough and results in desperate poverty. It does not have to be like this: the full potential of the land is far from fully exploited.

We believe that investing in farmers in developing countries will lead to a better future. A better future for themselves, their families and also for the generations to come. We empower farmers by doing genuine business with them. We make essential agricultural products such as sowing seed available and we share valuable knowledge to help increase the harvest of the farmers.

Poverty facilitates child abuse and exploitation. That is why we also support these families and their immediate environment in the upbringing of children. Not only do we tackle the cause of poverty, but also the unwanted, but very common side effects, such as domestic violence, child labour and a large gender divide. ICS helps farming families flourish.

## Themes

The two main themes of ICS are agriculture and parenting. ICS also creates access to clean drinking water in the regions in which we work.



*Interest of a Nepalese organisation in our Skilful Parenting resulted in the rolling out of the method there as well*

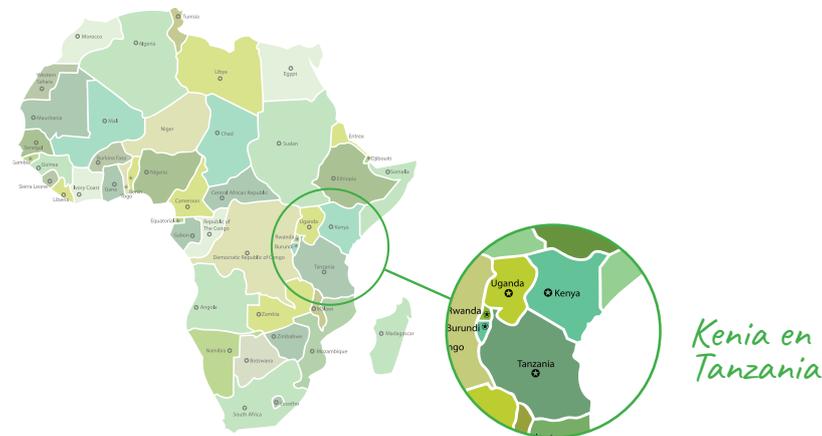
## Operational area

### Africa

Our operational area is East Africa; we focus specifically on rural regions. In Kenya we work in the west, in the counties Busia, Kakamega, Siaya, Trans Nzoia and Nandi. In Tanzania we work in the north, in the counties Shinyanga, Geita and Mwanza. ICS has plans to expand the agricultural programme in 2017 to neighbouring country Uganda, just across the border with Kenya. Furthermore, ICS will introduce the parenting programme in Ivory Coast, in Western Africa.

### Asia

We moreover developed and implemented the Skilful Parenting programme in Cambodia from 2012 to 2015. A local foundation took it over in 2016 and is now continuing the programme independently. Interest in the Skilful Parenting programme from a foundation in Nepal has resulted in that foundation rolling out the method for farming families there as well.



## Independent investigation and evaluations

Does the ICS approach work? In order to obtain an independent answer to this question, ICS commissioned various research institutes to conduct a review. Naturally we monitor the projects internally as well. ICS can thus account for the results of its programmes and learn from them for the future. Both the immediate results and the consequences for the long term are important in this respect.

The University of Oxford, the University of Glasgow and the National Institute of Medical Research in Tanzania investigated the social effects of Skilful Parenting in North Tanzania in combination with the economic benefits which our agribusiness Agrics offers the farming families and the extent to which this can prevent violence against children. Find more on the outcomes at page 19.

# 2016 impact: ICS in figures



The (purchasing) power of our **30,240 farmers\***

*I have six months to repay the costs of my seed and fertilizer package. The loan is interest-free. I pay a deposit when I make the order, and the rest follows in instalments.*

*I attended three training courses and since then my maize plants are looking much better!*



630,790 kg fertilizer



24,184 chickens

5,716 solar lamps



185,633 kg seeds



We bought 602,235 kg sunflower (oil) seed from smallholder farmers

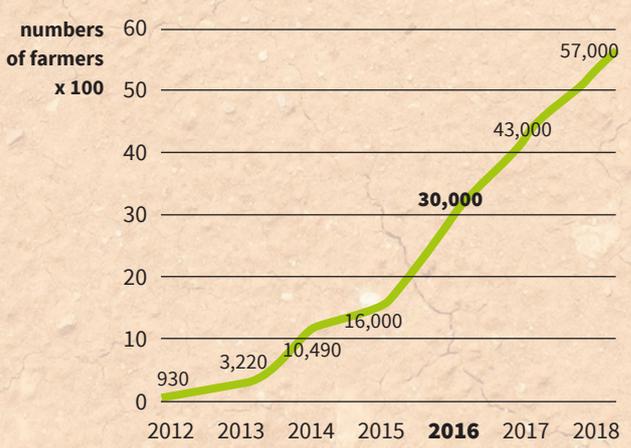


*The first 325 farmers received tailored advice from Geodatics on how to cultivate their land even better.*

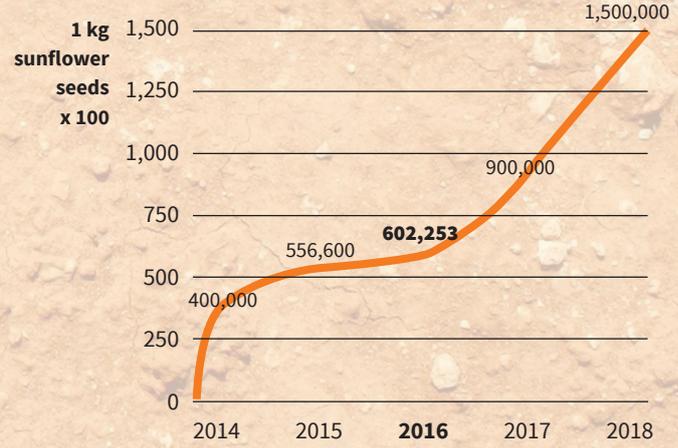
\*Behind every farmer there is a family with an average of five members.



Historic and projected numbers of farmers served



Historic and projected amount of traded sunflowers seeds



# The best start for children comes from good parenting

## 8,496 parents\*



979 teachers participated in the school programme

Feelings of depression among parents due to poverty and lack of prospects have decreased\*

68 extra field trainers

I always ended up doing all the household tasks. That could frustrate me and then I would treat the children curtly. Now my husband sometimes also gives the children their bath. And you know what, he even enjoys it!

I never used to involve my wife in important decisions. Now we keep a household budget together and make decisions jointly about purchases.

A counterpart organisation in Nepal will also start using our method

17,885 people received information about parenting and upbringing

Violence against children and physical punishment have decreased demonstrably\*

3,793 children were given a birth certificate

\* Investigated in 2016 by the University of Oxford and University of Glasgow, and in 2015 by the University of Utrecht.



2,433 children followed Life Skills lessons

The solar panels provide energy for the water station lighting in the evenings: safe and practical

Finally there is water close to home: we have been looking forward to it

Historic and projected numbers of parents reached



One bore hole in Maai Mahiu, Central Kenya\*

Four new water points in North Tanzania\*



Clean drinking water close to home

## 14,000 people\*

\* The water projects in North Tanzania and Central Kenya are still in full swing. In Tanzania a total of 21 water stations will be delivered this year, while in Maai Mahiu we are starting with three water stations. Together, the two projects will provide access to clean drinking water for a total of 14,000 people.



## ICS invests in agribusinesses

# Achieving the full potential of African fields brings an end to poverty

The ICS social enterprises Agrics, Alizetics and start-up Geodatics support farmers in East Africa to improve their harvest and thus their income. With social enterprises, the pursuit of profit and impact go hand in hand. In 2016, Agrics provided more than 30,000 farmers with seed and fertilizer on credit. Sister company Alizetics bought back more than 600,000 kg sunflower seeds from smallholder farmers.



80% of all households in rural areas in Africa rely on agriculture for their livelihood. By far the vast majority have a small plot of land on which the entire family depends. But these fields produce very little, due to a lack of access to good agricultural inputs such as seed and fertilizer and a limited knowledge of agricultural methods. Hundreds of millions of people thus remain trapped in a spiral of poverty, while this does not have to be the case at all.

### What does ICS do to help increase the harvest and income of smallholder farmers?

- We supply the farmers with quality seed, fertilizer and chickens purchased through instalment payments;
- We teach them essential agricultural methods through training;
- We provide the farmers with detailed information about their plots of land;
- We buy back the harvest of smallholder farmers, offer them logistics and transparent information on market prices.

ICS is owner of three social enterprises that support farmers to improve their crops and income: Agrics, Alizetics and start-up Geodatics.

## Agrics

Very little access to quality seed and fertilizer as well as a lack of knowledge of modern agricultural methods are two of the most important reasons why smallholder farmers in East Africa remain poor.

To improve the crops and thus the income of these farmers significantly, in 2012 Agrics started offering certified seed and fertilizer on instalment, and training farmers to increase their agricultural knowledge and skills. The range was subsequently extended with other products such as chickens and solar lamps, both also available on credit. The combination of these services is now a proven success. External research has shown that in two years, the maize harvests of farmers in the west of Kenya rose by no less than 79%: from 570 kg per acre to 1,022 kg per acre. An acre is more than 4,000 m<sup>2</sup>.



*Our Community Sales Officers are crucial players when it comes to repayment of outstanding credits*

### Development and impact of Agrics

- A total of 24,000 farmers in western Kenya bought products on credit via Agrics. Almost as many farmers followed courses to improve their knowledge of agriculture. In Tanzania, 6,240 farmers did this;
- The Kenyan farmers cultivated a total of 11,605 acres of maize. Agrics supplied the farmers with no less than 580,275 kg of fertilizer and 118,510 kg of maize seed. In Tanzania, Agrics supplied farmers with 67,173 kg of maize and sunflower seed and 50,515 kg of fertilizer;
- 4,500 farmers in Kenya bought a solar lamp from Agrics, while in Tanzania 1,216 farmers did that;
- 1,969 farmers in Kenya bought 24,184 chickens in total from Agrics.

### Cost reduction and management change

Agrics started in 2012 with fewer than 1,000 farmers. Four years later it was already dealing with almost thirty times as many. This enormous growth brings many challenges on organisational and business levels as well. In mid-2016, Agrics Kenya decided by agreement to replace the general manager. The considerable scaling up means that different management skills are required now than at the start four years ago. The new manager has reorganised Agrics Kenya, with a focus on reducing the operational costs and buying Agrics' products at better purchase prices and under better conditions. Internal processes were examined in detail and a controller was appointed in the Netherlands to monitor the figures even more tightly. A clear improvement of the cost structure could be observed in the fourth quarter of 2016 already. The conditions are now present to realise the first profit in 2017.

From 2017 onwards, just like in Kenya, we will offer farmers in Tanzania 'input bundles'. This bundle consists of a minimum quantity of bags of seed and fertilizer. In 2016, many farmers only bought one bag of seed. With such small volumes it is impossible to set up a healthy enterprise due to the additional transport and logistics costs. In its organisational development, Agrics Tanzania is lagging slightly behind Kenya. The size of the turnover per farmer is relatively low here, and the sparsely populated northwest of Tanzania also presents logistical and HR challenges. In 2016, we started in a new region, Geita, where the climate and logistics conditions are more favourable than in Shinyanga and Meatu, the two counties where Agrics has already been active for a while.

In 2017, the manager of Agrics Kenya will also take on the responsibility for the manage-



ment in Tanzania. This will bring the East African entities under one management team, creating greater synergy and economies of scale.

### **Pay**

Community Sales Officers act as a hub between Agrics and the leaders of farmer groups. They ensure that farmers are properly informed about the services and conditions of Agrics, they train the farmers and they take their orders. What is more, in the case of Tanzania, they also collect the money from the farmers and then transfer this to an Agrics employee. There is a total of 225 Community Sales Officers, crucial players when it comes to repayment of the outstanding credits on time and in full. This makes them very important, also for the progress of the business. A new payment system has been introduced to give them a positive incentive, with extra remuneration for the successes they achieve.

### **Jivunie: you reap what you sow**

Uta Jivunia is an important concept in Kenya and Tanzania. It is about doing your best, achieving, making sure that the community you live in can be proud of you. It is also about sharing: if you are able to help others who are having a difficult time, then in the end everyone benefits from this. Because you reap what you sow. Agrics Kenya has taken this highly important principle as the starting point for the development of a loyalty programme. The aim of this programme is to stimulate farmers to make their repayments in full and on time, place their order the next time with Agrics and for more acres than the previous time. If they repay on time and attend Agrics meetings and training courses, individual farmers and farmer groups can save points. The farmers can convert the points into free bags of seed, a bar of soap, a bucket, a bag for storing the harvest, a kilogram of sugar or a notebook with pen. They can also save as a group for something bigger: a wheelbarrow for instance.

### **Chicken starter packages**

In 2015, Agrics in Kenya started offering farmers the opportunity to buy chickens on credit as well. A chicken starter package, consisting of ten chicks, 40 kg feed, ten metres of wire mesh and two training sessions, gives the farmer a first start at creating his own mini poultry farm.



The demand for chicken continues to grow. In 2016 a total of 24,184 chickens were supplied to 1,946 farmers, while a demand of 54,000 chickens is expected for 2017. The Agrics Kenya chicken farm has a current breeding capacity of 15,000 chickens every four weeks.

The chickens are bought as one-day old chicks. These are reared for four weeks, after which they can be supplied to the farmers. Breeding and supplying chickens is a complicated and vulnerable process. Agrics did come up against various obstacles in 2016 from which important lessons were learned.

### **The demand for chickens continues to grow**

The poultry farm ended up costing far more than budgeted for. Inefficient purchasing of chicken feed was one of the reasons. But the way farmers were trained to keep chickens also turned out not to be optimal. Things already regularly went wrong when the chickens were transported home. By making the training courses mandatory – no training, no chickens – and improving them, we hope to prevent this in the future. Another blow was a batch of chicks which the supplier had not vaccinated, resulting in some of these chicks not surviving. The supplier provided compensation, but our deliveries were seriously delayed.



*The training curriculum has been developed so that people with no education at all can still follow the story*

When Agrics was reorganised in the second half of 2016, a great deal of attention was paid to getting the poultry farm under control. Procedures were worked out in detail, the organisational structure at the poultry farm was changed and the various process steps were set out better. An analysis of the business case shows that the poultry farm still has great potential, for Agrics as well as for our farmers.

At the start of 2017, Rabobank provided a loan of EUR 48,000 for further investment in the poultry farm.

### Solar lamps

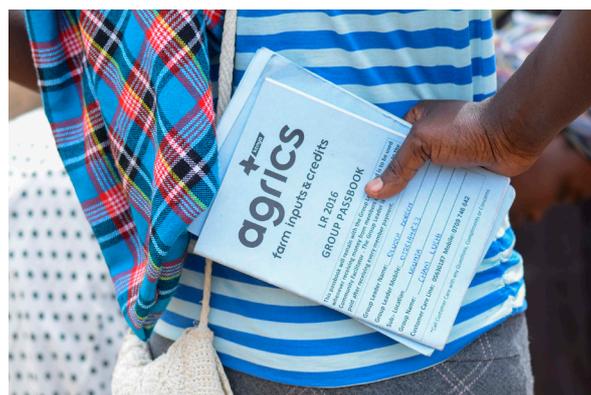
In areas where there is no electricity or where power failures are common, a solar lamp can prove to be a sustainable and reliable alternative. There is indeed huge demand for solar lamps in the rural areas of Kenya and Tanzania. In 2016, Agrics Tanzania also decided to offer solar lamps on credit, similar to Kenya. Agrics Tanzania sold 1,216 lamps in their first year, while last year in Kenya 4,500 lamps were sold on credit. Agrics Kenya offers two kinds of lamps: a simple one and a fancier model. The latter consists of three lamps connected by a long cord so you can provide lighting in the house at several points. The quality of the lamps in Tanzania can be improved; we are looking for a better model for next season.

### Training courses

Farmers who order seed and fertilizer via Agrics are offered supplementary training so that the use of the ordered products can be demonstrated and so they can learn new methods. Film material was developed in 2015 which has been used since the start of 2016. The film material is used to supplement the story told by a trainer. Adding images helps cement the contents better in people's minds. The curriculum has been developed so that people with no education at all can still follow the story. In 2017, ICS intends concentrating on the further training of the Community Sales Officers. Educating them to the level of master trainers will enable them to pass on the training, so that even more farmers can benefit from valuable knowledge.

### Financial data of Agrics 2016

	Agrics Kenia	Agrics Tanzania
Turnover	€ 1,572,562	€ 252,425
Gross margin	€ 353,665	€ 74,582
Net result	- € 367,174	- € 164,581
ICS investment as of end of 2016	€ 998,221	€ 652,352



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## Alizetics



Our social enterprise Alizetics buys sunflower seed back from smallholder farmers in Tanzania and sells the seed in bulk to oil producing companies. Alizetics is the first trading company in Tanzania that focuses specifically on smallholder farmers and provides services for this group, including training, honest market price information and logistics.



Many Tanzanians cook their food in palm oil which is imported from Asia. Using sunflower oil to cook food is healthier, better for the environment and it can be cultivated well locally. The cultivation of sunflowers is furthermore quite simple: no fertilizer is required and the plants can manage without much water. This makes it an attractive crop for many farmers.

### Development and impact of Alizetics

In 2014, Alizetics started purchasing and selling sunflower seed. In 2016, Alizetics bought back 602,235 kg sunflower seed from Tanzanian farmers. Alizetics stored most of this for six months and then sold it to an oil producer; the sale price was 56% higher than the average purchase price. In addition, in a pilot project Alizetics pressed 22,574 kg seed into crude oil and sold this as semi-finished product to an oil producer.

### Building relationships with local farmers

Alizetics is not the only buyer of sunflower seed in the region. The difference with rivals is that Alizetics has several 'buying centres'; currently there are 21 of them. The seed is weighed and stored in these centres, which are run by local inhabitants. Long-term presence in a community helps build up a relationship which does not exist if you just turn up once a year in a truck. Furthermore, Alizetics gets into the very remote areas as well, so that farmers there can also sell their crops in a professional and transparent way.



*21 buying centers  
are spread across a large,  
almost inaccessible area*

### Logistics expenses

The buying centres are spread across a large, often almost inaccessible area and that is the immediate challenge for Alizetics. The bags of purchased seed are stored temporarily at these buying centres, and then transported to a central warehouse from where they are shipped to the buyer. These complicated logistics and additional administration obviously incur quite a few expenses as well. Keeping these costs under control is a point which requires constant attention.

Another challenge is the amount of contamination such dust, twigs and soil which ends up among the seeds – and which is not saleable. Random tests are done in literally every bag to verify what is in the bags, but even this cannot entirely prevent a portion of the purchased kilograms from being non-tradable. The seed dries out which means even more kilograms are lost; the loss in weight between purchase from the farmers and sale to the oil producer is around 10% every year.

In 2016, Alizetics achieved a limited gross margin ( 3%). There are a number of points for improvement and a number of opportunities to turn Alizetics into a financially sustainable business:

- Growth of the number of kilograms sunflower seed to buy back. Larger scale brings efficiency gains. The plan for 2017 is to grow to sales of 900 tonnes of sunflower seed;
- Diversification by producing crude oil ourselves and/or buying/selling other, similar pro-

ducts. At the end of 2016 an investigation was started into another product which could be interesting for Alizetics to trade. The provisional result is that ‘green gram’, a kind of split pea, could be a good option. We are considering starting a pilot project in 2017 to explore the possibilities of this product;

- Better process and cost control. Logistics in particular is a large cost item. In 2017 we must plan the transport better to realise lower costs;
- Finding suitable and reliable staff. In the past year the business manager absconded with a limited amount of money, creating unpleasant situations which we naturally would prefer to avoid.

### Financial data of Alizetics 2016

Turnover	€ 199,841
Gross margin	€ 5,405
Net result	- € 64,617
ICS investment as of end of 2016	€ 263,469

## Innovation

Climate changes are not making the position of the already vulnerable farmers any better. ICS is making every effort to significantly improve the crops of farmers in East Africa. Innovation, the continual improvement of the products and services which Agrics offers the farmers, is very important in this respect. The farmers benefit from the latest developments in technology, agricultural methods and sustainability. Thus we use satellite data to advise farmers about their land, we look at the latest ideas about sustainable agriculture and we use technology to develop affordable crop insurance for smallholder farmers.

## Geodatics

Geodatics is our latest social enterprise in the making, a start-up which supplies farmers in Kenya and Tanzania with detailed advice on their plot of farming land to help improve their harvest further. Geodatics combines information from different sources to create advice which is as complete as possible: geographical data, including satellite data, plus a comprehensive profile of the farmer concerned.

Because the use of geodata is still in its infancy, definitely in Africa, Geodatics has started as part of a big project which is largely funded by Netherlands Space Office (NSO) as a component of its programme Geodata for Agriculture and Water (G4AW). Within this project ICS and Agrics work together with Wageningen University and commercial partners Biomass Research (Netherlands) and Manobi (Senegal). The total subsidy from NSO for the period 2015–2018 amounts to EUR 1.6 million. The findings from the first project phases will form the basis for working out a business plan in 2017 and determining which organisational structure is the most appropriate for Geodatics.

In a pilot project in 2016, Geodatics provided initial advice to a total of 325 farmers in Tanzania. Agrics Community Sales officers trained by ICS visit individual farmers. Using an app developed by Senegalese partner Manobi, they collect as much information as possible about the farmer and his family and their plot of land, such as the surface area,



*The Geodatics advice states precisely what the farmer's soil needs and the quantities*



soil composition, soil type and the presence or absence of cattle. Wageningen University combines this information with (historical) geodata and satellite data. The ensuing advice is currently limited to advice on nutrients. It states precisely what the farmer's soil needs and the quantities. The farmer can adjust his order with Agrics to this advice. The plan is to include weather data in the advice in 2017 so that the timing of sowing, fertilizing and harvesting can also be optimised.

*We want to lower the costs of crop insurance so that it becomes affordable for smallholder farmers*

The big challenge for Geodatics is that farmers must follow this advice accurately to achieve the best results. Farmers are not accustomed to working with measuring spoons, sowing in lines or removing weeds, but they do need to do this for the best effect. In Kenya, 108 plots of land were designated for monitoring and evaluation, to follow the crops of the Geodatics farmers closely. There are 45 of these plots of land in Tanzania.

The plan for 2017 is to increase the instances of advice given by Geodatics to 8,000.

### **Crop insurance for vulnerable farmers**

ICS, Agrics, Dutch insurance company Achmea, reinsurer Swiss Re, satellite data expert EARS and Kenyan insurance company UAP joined forces, combining their knowledge and resources, to develop an accessible and affordable insurance product for smallholder farmers. Through clever use of the latest technologies, like blockchain, remote sensing and mobile payment, we want to lower the costs of crop insurance so that it becomes affordable for these farmers. Because this involves a lot of work, the product will be tested during the Kenyan 'long rains' (the most important agricultural season) of 2018 (February to May).



## ICS invests in parenting and child protection

# Parenting programme contributes to greater equality in families

2016 was a particularly fruitful year for our parenting programme Skilful Parenting. Not only the participating parents react enthusiastically to the course, other non-governmental organisations (NGOs), foundations and colleagues have also embraced the method. Thus we won the Klaus J. Jacobs Best Practice Prize and received support from the Dreams Innovation Fund in 2016. We are also in discussions with a large international player in the cocoa industry to roll out the method in West Africa as well, among farming families working in cocoa cultivation. The icing on the cake was scientific proof delivered by the University of Oxford: the combination of parenting and agriculture does work.

### **From powerless to influential**

Having to make ends meet every day makes huge demands on people. Parents feel powerless, communicate badly with each other and take it out on the children: the children do not go to school (any more) and are regularly punished physically and/or emotionally. This results in a downward spiral. Our solution: tackle economic development and social development simultaneously to deal with poverty and its unwanted side effects structurally.

That is why farming families in Kenya and Tanzania follow the ICS parenting training parallel to the agricultural programme. This teaches parents to communicate better with each other and with their children. They learn about the allocation of roles and budget



management, and they gain a better understanding of how their children develop. As a result, parents do send their children to school, they function better as a family and there is increased equality between men and women.

### What does ICS do to strengthen family relations and protect children?

- Our Skilful Parenting master trainers train and certify new field trainers;
- Over a period of twelve weeks, parents come together once a week. In group sessions under the guidance of a field trainer they discuss seven different modules;
- Parents gain new knowledge, reflect on their role in parenting, share experiences and discuss everyday dilemma's in parenting practice;
- We organise local events and reports on TV and radio, that all have a wide reach, to bring attention to parenting themes;
- We lobby governments at the regional and national levels to increase awareness and for policies and laws on parenting.

### Developments and impact

- In 2016, a total of 8,246 parents in Kenya and Tanzania followed the course via ICS and our partners. With an average of five children per family, Skilful Parenting affects approximately 41,230 children;
- In 2016, around 250 parents followed the course in Cambodia;
- A number of field trainers were trained in Nepal; they start working with our parenting training course from 2017;
- 979 teachers followed the Lunch & Learn programme via a total of 50 different schools;
- Through accessible events in Kenya and Tanzania, ICS reached almost 17,885 people and local governments with instruction on good parenting;
- Extra field trainers were trained to give the courses in the field and to increase the range of the programme even more. Kenya and Tanzania gained 68 extra field trainers in the past year;
- 2,433 children followed the Life Skills course at school;
- ICS was able to help a total of 3,793 children to obtain their birth certificates;
- ICS-SP was registered at the end of 2016 as a local NGO in Kenya and has thus become independent. Until 2015, Skilful Parenting was about 80% dependent on government subsidy from the Netherlands (MFS II), but now it has such a strong financial basis that from 2017 onwards it will no longer depend on contributions from the Netherlands to fund its office and staff and can thus operate fully independently.



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### ***Combined approach reduces HIV/Aids among young women***

At the end of 2016, the prestigious Dreams Innovation Fund provided a subsidy of USD 1.7 million (for two years) to ICS and partners Agrics, Tanzania Red Cross Society, OGRA Foundation and a selection of CBOs (Community Based Organisations) to roll out a combined approach to reduce the number of HIV infections among girls and young women in rural Kenya and Tanzania by 40%. ICS is lead agent of this project and is responsible for the Skilful Parenting courses in this combined approach. An extra module about HIV/Aids will be added to the curriculum, so that the course also contributes to effective sex education, a more equal relationship between men and women in the family and a reduction in violence against women and children.

### ***Cocoa***

Many cocoa farmers in West Africa endure very bad living conditions. The cocoa industry is coming under increasingly more pressure to do something about this. The Skilful Parenting programme can contribute to strengthening these farming families, combating child labour and ensuring that these children go to school instead of working. We are currently in discussions with a number of large international players in the cocoa market which would like us to implement the training courses as a pilot project in Ivory Coast. We have found a foundation which is willing to cover the costs of setting up this programme, but are aiming in the first place at a contribution from the industry itself.



### ***Teacher as co-parent***

Obviously parents have a big effect on the development of children, but teachers also contribute to a large degree to the well-being and future of children. In order to improve the contact between parents and teachers, combat violence at home and at school and to ensure that children (continue to) go to school, ICS-SP started the Lunch and Learn programme in 2016.

During lunchtime, an ICS field trainer visits a team of teachers at a school to discuss the development of children and identify possible problems with them, in five separate sessions. The topics discussed include positive forms of discipline and how as a

*Teachers also contribute to a large degree to the well-being and future of children*

teacher you can prevent early school leaving and stimulate children to advance to further education. Teachers are also made more alert to the necessity of reporting child abuse or neglect and how they can follow this up effectively.

The effect of this programme on the schools is visible immediately. Thus in 2015, 43 children left a certain school during the school year; in 2016 only one child left that school.

### ***University of Oxford presents research on Skilful Parenting***

The University of Oxford, the University of Glasgow and the National Institute of Medical Research in Tanzania investigated the social effects of Skilful Parenting in North Tanzania in combination with the economic benefits which our agribusiness Agrics offers the farming families and the extent to which this can prevent violence against children.

Four groups were compared: one group only followed the parenting programme, one group only followed the agricultural programme, one group followed both programmes

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and the fourth group did not follow either programme. The following provisional results have emerged from the research:

- Decrease of child maltreatment
- Decrease of violence against children
- Decrease of support towards corporal punishment
- Decrease of child behavior problems
- Decrease of adult depression
- Increase of yields

Separate approach also shows significant impact, but on less items. Skilful Parenting without Agrics shows significant impact on child maltreatment and violence against children. Agrics alone shows significant impact on increase of yield and household wealth.

The research shows that we should improve our programme with more specific information and tools to have more impact on parents skills on supporting Early Childhood Development. It is also recommended to reflect on our approach towards gender sensitive topics. To improve our impact on topics like positive parenting, child labor and parental stress we would like to conduct more research and evaluation of our programs.

### ***Skilful Parenting training method now also in Nepal***

Over the past few years ICS has developed the Skilful Parenting training method and implemented it successfully itself in many communities. ICS now also offers the curriculum to other NGOs, if necessary with minor modifications for the local context. A Nepalese NGO has since been certified by ICS to provide the training courses locally. The organisation has been given a licence for two years. ICS will monitor the quality via data forms. We are also in discussions with organisations in Zimbabwe and Kenya (a different area to our operational area).

### ***Kenyan government implements guidelines and electronic dossier***

In 2014, ICS prepared the County Child Protection Guidelines. Together with several partners we worked out national child protection guidelines in detail and documented them in a manual for the government. In the same year, county Busia set up an electronic dossier in which every report of child abuse or neglect is recorded. So-called children's officers, as well as doctors, police officers and other care workers have access to the dossiers. The Kenyan government has taken over the guidelines as well as the dossier and will now implement this in other counties in Kenya as well.

### ***Birth certificates***

Many parents in Kenya and Tanzania do not have birth certificates for their children. However, according to the government you do not exist if you do not have a birth certificate. That certificate can make all the difference when you are claiming your rights. Because many parents have no idea how to go about this, ICS facilitates the contact between the officials at registration offices and parents. In 2016, ICS helped 950 children in Tanzania and 2,843 children in Kenya this way to obtain their birth certificates.

### ***Parenting programme wins the Klaus J. Jacobs Best Practice Prize***

ICS won the prestigious Klaus J. Jacobs Best Practice Prize 2016 for its parenting programme Skilful Parenting. Jacobs Foundation, the Swiss foundation which presents these awards every year, chose the Skilful Parenting programme because it "is a unique and scientifically proven model" and "highly relevant to the development children in rural contexts". The award includes a cash prize of 200,000 Swiss francs.

*A birth certificate can make all the difference when claiming your rights*





## ICS invests in clean drinking water Source with revenue

In December we were able to open the first four water points in the villages of Maganzo and Masagala in the dry north of Tanzania. In the first part of 2017, another 21 water points will be completed. Soon a total of 12,000 inhabitants will be able to collect clean drinking water within short walking distance of their homes and pay simply and fast with a pre-paid card. The revenue is used for maintenance to guarantee the sustainability of the system. In central Kenya as well, in the village of Maai Mahiu, a water project has been started which will use the same method to provide clean and safe drinking water to around 2,000 inhabitants.



Clean drinking water is a basic necessity of life. But the figures from the World Health Organization show that in 2016 millions of Africans still have no access to safe drinking water. Parasites and bacteria in polluted water often cause chronic intestinal disorders in adults, and in children can even result in death.

ICS installs water systems to tackle this problem sustainably. By creating access to clean drinking water for thousands of rural inhabitants, ICS contributes to their health and to economic development in the area.

### How does ICS build water points that work sustainably?

- We do extensive preliminary investigations into the necessity, possible sources and willingness of village inhabitants to pay;
- We drill for water and build a system of pipes, water towers and taps;
- Inhabitants can bring their jerrycans to fill and pay easily and fast using a pre-paid system;



- Credit on the pre-paid cards can be purchased at local shops;
- The revenue is used for maintenance and quality checks so that the water points can supply clean drinking water for the long term.

*Solar panels power the pumping system and lighting of the water points at night*

### Developments in West Kenya

In 2015, ICS installed eight new water outlets with three taps each in western Kenya, in the villages of Amagoro and Malaba. One water outlet was delayed considerably because excavation under a railway track was necessary to lay the pipes. There was a long wait for permission from the railway company; finally this last outlet was finished in May 2016, with which this entire project has now been completed and delivered as planned.

The pre-paid water system of Susteq, installed at every water outlet, has an online dashboard on which it is easy to read how many litres of water have been sold and what the revenue is. In 2016, a total of 1,305,119 litres of water was sold in these two villages for an amount of 339,405 KES (approximately €3,200). Since the start of 2016, partner Water Forever International has been responsible for stimulating the sale and promotion and maintenance of the system.

### Developments in central Kenya

Following extensive preliminary investigation, and in collaboration with Stichting Kenya Kinderen, ICS started test drilling in 2016 to determine the location with the most ground-water near the village of Maai Mahiu. Stichting Kenya Kinderen supports an orphanage and has wanted a good drinking water facility here for years because the situation is urgent. The aim is now to build three water outlets which can be reached by all inhabitants: one close to the orphanage, one close to the local school and one near the health clinic.

The best option turned out to be on private land, but the owner did not agree to water drilling on his land. The next best option is 7.5 km from the village, slightly higher in the hills. This bore hole can supply four cubic metres of water per hour, which is enough to provide 2,200 people a day with clean drinking water, assuming that a person uses 20 litres of water daily. The well has since been drilled and the pump installed. The pump works entirely on solar power. In 2017, the laying of the pipeline will be the second phase of the project.

To arrange the finance for this project, we organised various events or participated in existing events, together with Stichting Kenya Kinderen and five Rotary Clubs from the North





*Steven Geerts (27) is one of the participants who climbed Mount Kenya in October 2016 to collect money for our water project in Maai Mahiu: "During my HBO Nursing degree I spent four months in Zambia and could experience for myself what life in Africa is like. It remains incomprehensible to me that there are still so many people with no access to clean drinking water. A good water supply stops people from becoming sick, helps children get to school and irrigates agricultural land."*



Veluwe region of the Netherlands. In October, nine residents of Epe climbed to the peak of Mount Kenya in a money-raising effort, while at the start of 2017 the Kenya Run was organised and Walking for water also enjoyed participation again. Wilde Ganzen will raise the total proceeds of these campaigns by another 50%.

### Developments in Tanzania

In 2015, the Tanzanian government constructed a long pipeline which transports water from Lake Victoria to the town of Kishapu in the north. The pipeline also passes through the villages of Maganzo and Masagala but no outlets were planned there, so the villagers do not benefit at all. In 2016, ICS started the construction of branch pipelines which are linked to the main pipeline so that these villages can also enjoy the benefits of water. Two water towers – the second is still under construction – will provide enough water pressure for the total of 25 new water points.

The first four water points were delivered in December. In the first quarter of 2017, another 21 water points will be built. Each water point is a conspicuous concrete 'house' painted blue. Susteq installs the payment system and the taps on the outside, while the other technology is kept safely inside to prevent vandalism. Solar panels are fitted on the roof. They power the pumping system and the lighting, so that residents can also collect water at night.

The project suffered delays lasting several months, partly because of the necessity for a second water tower which had not been planned in advance, and the refusal of the Tanzanian customs to release the Susteq systems. Following delivery of all water points, ICS itself will take care of the maintenance of the system and the sales.





## ICS invests in long-term relationships

# Fundraising & Communication

The Fundraising & Communication department works closely together with the Agribusiness and Skilful Parenting portfolio managers, in the first place to raise funds for realising the activities of ICS. It also aims to increase the public profile, provide information to (potential) funds, investors, partners and the public and kindle enthusiasm in these groups. Now that the social enterprises are growing, in both impact and turnover, increasingly more impact investors and donor-advised funds appreciate the potential of these businesses.

### Fundraising

In the past, ICS mainly looked to donations and subsidies to fund its activities. Now that the social enterprises are growing, in both impact and turnover, we have become an interesting party to invest in for impact investors and donor-advised funds. In 2016 we can already observe a significant growth in investors which provide a long-term loan to ICS or one of its enterprises to fund the further growth of the enterprises. It is anticipated that the interest among this type of investor will grow further, now that profit for Agrics in Kenya is within reach.

Our activities concerning parenting are not (yet) appropriate for a business model. Donations and subsidies remain necessary for these activities. Fundraising via private persons, foundations and businesses is therefore also being developed vigorously.

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## ICS raises its funds via three channels:

### 1. Institutional donors

All application possibilities with small and large international funds are monitored strictly. These can be grants or investments, or a combination of the two. Depending on the capacity, requirements of the donor and content of the proposal the applications are written by the portfolio managers in the Netherlands or the teams in Kenya and Tanzania, but always in close consultation between them.

### 2. Equity funds, impact investors, corporate foundations and companies

ICS approaches equity funds, impact investors and corporate foundations, among others, to realize financing for our social enterprises. Financial support can consist of a grant, a loan or an investment, or a combination of these. We aspire partnerships which are not solely concerned with acquiring money, but also with the exchange of knowledge and expertise.

### 3. Private donors and service clubs

The contributions of private donors are also of great value. Because these donations are 'unlabelled,' they can be used to support different important aspects of the organisation. Moreover, private donors provide extra support in Dutch society for the work of ICS.

ICS has been working for many years with various Rotary Clubs and is also hoping to interest other clubs in the work of ICS. The clubs contribute financially by organising all kinds of events, and they have also proved very valuable in growing our network. We regularly give presentations to clubs in the Netherlands and organise working visits to the relevant project areas.



*Through various events, including Wandelen voor Water, several Rotary Clubs have collected many thousands of euros over the past years*

## Developments and impact

In 2016 ICS acquired two major subsidies with a total multiyear commitment of 2,4 million USD. From other major donors, including several equity funds, ICS received commitments of 900,000 EUR. For its social enterprises ICS raised an additional amount of almost 600,000 EUR of long-term loans. It also attracted working capital arrangements for Agrics' distribution season in 2017 of 300,000 EUR. In 2017 ICS will start a campaign to attract an additional amount of 2,5 equity and debt financing for its social enterprises in East Africa.

## Rotary Clubs visit water projects in Kenya

Eight members from five different Rotary Clubs in the Netherlands left for Kenya at the start of September. The Rotary Clubs have been doing their best for ICS for years, and through various campaigns and events, including 'Walking for water', have collected many



thousands of euros over the past years to make the water projects of ICS a reality. The Rotary members wanted to see the results with their own eyes. They bought their own plane tickets and spent a week with an ICS employee visiting the projects.

### Epe climbs for water

Nine heroes from Epe in the Netherlands left for Kenya in the first week of October to start their tough climb to the top of Mount Kenya. At 5,199 metres, it is the highest peak in Kenya. Through their trip the team collected more than €23,000 for our water project in Maai Mahiu, which ICS has been commissioned to build by Stichting Kenya Kinderen.

## Communication

### Positioning and communication strategy

Communication with the public has four goals:

1. Increase the public profile
2. Recruit new donors
3. Retain existing donors
4. Recruit extra donations

The main elements of communication, the strategy and company style we follow, are determined by ICS Netherlands. These are translated to the local context by ICS staff in Kenya and Tanzania. The information beneficiaries in Tanzania require is different to the information which Dutch donors want. The resources, media and language used are worked out in each country. ICS Netherlands monitors the main elements to ensure that the ICS 'brand' remains unambiguous and to monitor the sub brands Agrics, Alizetics and Geodatics.



### Street recruitment

In 2015, ICS joined forces for the first time with a street recruitment agency, with the aim of recruiting 1,000 new donors. In 2016 we agreed again to recruit the same number of donors using this method. However, it became clear during the course of 2016 that more than 50% of the donors recruited in 2015 terminated their donorship within a year. Street recruitment requires a large investment, and with such a high cessation rate, it is not cost-effective for us. Therefore, halfway through the process and after recruiting 500 new donors, we decided to call it a day for the time being for this method of fundraising.

### Collaboration with FCB Amsterdam

ICS has a considerable host of extremely loyal private donors. Some of them have been supporting ICS for more than 25 years, donating a large amount of money every month. But many of our most faithful donors are also getting old now. People's giving behaviour and loyalty to organisations have changed. Our aim to raise our public profile and connect better with the younger target groups led us to select an advertising agency to develop a new campaign.

FCB Amsterdam helped ICS in 2016 to tighten up the general communication strategy and analyse the current database. The next step they took is to develop a general campaign image with which we will 'bring it to the people' in 2017. The campaign is literally ready to go and will be worked out in more detail for different resources and media so that we can reach as broad a public as possible. The campaign is intended not only to raise the public profile of ICS, but also to encourage people to take action.

*Our aim is to raise our public profile and connect better with younger target groups*

# Partners in implementation, knowledge, network and funding



## Agriculture

- Achmea Foundation
- AECF
- Agrics
- Alizetics
- Biomass Research
- Common Fund for Commodities
- Geodatics
- Manobi
- Rabobank Foundation
- Soikone University of Agriculture (SUA)
- University of Wageningen
- Zero-Kap



## Parenting

- Agape
- A+B=3
- Child Helpline International
- Child Legal Action Network (CLAN)
- Child Line Kenya (CLK)
- Child & Youth Finance International (CYFI)
- C-Sema
- Firelight Foundation
- Kenya Alliance for the Advancement of Children (KAACR)
- Medical Research Council, University of Glasgow
- Monduli Pastoralist Development Initiative (MPDI)
- National Institute for Medical Research (NIMR) Mwanza
- Parenting in Africa Network (PAN)
- Rural Education and Economic Enhancement Programme (REEP)
- The African Child Policy Forum (ACPF)
- UBS Optimus Foundation
- University of Oxford
- University of Utrecht



## Water

- Aqua for All
- Human Development Innovation Fund (HDIF)
- MetaMeta
- Partners voor Water
- Rabo Share4More
- Rotary Epe
- Rotary Ermelo
- Rotary International
- Rotary Harderwijk
- Rotary Hattem-Heerde
- Rotary Laren-Blaricum
- Rotary Nunspeet
- Rotary Oldebroek-Elburg
- St. Georges International School
- Stichting Kenya Kinderen
- Susteq
- UKAid
- Water Forever International (WFI)
- Wilde Ganzen

## ICS general

- ANDE, Aspen Network of Development Entrepreneurs
- Context, International Cooperation
- OneWorld
- Partos
- PUM Netherlands Senior Experts

I = implementation  
 K = knowledge  
 N = network  
 F = funding

# Facts and figures

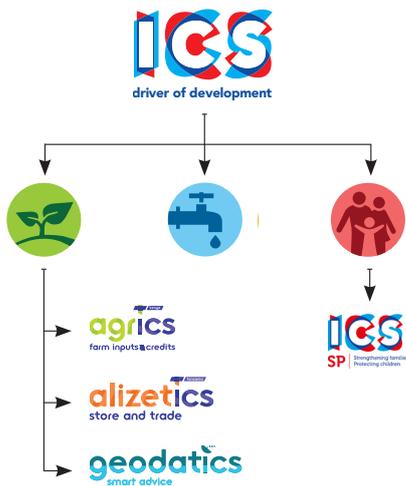
## Risk management

ICS faces uncertainties and risks, both strategically and in its daily operations. ICS maintains a risk register to manage its risks. This register is discussed regularly with the Supervisory Board. Risks are discussed on entity level with management every year.

The most significant risks are:

Risk	Impact	Risk appetite	Measures
Human Resources: ability to recruit and retain sufficient qualified management and staff, especially in rural parts of Africa.	High	Working in rural Africa means ICS needs to accept that it is not possible to find the perfect match for each position. To prevent gaps in crucial management positions ICS may need to pay a higher rate than initially planned for.	<ul style="list-style-type: none"> <li>- Broaden the management teams in each entity, decrease dependence on a few key individuals.</li> <li>- Use expats to fill in gaps.</li> <li>- In Tanzania: explore possibility of relocating our office to a bigger town, which will increase our potential to attract qualified staff.</li> <li>- Explore the possibility of developing a share participation programme for key staff.</li> </ul>
Finance: Solvency under pressure. The focus on growth in our businesses has brought considerable losses over the past few years. Solvability is now reaching its minimum levels.	High	The ICS equity policy proscribes a minimum equity level. Maintaining this minimum level is a key objective for ICS management.	<ul style="list-style-type: none"> <li>- Shift the focus for 2017 from growth to profitability. Agrics is expected to achieve profitability in 2017, which will be a major contribution to a healthy balance sheet.</li> <li>- In 2017, Agrics will do an investor round, aimed at bringing in substantial investment. This will finance our growth in the coming years, and improve our balance sheet ratios.</li> </ul>
Financing of overhead. The Netherlands office plays a vital role in supporting the local entities, and in maintaining relationships in the Western European markets. However, financing these 'overhead activities' is becoming increasingly difficult.	High	With the shift to separate and sustainable entities in Africa, the added value of the Dutch office is decreasing. At this moment, The Netherlands still play a vital role in several areas of operation. However, the emphasis will continue to shift to the South. Every year, management will make a cost/benefit analysis for the Dutch office.	<ul style="list-style-type: none"> <li>- Optimise overhead coverage from institutional funding and funding from other NGOs.</li> <li>- Continually explore opportunities in the donor market to acquire funding for the office in the Netherlands.</li> <li>- Profitability of the businesses will provide a financial basis for them to pay a fair price for the support from the Netherlands.</li> </ul>
Hybrid positioning. The ICS group has business entities as well as traditional NGO entities. This brings the risk of a lack of clarity in our positioning.	Medium	ICS believes its hybrid approach is part of the strength of ICS. While ICS believes a strong position based on the hybrid approach is possible, it accepts any inherent communication difficulties in its strategy.	<ul style="list-style-type: none"> <li>- Supported by FCB, ICS will simplify its communication in the Netherlands.</li> <li>- Internationally, there will be an increased focus on the individual brands to ensure clear messaging.</li> </ul>

<b>Risk</b>	<b>Impact</b>	<b>Risk appetite</b>	<b>Measures</b>
Private donors: a very competitive market, difficult for organisations with low brand recognition.	High	Investing heavily in this competitive market has a high risk that it does not pay off. Hence ICS needs to be inventive to find channels to attract donors at relatively low costs.	<ul style="list-style-type: none"> <li>- ICS will invest in new ways of campaigning, such as online/social media, to attract new donors.</li> <li>- ICS will actively explore new ways of optimising returns from its existing donor database.</li> </ul>
Harvest failure, or other external events that have a potentially significant effect on the financial performance of Agrics	High	The agricultural context has the inherent risk of these events. So we need to accept the possibility. We look for tools to spread the risks, but also mitigate them for ICS where possible through innovation and partnerships.	<ul style="list-style-type: none"> <li>- Agrics launched a new credit management system in order to manage repayments more closely.</li> <li>- ICS will also pilot an insurance product to enable farmers to repay when their harvest is lost due to weather conditions.</li> </ul>
Foreign exchange rate risk: operations in local currency, financing in Euros or USD.	High	Foreign exchange risks are unavoidable. They may be mitigated to some extent at acceptable cost, for the remaining part this risk will have to be accepted.	<ul style="list-style-type: none"> <li>- Maintain an exchange rate risk reserve to cover possible losses.</li> <li>- Explore opportunities to hedge exchange rate risks.</li> </ul>
Risk of fraud committed by own staff or external partners	High	ICS has a zero-tolerance policy on fraud and corruption and requires its employees to comply with a high level of integrity.	<ul style="list-style-type: none"> <li>- ICS has anti-corruption and whistleblowers policies.</li> <li>- In case of any indication of fraud management will take measures to substantiate these indications.</li> <li>- The procedures on cash, procurement and logistics are continuously improved to prevent anyone can commit fraud with ICS' assets.</li> </ul>
Compliance with several requirements from donors, tax authorities, CBF et cetera	Medium	ICS wants to comply with all types of requirements. In case it is difficult or not possible to comply with certain requirements ICS will consider the consequences of non-compliance and takes necessary action.	<ul style="list-style-type: none"> <li>- Continuously encourage staff to update their knowledge on tax, legal and donor requirements.</li> <li>- In complex cases use services of experts to prevent non-compliance.</li> <li>- Regular compliance checks with donor contracts, legislation et cetera.</li> </ul>
Control of subsidiaries in East Africa including cash flow management	High	ICS invests in start-up companies in Africa. In this high-risk environment ICS realizes it requires a high standard of control on its subsidiaries to facilitate the growth of these enterprises.	<ul style="list-style-type: none"> <li>- Board structure with regular meetings between board and management.</li> <li>- Increase staff capacity on financial management.</li> <li>- Improve local systems and procedures.</li> </ul>



## Governance

Stichting ICS was founded in 1980 under Dutch law. Its legal entity is foundation (a ‘stichting’ in Dutch). In 2012, ICS B.V. was founded as a 100% subsidiary of Stichting ICS; Stichting ICS is also the sole director of this subsidiary.

ICS B.V. participates in a number of entities in Africa and Asia. The Agrics entities in Kenya and Tanzania are 100% owned by ICS B.V.; ICS B.V. has a 70% share in Alizesics while the final two subsidiaries are dormant (Nafics Ltd and Hydrics Cambodia Ltd).

At the end of 2016, the establishment of ICS-SP as a separate entity in Kenya was completed. As of 1 January, 2017, ICS-SP forms a separate entity in the ICS Group. Stichting ICS has a majority in the board of ICS-SP’s Board, which means that ICS-SP will remain part of ICS’ consolidation scope.

## Governance structure

The governance structure of Stichting ICS is regulated in its constitution. Stichting ICS has a Supervisory Board charged with the supervision of the policies pursued by the Executive Board and the general running of Stichting ICS. The executive and supervisory functions are thus completely separated.

The selection of members to be appointed to these Boards will be based on criteria of professionalism and relevant expertise and experience, engagement and network. Members of these Boards may not have other functions that may cause conflict of interest.

## Executive Director

The Supervisory Board appoints the member(s) of the Executive Board. The Executive Board currently has one member, Mr. Ronald Messelink (Executive Director). He is responsible for the management of ICS and is accountable to the Supervisory Board. The Executive Director has a specific responsibility to execute ICS’ strategy, general coordination and external representation of ICS. He is responsible for quality assurance and HR policy.

At the end of each quarter he reports to the Supervisory Board and he meets regularly with the management team (MT), consisting of the Executive Director and the Finance Manager of ICS. Members of the MT are responsible for the preparation and execution of ICS’ policies. Decisions made by the Executive Director are discussed and agreed as much as possible in the MT.

The Supervisory Board approves ICS’ remuneration policy, the remuneration and the other benefits of the Executive Director. The remuneration policy is evaluated regularly; the most recent evaluation took place in 2015. ICS complies with the regulations issued by Goede Doelen Nederland (GDN) for the remuneration of directors in the Dutch charity sector (‘Adviesregeling Beloning Directeuren’ (Recommendations for the remuneration of directors for charities), previously called ‘Code Wijffels’).

These regulations allow charities to weigh the complexity of the director’s responsibility based on fixed criteria. The Supervisory Board weighed the Executive Director’s responsibilities against these criteria and reached a so-called BSD-score of 465.

This allows a maximum annual remuneration for Mr. Ronald Messelink of €129,559 for 1.0 FTE in 2016. The annual remuneration of Mr. Messelink based on GDN’s definitions was € 105,547 in 2016. This remuneration remains within the maximum of GDN’s remuneration regulations. The composition of the remuneration is explained in more detail in ICS’ financial statements.

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Other positions of Ronald Messelink in 2016:

- Chair of the Supervisory Board of Stichting SOMO.

The Executive Director manages most of the staff in the Netherlands (portfolio managers, 3.5 fte in 2016; team fundraising and communication, 2.8 fte and the finance manager); the finance team, managed by the finance manager had 3.1 fte in 2016.

The Executive Director is the Chair of the Board of Directors of the local entities and offices. These entities and offices had the following number of staff:

- Agrics Kenya	44.0 fte
- Agrics Tanzania	12.0 fte
- Alizetics	3.0 fte
- ICS SP	19.0 fte.

### *Supervisory Board*

The responsibilities of the Supervisory Board are described in the constitution. The constitution can be found on the website of Stichting ICS, together with the additional regulations ('Raad van Toezicht reglement') which take care of more practical subjects not provided for in the constitution.

ICS' Supervisory Board consists of five to nine members and appoints its members itself. Members of the Supervisory Board have a term of office of four years and can be appointed for a maximum of two terms.

In 2016, Mr. Gerrit Ruitinga was appointed as a new member of the Supervisory Board. He has extensive experience as a director of an international business. He is also board member of an NGO working in Africa.

The Supervisory Board assesses strategic decisions made by the Executive Board. It also assesses whether ICS still fulfils its social function. The Supervisory Board furthermore advises the Executive Director on strategic issues.

The external auditor is appointed by the Supervisory Board. In 2016, the Supervisory Board invited four reputable auditors to submit a tender proposal for the financial audit of ICS. As a result, the Supervisory Board decided to appoint Mazars Paardekooper Hoffman N.V. as ICS' group auditor.

The Supervisory Board installed a Financial Audit Committee (FAC) to give specific attention to the supervision related to finance and reporting and the administrative organisation and internal controls within the ICS group. For reasons of efficiency, the meetings of the FAC are integrated in the regular Supervisory Board meetings. Once a year, the FAC has a separate meeting to discuss the financial statements and the auditor's report with the external auditor. The FAC has at least 2 members: the Chair of the Supervisory Board and the financial expert in the Supervisory Board.

In 2016 the Supervisory Board consisted of the following members:

<b>Name and position</b>	<b>Term of office</b>	<b>Ancillary positions:</b>
Mrs. J.M. de Vries Chairperson/ Financial Audit Committee member/ Remuneration Committee chairperson	2014 – 2018 2nd term	- Chairperson Youth Orchestra of the Netherlands - Chairperson Netherlands Polar Programme - Chairperson Audit Committee of the Ministry of Finance - Member Advisory Board of the Legal Aid Board - Member of the board of Historische Vereniging Die Haghe
Mr. J. van der Veen Member/ Vice chairperson/ Remuneration Committee member	2013 – 2017 2nd term	- None
Mr. C. Kuijvenhoven Member/ Financial Audit Committee chairperson	2011 – 2015	- Chairperson Pensioenfonds Productschappen - Chairperson Supervisory Board Alfa Accountants - Chairperson Supervisory Board Actor - Chairperson Audit Committee SAZAS (insurer)
Mr. C.J.J. van der Riet Member	2013 – 2017	- Training coordinator at PUM - Board member IOOF - Member Advisory Board Promesis
Mr. L.J. Beyer Member	2014 – 2018	- Executive Board ORAM (Amsterdam association of businesses) - Board Member Green Business Club Zuidas
Mr G. Ruitinga Member	2016 – 2020	- Board Member APOPO vzw - Board Member Academy for Information and Management BV

The Supervisory Board members do not receive a remuneration. The members are allowed a reimbursement of actual expenses. In 2016, the members of the Supervisory Board were reimbursed a total amount of € 1,243.

### ***2016 report of the Supervisory Board***

2016 was the first year in which ICS had to make do without structural government subsidy. In the run up to this moment we worked hard to find alternative funding and tighten our strategy and policy. The unique combination of agribusinesses and parenting training provides added value to the lives of farming families in rural East Africa. This is also reflected in the interest in this approach shown by investors and colleagues.

The Board convened five times in 2016. In addition, two telephone conference meetings were held, and one meeting was held with the Financial Audit Committee. A fixed item on the agenda for the regular meetings is the quarterly report. An overview of the projects with their status is also given. Projects requiring (extra) financing are highlighted and discussed. Every meeting also allows for discussion of current affairs which are at issue in the organisation.

Identifying and managing risks formed an important component of each meeting this year as well. The members of the Board receive a risk inventory every year. This forms the basis, in combination with the annual report, the financial statements and discussions with the Director and the accountant, for tightening the course where necessary. In the coming year, private donors require extra attention because the investment in the street recruitment project did not deliver what had been hoped.

The Board invited tenders for a new accountant in June. Four offers were compared. In autumn, Mazars was chosen, after which it commenced as accountant for ICS.

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A new member joined the Board: Mr. G. Ruitinga. With his wide experience at different NGOs in Africa he will be a valuable addition. The Supervisory Board's independence is guaranteed by openness and compliance with the set regulations and articles. Ancillary positions are checked on a yearly basis to exclude conflicts of interest. The Board held a self-evaluation in June.

The opinion of the Supervisory Board is that ICS has shown that it can successfully change direction to social enterprises; the results will be visible from 2017.

On behalf of the Supervisory Board,  
Mrs. J.M. de Vries, Chairperson

### **Norms and guidelines**

In 2016 the CBF-Keur, a Dutch certification for charities, was replaced by the 'Erkenningsregeling' (Recognition Scheme). CBF (Central Fundraising Bureau) is an independent supervisor for the charity sector in the Netherlands and assesses individual charities against norms formulated by the charity sector in the Netherlands. In 2016, the CBF confirmed that ICS complies with the norms of the 'Erkenningsregeling' and is certified as an approved charity ('Erkend goed doel') for the next four years.

In the Netherlands, ICS has a quality management system (QMS) to make effective and efficient use of its resources. The QMS has ISO certification. In 2016, ICS successfully applied the new ISO 9001:2015 norms. KIWA audited our QMS and renewed the ISO certificate for another three years. In addition to the ISO norms, ICS also complied with the norms for Partos 9001; KIWA also renewed the certificate for Partos 9001 for three years.

ICS complies with the following norms, codes and guidelines:

<b>Name</b>	<b>Type</b>
Erkenningsregeling (previously: CBF-Keur)	Certification
Adviesregeling Beloning Directeuren	Guideline
RJ650	Accounting principles
ISO 9001: 2015	Certification
Partos 9001 Sector-specific Application of ISO 9001:2015	Certification

### **Corporate Social Responsibility and Compliance**

The core values underlying the work of ICS and influencing our strategic and programmatic choices are based on the UN Declaration of Human Rights. Our choices are furthermore informed by general values such as equality, transparency and locality. These values influence and inform the choices we make regarding the way we conduct our own business and within our primary processes, as well as how we relate to various groups of partners and external relations.

ICS defines corporate social responsibility (CSR) as a way of doing business aimed at economic performance (profit/prosperity), with respect for the social aspects (people), within ecological conditions (planet).

In 2014 ICS introduced a CSR policy that functions as a built-in, self-regulating mechanism which ensures that ICS monitors and guarantees its active compliance with the spirit of

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the law, ethical standards, and international norms. This policy focuses on a number of CSR issues and takes a two-pronged approach and considers two fundamental practices of social responsibility:

1. CSR principles for internal business operations; and
2. CSR principles for engagement with partner organisations, donors/investors and business partners.

Within the CSR principles for internal business operations, ICS has chosen to focus on four overall themes, applying a pragmatic approach and looking at where we can have an added value.

### *Human rights and good employment practices*

ICS subscribes to and respects internationally recognised human rights standards with specific attention for child rights. This is translated directly into the core programmes and activities of ICS as it subscribes to the doctrine of non-discrimination. ICS has a Child Protection Policy in order to prevent, identify and mitigate any violations of child rights.

Projects and businesses are aligned with local communities, organisations and governments. As a minimum, ICS complies with national labour legislation in all countries of operation. ICS opposes child labour (employment of persons under the age of 15) in any form.

ICS has a Staff Manual outlining what good employment entails for ICS, and what ICS will do to ensure good working conditions, both physical and mental. The manual includes a Code of Conduct to ensure, protect and enhance the integrity, assets and reputation of the organisation. A Safety and Security policy is also in place with principles and procedures for the security of ICS staff. Finally, staff satisfaction surveys are conducted on a regular basis.

Compliance in 2016: In 2016, has not come across any cases of non-compliance with ICS policies. In December 2016, the ICS Netherlands team conducted an employee satisfaction focus groups discussion with the entire team. Key outcomes are that the team is in general satisfied with ICS, but want to be informed on a more regular basis on performance of ICS-group.

### *Environmental issues*

ICS seeks to minimise the effects on the environment. Efforts are focused on minimising CO2 emissions and prioritising actions which give us the most impact in terms of reducing CO2 emissions.

The office in the Netherlands will always be located close to public transport services, to motivate and facilitate the use of public transport as much as possible.

For transport, travelling by train and carpooling are encouraged rather than short-haul flights. The necessity of in-person meetings is also reduced by encouraging 'virtual meetings' and making facilities for this available. Finally, all CO2 emissions caused by flights are compensated.

Compliance in 2016: The office of ICS is still located close to the Amersfoort railway station. Besides Skype is the main communication channel with the teams in Africa which reduces the need to travel.

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### *Accountability, disclosure and transparency*

ICS is open and transparent to stakeholders and complies with international and national accounting principles and norms and principles for reporting and transparency. Every year, ICS reports in a public annual report formulated in accordance with the guidelines of CBF and RJ650. The report and financial statements are audited; the auditor's report is included in the annual report and the financial statements.

ICS has comprehensive planning, monitoring and evaluation in place to measure the results of our work and to communicate with our stakeholders.

Finally, ICS has a comprehensive Quality Management System compliant with ISO 9001 and Partos 9001. A CSR policy is mandatory for Partos 9001 and hence subject to the annual audit performed to secure the certificates.

Compliance in 2016: The annual report of 2015 was audited by PwC in 2016. At the end of 2016 ICS' quality management system was audited by KIWA, and received its new ISO PARTOS 9001 certificate. In 2016 ICS qualified as a 'erkend goed doel' under the new 'erkenningsregeling goede doelen' by the CBF (Centraal Bureau Fondsenwerving).

### *Combating fraud and corruption*

ICS has a zero tolerance policy with respect to fraud and corruption. Internal finance and administration procedures are internalised to prevent fraud and any form of corruption, and identify and respond to cases of fraud and corruption. The ICS Staff Manual mentions fraud and corruption specifically. By accepting appointment with ICS, employees undertake to adjust their conduct in the interest of ICS.

When other organisations are funded, one stipulation is that ICS' anti-fraud and corruption policies must be included as an integral and compulsory part of that contract.

Compliance in 2016: In 2016 the business manager of Alizetics put part of the cash received from one of its clients in his own pockets. This fraud was detected soon after it took place and resulted in the immediate dismissal of the manager and a legal claim of the stolen amount. The estimated stolen amount was estimated at around 5,000 euros.

The CSR principles for engagement with other organisations distinguish the following categories of organisations with specific CSR criteria.

### *Implementing partners*

With implementing partners, ICS enforces the same principles of good labour and employment practices and makes its Child Protection Policy and anti-fraud and corruption policies an integral part of the agreement. In addition, partners are made aware of the ICS complaints procedures. ICS also conducts regular partner satisfaction surveys to evaluate and find areas for improvement in managing partner relationships.

Compliance in 2016: Partners are aware of ICS' policies. In 2016 ICS did not receive any complaints from partners.

### *Donors*

ICS will never accept funding from a donor that produces a product, or delivers a service with which ICS under no circumstances wishes to be associated, such as weapons or tobacco, has a reputation or a track record of human rights violations and disrespect of the environment or uses child labour in the production of its product and/or services.

ICS will perform an active check before funding is accepted. In the event an existing donor is associated in any way with acts that are inconsistent with ICS core values and programmes, ICS will conduct a reactive check, as a result of which ICS may refuse further funding.

Compliance in 2016: In 2016 the team in the Netherlands did desk research on several potential donors to check the acceptance of these donors. This did not lead to any refusal of a potential donor.

### **Corporate sector partnerships**

Private sector companies also bear a responsibility to avoid causing or contributing to adverse impacts through their activities. ICS expects any business it engages with to have a policy in place and plans for implementation that address issues with reference to their CSR.

ICS commits itself to conduct an assessment of the reputation and track record of the business before engaging in a relationship. We do quick scans of all major partnerships with private sector partners.

Compliance in 2016: ICS confirmed to keep one major supplier of maize seeds on its blacklist as the assessment supplier raised concerns on the ethical behavior of this organization.

### **Strategic plan and future outlook**

2016 was the first year of the three-year strategic period 2016–2018. The strategic plan focuses on economic development and Skilful Parenting as ICS' core approach. Some key indicators reflect our progress against the strategic plan.

### **Economic development**

Key indicators for Agrics:

<b>Name</b>	<b>Actual 2016</b>	<b>Annual plan 2017</b>	<b>Ambition 2018 strategic plan</b>
<b>Business indicator</b>			
Total number of farmers served	30,000	39,500	100,000
Net result Agrics Kenya	- € 367,174	€133,000	€400,000
Net result Agrics Tanzania	- € 164,581	break-even	€109,000
External financing realised	€ 571,499	€ 850,000	€ 3,000,000

Next to these business indicators Agrics and Alizetics have several impact indicators. The most important of these are related to increased yield and income of the farmer families. In 2015, Agrics evaluated the effect of its activities, which showed a sharp 79% increase in yield with our farmers. Given the cost of these evaluations Agrics did not order another evaluation in 2016. Agrics is currently working on data collection methods that will allow for cost efficient collection of data on yield and income. Agrics expects to see results of these new methods in 2018.

For Alizetics we formulated the following objectives:

Name	Actual 2016	Annual plan 2017	Ambition 2018 strategic plan
<b>Business indicator</b>			
Total kgs sold	524,159 kgs	900,000 kgs	1,500,000 kgs
Gross margin	3%	23%	30%
Net result	- € 64,617	break-even	€ 8,000
External financing realised	€ 250,000	€ 250,000	€ 300,000

For Skilful Parenting we formulated the following objectives:

Name	Actual 2016	Annual plan 2017	Ambition 2018 strategic plan
<b>Indicator</b>			
Number of parents who participated in Skilful Parenting training	8,496	15,000	20,000
Number of community members and professionals reached with our extended programmes	22,790	44,500	50,000
Number of children trained on life skills	2,434	3,560	4,200
Number of parents/caregivers in East Africa who are critical, aware and positive about their parenting role	16,992	25,000	30,000
Generate sufficient funds to accommodate the targeted growth		2 million USD	3 million USD

## Financial management and results 2016

### Financial policies

The Financial Statements provide a comprehensive explanation of ICS' investment, treasury and equity policy.

ICS has bank accounts at three major banks in the Netherlands: ABN AMRO Mees Pierson, Rabobank and ING Bank. At the end of 2016, ICS decided that in the course of 2017 Rabobank will become our main banker and replace ABN AMRO Mees Pierson in that role. The main reason for this change is that Rabobank is a reputable bank with a large network in agribusiness which is ICS' major area of interest. With Rabobank as our main banker we believe we will gain more opportunities to make use of several agri-related networks. Based on public reports on the performance of Dutch banks, we found that Rabobank's performance on CSR criteria is more or less the same compared to ABN AMRO Mees Pierson.

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In Africa and Asia, our local offices and entities partner with local reputable banks like Barclays, Commercial Bank of Africa, CRDB Bank and Acleda Bank. ICS does not invest in shares (apart from the shares of its subsidiaries) or investment funds but only keeps cash in its bank and savings accounts. As a result, ICS decided not to execute a pro-active assessment of its investments. If our current bank partners do not comply with basic CSR criteria, ICS will reconsider its relationship with these banks.

### **Foreign currency**

The operational cash flow of our social enterprises is almost solely in local currencies (Kenyan and Tanzanian shillings). However, a significant part of the liabilities of these entities is in western currencies, more specifically US dollars and euros. These entities are consequently vulnerable to exchange rate risks.

In 2015 and 2016 the exchange rates between these local currencies and the US dollar and euro fluctuated relatively little; the trend of the last 10 years, however, has been that both the Kenyan and Tanzanian shilling depreciate significantly against these currencies. This shows that we face a significant risk of exchange rate losses, taking into account the fact that our long-term liabilities have an average repayment period of five years. We will explore opportunities to cover these risks, which may mean that ICS will re-introduce hedging instruments. In 2016 ICS did not use any hedging instruments.

In line with ICS' accounting principles, all monetary assets and liabilities of ICS were revaluated as at December 31, 2016. In total, ICS generated a positive exchange rate result in 2016 of € 161,424. ICS allocates these positive results to its designated reserve for exchange rate results to cover possible exchange rate losses in the future.

### **Cash flow management**

Cash flow management has become a strategic priority for two reasons:

- ICS' cash reserves have reduced significantly since 2015 due to the end of the MFS era, but also due to deficits in the social enterprises.
- Our social enterprises are trading companies and hence very dependent on working capital. Because the scale of the businesses has grown, the temporary cash flow need has increased.

In 2016 we managed to use ICS' cash reserves to invest as working capital. This enabled Agrics and Alizetics to continue operations in periods of cash restraints. As a result, the control account between ICS and these businesses grew to € 1,236,432 at the end of 2016.

During 2016, a number of external investors provided loans to ICS to invest in its enterprises, or they invested directly in Agrics. In 2017, we aim to increase the investment from external parties to enable us to scale up business in East Africa.

Additional measures to smooth cash flow management are:

- Monthly cash flow forecasts for each individual entity to closely monitor its cash flow position.
- Recovering outstanding debts in the balance sheet of December 31, 2016 to ensure this money is available in cash during distribution seasons. This focuses specifically on trade debtors (farmers who need to repay their debt from 2016) and outstanding amounts with major donors.
- For 2017 we negotiated better credit terms with suppliers of inputs in Kenya. We will also negotiate new terms with suppliers in Tanzania.

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### ***Planning and control***

2016 showed that adequate planning and control measures are of vital importance to the ICS group. For example, the report of the second quarter in 2016 showed that Agrics Kenya was heading towards a significantly higher deficit than originally budgeted. On the basis of this information, Agrics Kenya was restructured in September, which allowed us to limit losses in 2016 and create a healthy base for 2017. Procedures, local financial management and budgeting and reporting are continually monitored and improved. A group controller was recruited to increase our capacity to monitor our enterprises in Africa from the Netherlands. With a new general manager we were also able to increase our focus on planning and control at Agrics in Kenya.

In 2017, we intend to integrate Agrics Kenya and Tanzania and Alizetics and organise core management on East African level, under management of a director and finance and data manager on East African level, both new positions. They will be responsible for the management of all three businesses; daily operations and finances will be managed by the existing management teams of these businesses.

### ***Financial results 2016***

This section provides a summary of the financial results of ICS in 2016. Unless stated otherwise, these results refer to the consolidated results of ICS. For more details, please refer to ICS' Financial Statements ([www.ics.nl/en/organisation/annual-reports](http://www.ics.nl/en/organisation/annual-reports)).

### ***Adjustment financial statements 2015***

In the 2015 separate financial statements the loss of ICS B.V. was not represented as a result subsidiary. According to its accounting policies ICS values its subsidiaries at equity value or, if negative, at 0. However, Stichting ICS has a receivable control account with ICS B.V. Our new auditors alerted ICS that the negative book value of equity of the subsidiary has to be deducted from this receivable as a provision. This adjustment was made in the separate financial statements of Stichting ICS. For a more detailed explanation we refer to the chapter Accounting policies in these financial statements.

### ***Overall***

2016 has been ICS' first year without financial support from the MFS subsidy. From 2007 ICS received MFS during nine years for two periods (2007-2010 and 2011-2015). During both subsidy periods ICS was the lead agent of an alliance receiving on average more than 7.5 million euros per year. From 2016 the Dutch government MFS system was discontinued. The impact of losing MFS, which on average has been 70% of ICS' total income has had a big impact on ICS' operations. For several years, ICS has been working to increase its other sources of income. This included other major donors, and increasingly the turnover of the social enterprises. Nevertheless, the falling away of MFS forced ICS to make several adjustments. ICS reduced staff and operational expenses in the Netherlands, closed its operations in Asia and increased its programmatic focus on its two main strategic pillars, economic development and skillful parenting.

For the transition year 2016 ICS budgeted a deficit of nearly 600,000 euros. Due to a number of circumstances the actual deficit exceeded 1 million euros, which will be explained in more detail in this chapter.

For 2017, ICS expects the skillful parenting program to be run financially independent; the social businesses are expected to show at least break-even in their financial performance. The statement of income and expenditures is provided in ICS' Financial Statements. The accounting policies behind these statements are based on general accepted principles for Dutch fundraising organizations (RJ650). A significant part of ICS' income and expenditures are not related to fundraising but to revenue.

In the Financial Statements Stichting ICS complies with the renewed accounting principles for Fundraising Organizations in the Netherlands (RJ650). For a further explanation of this change in accounting policies we refer to the Financial Statements.

The table below shows the consolidated statement of income and expenditures of 2015 and 2016 including the turnover of the social enterprises, with a total income of nearly 4.9 million euros in 2016 (instead of the income of 3.3 million euros presented in the RJ 650 Financial Statements, which include only the gross margin of the social enterprises)

<i>Amounts * € 1,000</i>	<b>Actual 2016</b>	<b>Actual 2015</b>	<b>According to Financial Statements 2015</b>	<b>Actual 2016</b>	<b>Actual 2015</b>
<b>Income</b>			<b>Income</b>		
Raised income (net *)	2,799	5,746	Raised income	2,799	9,266
Revenue	2,048	1,226	Gross margin sales	457	386
Other income	27	45	Other income	27	45
	<b>4,874</b>	<b>7,017</b>			
MFS income for partner organizations *)	0	3,520			
	<b>4,874</b>	<b>10,537</b>		<b>3,283</b>	<b>9,697</b>
<b>Expenditures **)</b>	<b>6,069</b>	<b>11,003</b>	<b>Expenditures</b>	<b>4,478</b>	<b>10,163</b>
	<b>- 1,195</b>	<b>- 466</b>	<b>-</b>	<b>- 1,195</b>	<b>-466</b>
Financial income/share third parties	157	- 37	Financial income/share third parties	157	- 37
<b>Balance</b>	<b>- 1,038</b>	<b>- 503</b>	<b>Balance</b>	<b>- 1,038</b>	<b>-503</b>

*\*) income received from MFS subsidy, but directly disbursed to the international MFS partners, is shown separately in this table to show the give insights in the net effect of the MFS subsidy on 2016 income. \*\*) including Cost of Goods sold on revenues social businesses.*

All in all 2016 showed a deficit of more than 1 million euros. This amount is much higher than budgeted. In 2016 we planned for a significant scale up of Agrics' operations in Kenya and Tanzania. In Kenya we managed to increase scale, but costs ended up much higher than anticipated. We experienced growing pains, such as operational expenses that were not under control, and margins that fell behind the expectations. The 30/6 quarterly report prompted the board to take measures. The general manager was replaced, and a significant cost reduction operation was started in August. In Tanzania we experienced difficult climate circumstances, but also challenges in our sales cycle. In 2017, Tanzania has been brought under the same management as Agrics Kenya, with a key focus on better execution of the sales cycle.

ICS' consolidated balance sheet at the end of 2016 shows that the deficits had its impact on ICS' equity and cash position.

<i>Amounts * € 1,000</i>					
<b>Assets</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>Liabilities</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Tangible fixed assets	219	221	Reserves	708	1,973
Financial fixed assets	111	16	Funds	774	582
			<i>Total reserves &amp; funds</i>	<i>1,482</i>	<i>2,555</i>
Inventory	116	240			
Current assets	1,711	1,183	Share of third parties	11	30
Cash	875	2,998	Provisions	0	42
			Long term liabilities	671	100
			Short term liabilities	868	1,931
	<b>3,032</b>	<b>4,658</b>		<b>3,032</b>	<b>4,658</b>

<b>Ratios</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Solvency</b>		
Total equity/Total liabilities	0.49	0.55
Total guarantee capital/Total liabilities	0.56	0.55
<b>Liquidity</b>		
Current ratio	3.11	2.29

Besides the deficit the decrease of ICS' cash position is also caused by a relatively high amount of trade debtors at Agrics, partly due to delayed repayments, but also because of the increase of the number of clients. ICS paid the final settlements of MFS-partnerships, leading to a decrease of short term liabilities. Because of the increasing number of new donors the balance of receivable grants has increased in 2016.

In 2017 cash management will remain one of the major topics. In the first quarter of 2017 ICS will receive working capital financing of 300,000 euros from an external investor to enable Agrics Kenya to cover its working capital needs. Also Agrics negotiated better credit terms with its suppliers. This will enable Agrics to scale up its business in 2017.

Cash flow prognosis expects ICS' consolidated cash position to decrease to approximately 300,000 euros in the course of June to reach its lowest level. For future years ICS will require additional cash to achieve its ambitions to scale up its business and become financially sustainable. In 2017 ICS will start a campaign to attract external investors to invest in Agrics up to an amount of 2.5 million euros.

### **Looking forward**

The 2016 deficit and reduced cash and equity at the end of 2016 have led to a shift in focus from increasing the number of farmers, which we did successfully in 2016, to profitability. The market opportunities for our enterprises are real, and large. With the cost reductions in Kenya, we expect the company to be above break even for the first time in 2017, and the quarter 1 reports confirm this outlook. The Financial Statements are drawn up under the assumption of continuity.

*The major focus for the foreseen future is twofold:*

- 1) make our African programs and businesses financially sustainable. For the businesses this means 2017 should result in a profit and loss balance of at least break-even; ICS SP should be able to operate without financial contribution from ICS in the Netherlands.
- 2) facilitate Agrics' growth with a new range of external investors. Our ambition is attract a total of 2.5 million euros investment mid 2018 latest. Financial sustainability should improve ICS' solvency, as would equity investments which we aim to be part of the investments we want to attract for Agrics. Unforeseen income items will be added to the reserves to increase ICS' equity position.

In 2017 ICS' social businesses budget a small profit; ICS SP will cover its total expenditures by own fundraising. ICS will provide a 'own contribution' to a number of projects the budget of ICS shows a small deficit:

<i>Amounts * € 1,000</i>	<b>Budget 2017</b>	<b>Actual 2016</b>
<b>Income</b>		
Raised income	3,513	2,799
Revenue *)	3,746	2,048
Other income	0	27
	<b>7,260</b>	<b>4,874</b>
<b>Expenditures *)</b>	<b>7,273</b>	<b>6,069</b>
	<b>- 13</b>	<b>- 1,195</b>
Financial income/share third parties	- 10	157
<b>Balance</b>	<b>- 23</b>	<b>- 1,038</b>

*\*) this template refers to revenue, hence including Cost of Goods sold under expenditures.  
For a budget template that is set up in the template of RJ650 we refer to the Financial Statements 2016.*

**Income**

ICS raises income from several resources. From its very start ICS can build on a solid basis of private donors. In 2016 ICS raised more than 635,000 euros from this source, of which 436,000 euros are long-term commitment from these private donors. Compared to 2015 the income from private donors decreased with 127,000 euros, almost completely caused by a decrease of income from inheritances, an income source which by its nature is unpredictable.

From other sources the major part of income is received from institutional donors. Subsidies from governments dropped with 6 million euros. MFS subsidy was 7.2 million euros in 2015 hence from this amount 1.2 million has been replaced by other subsidies. Another important source of financial resources are investment funds. With the support of five funds who supported ICS with more than 100,000 euros and a number of smaller funds ICS has a growing funding base amongst this category, from 509,000 euros in 2015 to nearly 900,000 euros in 2016.

As MFS had a four-or five year subsidy period, current funding has a shorter terms. Some of the major grants have a duration until 3rd quarter of 2018, none of these grants have a term that exceeds that date.

## Ratios

The following ratios apply to ICS' expenditures.

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
<i>Total expenditures raising income / Total raised income</i>	11.7%	11.1%	4.9%	9.1%

Compared to 2015 the percentage of expenses to raised income increased significantly. This is caused by the high amount of MFS subsidy which was part of 2015 income; in 2016 income reduced due to MFS with two-third, expenses for raising income also decreased but not in the same pace.

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
<i>Total expenditures objectives / Total income</i>	118.5%	101.3%	96.9%	87.5%

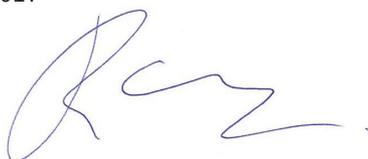
Due to the high deficit in 2016 ICS spent on its objectives more than total income in 2016. In 2017 the percentage has to reduce to a 'normal' ratio of around 87%.

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
<i>Total expenditures administra- tion/ Total income</i>	7.9%	5.1%	3.2%	5.8%

Compared to 2015 the percentage of expenses of administration increased significantly. As with the other ratios this increase was caused by MFS subsidy being part of 2015 income. The lower actual gross margins of the social business had another effect on the ratio.

Amersfoort, 20 July 2017

R.D.D. Messelink  
General Director



CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2016  
After allocation of balance statement of income and expenditure

	December 31, 2016 €	December 31, 2015 €
<b>ASSETS</b>		
Fixed assets		
Tangible fixed assets	219.259	220.629
Financial fixed assets	110.596	16.018
Current assets		
Inventory	116.251	240.446
Receivables and current assets	1.710.532	1.183.143
Cash and cash equivalents	875.372	2.998.141
<b>Total assets</b>	<b>3.032.010</b>	<b>4.658.377</b>
<b>LIABILITIES</b>		
Reserves and funds		
Continuity reserve	519.362	1.046.637
Designated reserves	188.640	926.708
<b>Total reserves</b>	<b>708.001</b>	<b>1.973.345</b>
Designated funds	773.897	581.751
<b>Total funds</b>	<b>773.897</b>	<b>581.751</b>
<b>Total reserves and funds</b>	<b>1.481.898</b>	<b>2.555.096</b>
Share of third parties	11.027	30.495
Provisions	0	41.672
Long-term liabilities	671.499	100.000
Short-term liabilities	867.585	1.931.114
<b>Total liabilities</b>	<b>3.032.010</b>	<b>4.658.377</b>

## CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURES 2016

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
	€	€	€	€
<b>INCOME</b>				
Income from private donors	635.103	678.000	762.892	653.000
Income from companies	3.674	3.000	3.846	3.000
Income from government subsidies	1.250.881	1.277.311	7.827.471	1.928.786
Income from other charities and NGOs	909.441	1.092.412	671.783	928.600
Total raised income	2.799.099	3.050.723	9.265.992	3.513.386
Gross margin sales	456.846	1.264.194	386.328	1.098.523
Other income	26.920	0	44.813	0
Total income	3.282.865	4.314.917	9.697.133	4.611.909
<b>EXPENDITURES</b>				
Committed to objectives				
Structural support	3.775.212	4.262.042	9.262.464	3.923.624
Awareness raising	115.718	109.808	138.086	112.380
	3.890.930	4.371.850	9.400.550	4.036.004
Raising income	327.076	339.504	454.379	320.798
Administration	260.010	219.768	307.738	268.206
Total expenditures	4.478.016	4.931.122	10.162.667	4.625.009
Balance before financial income	-1.195.151	-616.205	-465.534	-13.100
Balance financial income and expenses	137.973	20.000	19.817	-10.000
Balance	-1.057.178	-596.205	-445.717	-23.100
Share of third parties	19.385	0	-57.321	0
Balance	-1.037.793	-596.205	-503.038	-23.100
It is proposed to allocate the balance as follows:				
Continuity reserve	-527.275	0	1.229	0
Designated reserves	-693.121	-596.205	-523.943	-95.100
Designated funds	182.604	0	19.675	72.000
	-1.037.793	-596.205	-503.038	-23.100

In 2015 ICS received a significant amount of MFS subsidy (7.2 million euros); almost 50% of this amount was directly disbursed to international partners. ICS had limited involvement in the implementation of these projects, but as a lead agent was required to include the MFS subsidy for these partners in her income and expenditures. Also the accounting policies do not recognize that a significant part of ICS' income and expenditures are not related to fundraising but to revenue. Below table shows the consolidated income and expenditures defining the income and expenditures excluding the disbursement to international partners in 2015 and revenue and costs of goods sold from our social businesses as income and expenditures instead of gross margin.

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
	€	€	€	€
Total income	4.874.041	7.376.701	7.017.197	7.259.557
Total expenditures	6.069.193	7.992.906	7.482.731	7.272.657
Balance before financial income and expenses	-1.195.151	-616.205	-465.534	-13.100

## NOTES TO THE EXPENDITURES

MODEL C- 2016	Committed to objectives			Raising income	Admini- stration	Total actual 2016	Total budget 2016	Total actual 2015	Total budget 2017
	Structural support	Awareness raising	subtotal						
	€	€	€	€	€	€	€	€	€
Contributions to third parties	409.531	0	409.531	0	0	409.531	395.818	4.466.933	654.300
Contributions to own projects	2.904.528	0	2.904.528	0	0	2.904.528	3.492.238	4.193.980	2.912.534
Publicity and communication expenses	0	27.819	27.819	88.236	381	116.436	199.500	206.799	134.000
	3.314.059	27.819	3.341.878	88.236	381	3.430.495	4.087.556	8.867.712	3.700.834
Operational expenditures									
Salaries	224.650	36.867	261.517	111.676	113.791	486.984	509.253	693.852	533.617
Social and pension premiums	69.908	11.473	81.380	34.752	35.410	151.543	142.696	205.047	150.056
Other staff expenses	12.014	1.972	13.986	5.972	6.085	26.043	3.500	17.985	8.480
Travel and lodging expenses	24.978	6.074	31.051	13.967	16.860	61.878	47.625	89.416	61.650
Office expenses	32.851	7.988	40.839	18.370	22.174	81.383	57.402	138.935	62.082
Depreciation	10.369	2.521	12.890	5.798	6.999	25.687	26.400	31.284	17.400
Board expenses	4.711	1.146	5.857	2.635	3.180	11.672	3.640	5.066	3.040
Consultancies	76.284	18.549	94.832	42.656	51.491	188.980	48.800	102.625	82.300
Other general expenses	5.390	1.311	6.700	3.014	3.638	13.352	4.250	10.745	5.550
	461.154	87.899	549.052	238.840	259.629	1.047.521	843.566	1.294.955	924.175
Total expenditures	3.775.212	115.718	3.890.930	327.076	260.010	4.478.016	4.931.122	10.162.667	4.625.009

## ICS Nederland

Smallepad 30h  
3811 MG Amersfoort  
Tel. +31 (0) 33 30 30 250  
E-mail: [contact@ics.nl](mailto:contact@ics.nl)

## ICS Africa

Westview Properties, Waiyaki Way  
Service Lane, between Vikings & Goodman  
PO box 13892-00800  
Nairobi, Kenya  
Tel. +254 (20) 2063015/17/18

CoC number: 41188664  
IBAN: NL81FTSB0707 0704 06

[www.ics.nl](http://www.ics.nl)



Editors: Jantien Houweling, Martin Vierhuizen, ICS Nederland  
Design: Tirza Teule Identity Design  
Photography: Wouter Jansen, ICS Africa



**FINANCIAL STATEMENTS 2016**

**STICHTING ICS**

Smallepad 30H  
3811 MG Amersfoort  
The Netherlands

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**CONSOLIDATE FINANCIAL STATEMENTS 2016**

**STICHTING ICS**

Smallepad 30H  
3811 MG Amersfoort  
The Netherlands

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2016**

After allocation of balance statement of income and expenditure

	December 31, 2016 €	December 31, 2015 €
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>1</b> Tangible fixed assets	219.259	220.629
<b>2</b> Financial fixed assets	110.596	16.018
<b>Current assets</b>		
<b>3</b> Inventory	116.251	240.446
<b>4</b> Receivables and current assets	1.710.532	1.183.143
<b>5</b> Cash and cash equivalents	875.372	2.998.141
<b>Total assets</b>	<b>3.032.010</b>	<b>4.658.377</b>
<b>LIABILITIES</b>		
<b>6 Reserves and funds</b>		
Continuity reserve	519.362	1.046.637
Designated reserves	188.640	926.708
<i>Total reserves</i>	<i>708.001</i>	<i>1.973.345</i>
Designated funds	773.897	581.751
<i>Total funds</i>	<i>773.897</i>	<i>581.751</i>
<i>Total reserves and funds</i>	<i>1.481.898</i>	<i>2.555.096</i>
Share of third parties	11.027	30.495
<b>7</b> Provisions	0	41.672
<b>8</b> Long-term liabilities	671.499	100.000
<b>9</b> Short-term liabilities	867.585	1.931.114
<b>Total liabilities</b>	<b>3.032.010</b>	<b>4.658.377</b>

**CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURES 2016**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>INCOME</b>				
10 Income from private donors	635.103	678.000	762.892	653.000
11 Income from companies	3.674	3.000	3.846	3.000
12 Income from government subsidies	1.250.881	1.277.311	7.827.471	1.928.786
13 Income from other charities and NGOs	909.441	1.092.412	671.783	928.600
<b>Total raised income</b>	<b>2.799.099</b>	<b>3.050.723</b>	<b>9.265.992</b>	<b>3.513.386</b>
14 Gross margin sales	456.846	1.264.194	386.328	1.098.523
15 Other income	26.920	0	44.813	0
<b>Total income</b>	<b>3.282.865</b>	<b>4.314.917</b>	<b>9.697.133</b>	<b>4.611.909</b>
<b>EXPENDITURES</b>				
<i>Committed to objectives</i>				
16 Structural support	3.775.212	4.262.042	9.262.464	3.923.624
17 Awareness raising	115.718	109.808	138.086	112.380
	<b>3.890.930</b>	<b>4.371.850</b>	<b>9.400.550</b>	<b>4.036.004</b>
18 Raising income	327.076	339.504	454.379	320.798
19 Administration	260.010	219.768	307.738	268.206
<b>Total expenditures</b>	<b>4.478.016</b>	<b>4.931.122</b>	<b>10.162.667</b>	<b>4.625.009</b>
<b>Balance before financial income</b>	<b>-1.195.151</b>	<b>-616.205</b>	<b>-465.534</b>	<b>-13.100</b>
20 Balance financial income and expenses	137.973	20.000	19.817	-10.000
<b>Balance</b>	<b>-1.057.178</b>	<b>-596.205</b>	<b>-445.717</b>	<b>-23.100</b>
<b>Share of third parties</b>	19.385	0	-57.321	0
<b>Balance</b>	<b>-1.037.793</b>	<b>-596.205</b>	<b>-503.038</b>	<b>-23.100</b>
It is proposed to allocate the balance as follows:				
Continuity reserve	-527.275	0	1.229	0
Designated reserves	-693.121	-596.205	-523.943	-95.100
Designated funds	182.604	0	19.675	72.000
	<b>-1.037.793</b>	<b>-596.205</b>	<b>-503.038</b>	<b>-23.100</b>

In 2015 ICS received a significant amount of MFS subsidy (7.2 million euros); almost 50% of this amount was directly disbursed to international partners. ICS had limited involvement in the implementation of these projects, but as a lead agent was required to include the MFS subsidy for these partners in her income and expenditures. Also the accounting policies do not recognize that a significant part of ICS' income and expenditures are not related to fundraising but to revenue. Below table shows the consolidated income and expenditures defining the income and expenditures excluding the disbursement to international partners in 2015 and revenue and costs of goods sold from our social businesses as income and expenditures instead of gross margin.

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Total income</b>	4.874.041	7.376.701	7.017.197	7.259.557
<b>Total expenditures</b>	6.069.193	7.992.906	7.482.731	7.272.657
<b>Balance before financial income and expenses</b>	<b>-1.195.151</b>	<b>-616.205</b>	<b>-465.534</b>	<b>-13.100</b>

## CONSOLIDATED CASH FLOW STATEMENT 2016

	Ref	2016	2015
		€	€
<b>BALANCE OF STATEMENT OF INCOME AND EXPENDITURE</b>		-1.037.793	-503.038
<i>Adjustments</i>			
- Depreciation and amortisation	1	108.047	152.385
- Exchange difference of book value at start of financial year	1,2 &6	-64.887	12.148
- Changes in provisions	7	-41.672	-707
		1.489	163.826
<i>Changes in working capital</i>			
- Inventory	3	124.195	-83.294
- Receivables and current assets	4	-527.389	2.942.136
- Short-term liabilities	9	-1.063.528	-2.332.098
		-1.466.722	526.744
<b>Operational cash flow</b>		<b>-2.503.027</b>	<b>187.532</b>
<i>Investments equity</i>	6	0	163.811
<i>Investments long-term liabilities</i>	8	571.499	100.000
<b>Financing cash flow</b>		<b>571.499</b>	<b>263.811</b>
<i>Investments in tangible fixed assets</i>	1	-102.080	-47.417
<i>Investments in financial fixed assets</i>	2	-89.160	110.760
<b>Investment cash flow</b>		<b>-191.240</b>	<b>63.343</b>
Increase/decrease of cash in the financial year	5	-2.122.768	514.686
Balance cash and cash equivalents January 1		2.998.141	2.483.455
<b>Balance cash and cash equivalents December 31</b>		<b>875.373</b>	<b>2.998.141</b>

The cash position changed significantly during 2016. First of all this is caused by the deficit of more than 1 million euros in 2016. On top of that working capital, excluding cash, reduced with 1.5 million euros. This is mainly caused by final settlements of MFS partnership (reducing short-term liabilities) and relatively high receivables from credit clients at the end of 2016 (increasing the receivables).

## ACCOUNTING POLICIES

### GENERAL

The financial statements for 2016 were drawn up in accordance with the renewed accounting principles for Fundraising Organizations in the Netherlands (RJ650).

The financial statements include the financial data of Stichting ICS in Amersfoort, together with the data from its offices in Nairobi, Kenya (Africa) and Siem Reap, Cambodia (Asia) in consolidated form.

### Consolidation

The consolidation includes the financial data of Stichting ICS together with its subsidiaries over which it can exercise predominant control or of which it has central management. Subsidiaries are legal entities over which Stichting ICS can exercise predominant control directly or indirectly because it has the majority of voting rights or can control the financial and operational activities in any other way. Potential voting rights which can be exercised directly on the balance sheet date are also taken into consideration.

The subsidiaries over which Stichting ICS can exercise predominant control or of which it has central management are included fully in the consolidation. The third party interest in the group equity and in the group result are reported separately. Participations over which no predominant control can be exercised (associates) are not included in the consolidation.

Intercompany transactions, intercompany profits and mutual receivables and liabilities between subsidiaries and other legal entities included in the consolidation are eliminated in so far as the results have not been realised by transactions with third parties outside the ICS group. Unrealised losses on intercompany transactions are also eliminated unless impairment is involved. Accounting principles of subsidiaries and other legal entities included in the consolidation are, if necessary, modified to bring them in line with the current accounting principles for the ICS group.

Stichting ICS is the mother company of ICS-group. The companies included in the consolidation are:

- **ICS B.V.**, in which Stichting ICS has a 100% share, with its registered office in Amersfoort, the Netherlands. This participation invests in and manages a number of companies in Kenya, Tanzania and Cambodia. Stichting ICS conducts the management of this company.

- **Nafics Ltd.**, in which ICS B.V. has a 90% share, with its registered office in Nairobi, Kenya. This participation purchases and sells maize in Kenya and Tanzania. The Executive Board consists of Ronald Messelink and John Otini.

Nafics Ltd's managing director committed fraud in 2015. For this reason and the fact Nafics' accounts were poorly kept ICS was not able to include Nafics' income and expenditures in its consolidated accounts 2015. Due to uncertainties the assets of Nafics are written off and as a result do no longer represent a monetary value in the accounts as of 2015. This policy has been maintained in 2016.

- **Hydrics Cambodia Ltd.**, in which ICS B.V. has a 100% share, with its registered office in Siem Reap, Cambodia. This participation was established for ICS' water activities in Cambodia, but is currently dormant.

- **Alizetics Ltd.**, in which ICS B.V. has a 70% share, with its registered office in Shinyanga, Tanzania. This participation purchases sunflower seeds from farmers in northern Tanzania and sells them to the processing industry. The Executive Board consists of Ronald Messelink, Jonathan Kifunda and Benard Sitati.

- **Agrics Company Ltd.**, in which ICS B.V. has a 100% share, with its registered office in Kakamega, Kenya. Agrics Ltd. (operational as of January 1, 2015). This company trades inputs, poultry and solar panels to smallholder farmers in Kenya. The Executive Board consists of Ronald Messelink, John Otini and Benard Sitati.

- **Agrics Social Business Ltd.**, in which ICS B.V. has a 100% share, with its registered office in Shinyanga, Tanzania (operational as of 1 January 2015). This company trades inputs to smallholder farmers in Tanzania. The Executive Board consists of Ronald Messelink, Martin Vierhuizen and Jonathan Kifunda.

### Change in accounting policies

The accounting principles adhered to have changed with respect to the preceding year. ICS complies with the renewed accounting principles for Fundraising Organizations in the Netherlands (RJ650).

In comparison with the financial statements of 2015 this has a number of implications in the representation of certain income and expenditure categories.

The renewed accounting principles require ICS to use a different framework in the statement of income and expenditures compared to financial statements of 2015. In this section we will only refer to those changes that have impact on total income or expenditures.

In the financial statements of 2016 the cost of goods sold of ICS' social businesses in the ICS-group are represented under 'Gross margin sales' instead of 'Expenditures structural support' in the financial statements of 2015.

As a result Income as well as Expenditures in the 2015 actuals column of the Statement of income and expenditures are reduced with € 840,093 compared to the financial statements of 2015.

The new policy also request to represent the balance of financial income and expenses separately in the Statement of income and expenditures. As a result interest income is no longer reflected under Income, hence reducing the actual income in the consolidated statement of income and expenditures in 2015 with € 19,817.

For the same reason the actual income in the separate statement of income and expenditures in 2015 is reduced with € 25,925.

Below tables show the net effect of these changes on the statement of income and expenditures in 2015:

	2015 actuals according to new accounting policy	2015 actuals according to 2015 annual accounts	Net effect change in policy
	€		€
<i>Consolidated statement of income and expenditures</i>			
Income	9.697.133	10.557.043	-859.910
Expenditures	10.162.667	11.002.760	-840.093
	<b>-465.534</b>	<b>-445.717</b>	<b>-19.817</b>
Balance financial income and expenses	19.817	0	19.817
Share third parties	-57.321	-57.321	0
Balance	<b>-503.038</b>	<b>-503.038</b>	<b>0</b>
<i>Separate statement of income and expenditures</i>			
Income	9.386.860	9.412.785	-25.925
Expenditures	9.439.303	9.439.303	0
	<b>-52.443</b>	<b>-26.518</b>	<b>-25.925</b>
Balance financial income and expenses	25.925	0	25.925
Result subsidiaries	-476.520	-476.520	0
Balance	<b>-503.038</b>	<b>-503.038</b>	<b>0</b>

### Major adjustment in annual accounts previous year (only applicable to the separate financial statements)

In the 2015 separate financial statements the loss of ICS B.V. was not represented as a result subsidiary. According to its accounting policies ICS values its subsidiaries at equity value or, if negative, at 0. However, Stichting ICS has a receivable control account with ICS B.V. The negative book value of equity of the subsidiary is supposed to be deducted from this receivable as a provision. The provision of the control account has been adjusted in the actuals at December 31, 2015 in the 2016 separate balance sheet; the additional result of subsidiaries was adjusted in the actuals of 2015 in the 2016 separate statement of income and expenditures. The additional deficit in 2015 was deducted from the designated reserves, this was also adjusted in the 2016 separate balance sheet

Below tables show the net effect of these changes on the balance sheet and statement of income and expenditures in 2015:

	2015 actuals according to original financial statements	2015 actuals according to adjusted financial statements	Net effect error adjustment
	€		€
<i>Separate balance sheet</i>			
<i>Assets</i>			
Loan to group companies	1.402.625	747.921	<b>654.704</b>
<i>Liabilities</i>			
Continuity reserve	1.066.916	1.046.638	20.278
Designated reserves	1.538.676	904.249	634.427
	<b>2.605.591</b>	<b>1.950.887</b>	<b>654.704</b>
<i>Separate statement of income and expenditures</i>			
Balance before result subsidiaries	-26.518	-26.518	0
Result subsidiaries	0	-476.520	476.520
Balance	<b>-26.518</b>	<b>-503.038</b>	<b>476.520</b>

### Estimates

In using the principles and rules for drawing up the financial statements, the Executive Board of Stichting ICS forms several opinions and estimates which can be essential for the amounts which are included in the financial statements. If necessary for the insight the nature of these opinions and estimates including the corresponding assumptions, are included in the explanatory notes for the relevant financial statement items.

### Budget

The budget 2017 presented in the 2016 financial statement has not been subject to the financial audit.

### Continuity

The financial statements have been prepared on a going-concern basis. Over the past years ICS has reviewed its strategy and commenced its implementation. The continuity reserve of ICS is sufficient to serve as a buffer in the event of future calamities.

## ACCOUNTING POLICIES FOR THE BALANCE SHEET

### General

Assets and liabilities are generally valued at the acquisition or manufacturing cost or the current value. If no specific accounting principle is mentioned, valuation is based on the acquisition cost. The balance sheet, the statement of income and expenditure and the cash flow statement contain references. These references refer to the explanatory notes.

### Foreign currency

The items in the financial statements of the subsidiaries are valued taking into consideration the currencies of the economic environment in which the subsidiary mainly performs its business activities (the functional currency). The consolidated financial statements are made in euros; this is the functional currency as well as the presentation currency of Stichting ICS.

Transactions in foreign currency during the accounting period are processed in the financial statements at the exchange rate on the first day of the relevant quarter.

Monetary and non-monetary assets and liabilities in foreign currency are converted at the exchange rate valid on the balance sheet date. The exchange differences which arise from the settlement and translation are credited or debited to the statement of income and expenditure under 'Financial income'.

The assets and liabilities of the participations included in the consolidation with a functional currency which is different to the presentation currency are translated at the exchange rate valid on the balance sheet date; the income and expenditure are converted at the average exchange rates during the financial year. The ensuing conversion differences are credited or debited directly to the capital of ICS in the legal reserve translation differences.

### **Tangible fixed assets**

The tangible fixed assets are valued at the acquisition price less depreciation and amortisation and impairments. The depreciation and amortisation amount to a fixed percentage of the acquisition price.

The calculation is based on the percentages below:

ICT	25-50%
Fixtures and furniture	11-20%
Vehicles	25%

Investments in the financial year are depreciated in proportion to the time elapsed.

### **Financial fixed assets**

#### *Subsidiaries (only applicable to the separate financial statements)*

Subsidiaries in which significant influence can be exercised are valued according to the equity accounting method (net asset value). If 20% or more of the voting rights can be exercised, it is assumed that there is significant influence.

The net asset value is calculated according to the principles which apply to these financial statements.

If the valuation of a subsidiary according to the net asset value is negative, it is valued as zero. If and to the extent that in this situation Stichting ICS guarantees the debts of the subsidiary fully or partly or has the firm intention of enabling the subsidiary to pay its debts, a provision is made for this.

The amount by which the book value of the subsidiary has changed since the previous financial statements as a consequence of the result achieved by the subsidiary is accounted for as result.

If impairments are involved, valuation is made at the realisable value; downgrading is debited from the statement of income and expenditure.

#### *Receivables*

The receivables included under financial fixed assets comprise loans granted and other receivables. These receivables are initially stated at fair value, and subsequently valued at the amortized cost. If discount or premium are involved in the granting of loans, this is credited or respectively debited during the term to the result as part of the effective interest rate. Transaction costs are also processed in the first valuation and debited to the result as part of the effective interest rate. Impairment of assets is deducted from the statement of income and expenditure.

Possible irrecoverability is taken into account as far as necessary as regards loans and credits granted.

### **Impairments**

On every balance sheet date, Stichting ICS reviews whether there are indications that a fixed asset can be subject to impairment. If there are such indications, the realisable value of the asset is determined.

Impairment is involved if the book value of an asset is higher than the realisable value; the realisable value is the larger of the net realisable value and the value in use. An impairment loss is processed directly as expenditure in the statement of income and expenditure and the book value of the relevant asset is reduced at the same time.

### **Inventory**

The inventory is valued at average purchase price, or lower net realisable value, taking into account in so far as necessary the unsaleability of the inventory.

The net realisable value is the estimated sale price after deducting directly attributable costs to sell. When the net realisable value is determined, the unsaleability of the inventory is taken into account.

**Receivables and current assets**

Receivables and current assets are initially valued at the fair value of the consideration. Provisions due to irrecoverability are deducted from the book value of the receivables and current assets.

Deferred tax assets are included for deductible fiscal losses, on the understanding that deferred tax assets are only included to the extent that it is probable that there will be fiscal profit in the near future with which the provisional differences can be settled and losses can be compensated.

The deferred tax assets are calculated at the tax rates valid at the end of the reporting year or at the rates valid in the coming years, in so far as they have already been laid down by law.

Deferred tax assets are valued at nominal value.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and deposits. Cash and cash equivalents are valued at nominal value.

**Share of third parties**

The share of third parties in the group equity concerns the minority interest of third parties in the shareholders' equity of consolidated companies. In the profit and loss account the share of third parties in the result of consolidated companies is deducted from the group result.

If the losses attributable to the minority interest of third parties exceed the minority interest of third parties in the shareholders' equity of the consolidated companies, the difference - as well as any further losses - will be fully charged to the minority shareholder, unless and insofar as the minority shareholder is committed to assume responsibility for those losses and is able to do so. If the consolidated companies once again generate profit, these profits will fully be debited to the minority shareholder, until the losses for which the minority shareholder has assumed responsibility have been recovered.

**Provisions**

Provisions are formed for legally enforceable or actual obligations that exist on the balance sheet date, whereby it is probable that an outflow of funds is necessary and whose size can be estimated reliably.

The provisions are valued at the best estimate of the amounts that are necessary to settle the obligations as at the balance sheet date.

**Liabilities**

Short-term and long-term liabilities are initially valued at fair value.

**Other assets and liabilities**

All other items on the balance sheet are valued at nominal value.

**Notes to the cash flow statement**

The cash flow statement is drawn up according to the indirect method. The financial resources in the cash flow statement consist of the cash and cash equivalents.

Cash flows in foreign currency are converted at an estimated average exchange rate in accordance with the accounting principles of ICS.

Income and expenditure arising from interest are included under the cash flow from operational activities. The acquisition price of the acquired subsidiaries is included under the cash flow from investment activities, in so far as payment in cash has taken place.

**ACCOUNTING POLICIES FOR THE STATEMENT OF INCOME AND EXPENDITURE**

The income and expenditure are determined taking into consideration the above-mentioned accounting principles and allocated to the reporting year to which they relate.

## **Income**

### ***Raised income***

Income from own fundraising is generally accounted for in the reporting year in which the donations and contributions were received.

Income from inheritances and legacies is included in the financial year in which the size can be established reliably.

The income from companies and income from other charities and NGOs are accounted for in the financial year in which the donation was committed by the donor.

Income from subsidies is accounted for in the year in which the subsidised expenditure is accounted for in the statement of income and expenditure.

### ***Gross margin sales***

Gross margin comprises the income from the supply of goods and services after deduction of discounts and suchlike and taxes imposed on the turnover less the costs directly related to these supplies.

Income from the sale of goods is processed as soon as all important rights and risks related to the ownership of the goods have been transferred to the buyer.

Income from the supply of services is accounted for in proportion to the performances delivered, on the basis of the services performed up to the balance sheet date in proportion to the total of services to be performed.

### ***Other income***

The other income is accounted for in the year to which they relate.

## **Expenditure**

The expenditure is divided over the objectives:

1. Objectives:
  - Structural support;
  - Awareness raising.
2. Raising income
3. Administration

The publicity and communication expenses are allocated to the 'Awareness raising' objective and the costs of raising income based on an estimate in percentage terms per cost type.

The depreciation and amortisation take place in proportion to time, on the basis of the expected economic life. Interest expenses are processed in proportion to time, taking into consideration the effective interest rate of the liabilities concerned.

The other costs are accounted for in the year to which they relate, which means that if necessary, items paid in advance or yet to be paid are taken into consideration.

The administration costs are allocated to the objectives of raising income and management and administration, on the basis of the following economic criteria:

The personnel costs are divided on the basis of an estimate of weighted fulltime units (FTE) that the employees of ICS spend on an activity. The term "weighted" means that a fulltime unit of a relatively expensive employee weighs proportionately more heavily in the division of the personnel costs.

The other administration costs are divided on the basis of an estimate of the FTEs actually spent on an activity.

**Impairments of fixed assets**

On every balance sheet date, ICS reviews whether there are indications that a fixed asset can be subject to impairment. If there are such indications, the realisable value of the asset is determined. Impairment is involved if the book value of an asset is higher than the realisable value.

If it is determined that an impairment that was justified in the past no longer exists or has decreased, the increased book value of the asset in question is no longer set higher than the book value that would be determined if no impairment for the asset was justified.

**Pensions**

The Dutch office of ICS has a defined benefit plan on the basis of average salary. This is a pension scheme that awards a pension to the employees, whereby the size depends on age, salary and years of service.

The pension scheme is processed in the financial statements as if it were a defined contributory scheme. The premiums due are accounted for as expenditure in the statement of income and expenditure. In so far as the premium due has not yet been paid, it is included in the balance sheet as obligation.

For the pension schemes in Kenya and Tanzania, obligations which arise from foreign pension schemes are processed and valued in accordance with the valuation of the Dutch pension schemes.

**Financial income**

Interest income is processed in proportion to time, taking into consideration the effective interest rate of the assets and liabilities concerned.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### ASSETS

The assets are entirely used for the operations of ICS.

#### 1 Tangible fixed assets

	Land and buildings €	Machinery and installations €	Fixtures and furniture €	ICT €	Vehicles €	Total €
<b>Balance as at January 1, 2016</b>						
Accumulated acquisition value	18.204	9.243	112.998	104.040	350.589	595.074
Accumulated depreciation	1.820	794	67.634	63.866	240.330	374.445
<b>Book value as at January 1, 2016</b>	<b>16.384</b>	<b>8.449</b>	<b>45.364</b>	<b>40.173</b>	<b>110.260</b>	<b>220.629</b>
Exchange difference of book value at start of financial year	594	306	-871	1.001	3.566	4.598
Investments	22.451	3.487	10.937	34.758	57.368	129.000
Disinvestments	0	0	-4.838	0	-22.083	-26.920
Depreciation	-6.911	-2.150	-19.880	-33.501	-45.606	-108.047
<b>Book value as at December 31, 2016</b>	<b>32.517</b>	<b>10.093</b>	<b>30.712</b>	<b>42.432</b>	<b>103.505</b>	<b>219.259</b>
Accumulated acquisition value	41.315	13.170	117.606	117.999	374.233	664.323
Accumulated depreciation	8.798	3.078	86.894	75.567	270.728	445.064
<b>Book value as at December 31, 2016</b>	<b>32.517</b>	<b>10.093</b>	<b>30.712</b>	<b>42.432</b>	<b>103.505</b>	<b>219.259</b>

In 2016 the main investments took place in Kenya. Agrics invested in the poultry center construction and purchased one new vehicle. Besides also new motorbikes were purchased for operations in Kenya and Tanzania. In the Netherlands ICS purchased a new IT server early 2016.

#### 2 Financial fixed assets

	December 31, 2016 €	December 31, 2015 €
Loans to social entrepreneurs	13.714	16.018
Receivable grant	96.882	0
	<b>110.596</b>	<b>16.018</b>

These loans proceeded during the financial year as follows:

<b>Loans to social entrepreneurs</b>	<b>2016</b> €	<b>2015</b> €
Book value as at January 1	59.968	154.382
Loans provided during the financial year	0	26.361
Exchange difference of book value at start of financial year	-5.417	-310
	<b>54.551</b>	<b>180.432</b>
Repayment in financial year	9.036	25.984
	45.515	154.449
Less: write-off due to irrecoverability	31.801	94.481
<b>Outstanding balance as at December 31</b>	<b>13.714</b>	<b>59.968</b>
Less: provision due to possible irrecoverability	0	43.950
<b>Book value as at December 31</b>	<b>13.714</b>	<b>16.018</b>

In previous years ICS provided loans to local entrepreneurs as seed capital to start up their companies. Due to changes in strategy ICS has not provided new loans in 2016. However, repayments from loans provided before 2016 are still due.

In 2016 ICS closed its premises in Cambodia. Now ICS does not have any formal representation in Cambodia it is hard to collect the outstanding loan amounts. ICS uses the services of local organization for loan collection. However it proves to be very difficult to secure this collection.

As a result ICS wrote off all outstanding loans in Cambodia though it still proceeds to try to collect the money.

By the end of 2016 an amount of 13,687 euro is still outstanding with 31 youth entrepreneurs in Tanzania. These entrepreneurs have repaid nearly 50% of the original loans provided. We still proceed collection, which will be finished in 2018.

### 3 Inventory

	<b>December 31,</b> <b>2016</b> €	<b>December 31,</b> <b>2015</b> €
Inventory of inputs for agribusiness	91.085	240.446
Inventory of maize	25.166	0
	<b>116.251</b>	<b>240.446</b>

The inventory of inputs refers to seeds, fertilizer and solar panels available for distribution to smallholder farmers. Agrics Kenya only purchased relatively small numbers of new seeds and fertilizer for the 2017 distribution. Hence the lower amount of inventory at the end of 2016 compared to 2015 when significant numbers of inputs were already purchased before the end of the year.

End of 2016 Agrics Kenya harvested maize at its research station which will be sold in the first quarter 2017.

#### 4 Receivables and current assets

	December 31, 2016 €	December 31, 2015 €
Trade debtors	716.510	188.926
To be received from other subsidies and grants	660.132	305.391
MFS II subsidy to be received	0	463.843
Paid in advance inputs for next distribution season	168.750	0
Advances and loans to personnel	19.215	9.226
To be received from legacies and inheritances	10.533	77.628
Deposits	2.483	4.159
Interest to be received	349	6.410
Paid in advance for future businesses	0	315
Pension premiums paid in advance	3.975	15.376
Other advance payments	52.938	81.546
Miscellaneous	75.648	30.322
	<b>1.710.532</b>	<b>1.183.143</b>

Except for deposits these receivables and current assets last less than one year.

The amount of receivable trade debtors increased significantly. First of all the payment of delivered sunflower seeds in Tanzania took place in first quarter of 2017 (€ 205,000). The other debtors have outstanding payables at Agrics in Kenya and Tanzania. Agrics Kenya still has almost half a million euros of debts outstanding at its client. The major part are remaining balances from 2016 deliveries which will need to be collected in 2017.

A provision for non-collectable trade debtors of € 178.765 has been deducted from the balance of trade debtors.

From the receivable grants an amount of € 96,882 will be received more than one year after December 31, 2016 (in 2018).

Agrics Kenya did not purchase inventories for 2017 distribution but had to prepay its fertilizer supplier to secure the availability of sufficient fertilizer during distributions season.

#### 5 Cash and cash equivalents

	December 31, 2016 €	December 31, 2015 €
Petty cash	1.767	28.368
Bank accounts	748.146	970.910
Savings accounts	113.747	1.987.151
Fixed deposits	11.712	11.712
	<b>875.372</b>	<b>2.998.141</b>

The fixed deposits of € 11,712 are not accessible as it serves as a deposit for a bank guarantee.

ICS' cash position reduced significantly. This is mainly due to the fact that most of its outstanding commitments to partners from the Together4Change alliance were settled in the course of 2016.

Also the increase of receivables, due to prepayments and outstanding trade debtors, and the 2016 deficit of around 1 million had significant impact on the cash position.

**ICS investment policy**

The investment policy of ICS is part of the Financial Statute of ICS, the most recent version of which was approved in April 2012 by the Supervisory Board of ICS.

In its investment policy, ICS declares the sum of the continuity reserve and the designated funds must always be available as liquid funds or callable within a reasonable period and for a reasonable penalty interest.

In the event ICS has a (temporary) surplus of cash and cash equivalents at its disposal, this surplus may be invested for a certain period. A maximum of 50% of this surplus may be invested in bonds and debentures with a triple A status.

The investment policy of ICS provides for the possibility of making mission-related investments, for example in the form of loans or shares for social businesses. The maximum amount of allowable mission-related investments is equal to the balance of the designated reserve 'Structural support'.

**Application of the investment policy by ICS in 2016**

At the end of 2016 the accumulated size of the continuity reserve and the designated funds was € 1,293,259. The total amount of cash in hand and directly available bank and savings accounts was more than € 863,660 at the end of 2016.

Hence ICS does not comply with its investment policy. This can be explained by the fact that multiple donors whose donation is part of the designated fund have not paid their donation by the end of 2016 with a total amount of € 431,055.

The total amount of mission related investments amounted end of 2016 € 13,714. The designated reserves amounts € 188,640 euro at the end of 2016, meaning ICS complies with its policy.

**Treasury policy ICS**

The treasury policy of ICS is part of the Financial Statute of ICS, the most recent version of which was approved in April 2012 by the Supervisory Board of ICS.

The treasury policy sets out the principles of ICS in the area of cash and treasury management. The basic principle is that on the treasury level ICS prioritises risk avoidance at the expense of revenue maximisation.

The policy of ICS is to spread its liquidity across different banks in order to minimise dependence and liquidity risks. ICS will only do business with banks that have a good, reliable reputation.

For foreign currencies that are relevant to ICS' program execution and that have a certain degree of volatility, ICS enters into currency futures contracts.

ICS exercises restraint in providing security and guarantees.

The Supervisory Board of ICS must provide explicit approval for numerous treasury-related decisions such as providing security and guarantees and entering into or modifying bank relations.

As part of its cash management, ICS provides its regional and program offices with advance payments that are maximised to the liquidity needs of one quarter. Cash payments and advance payments to personnel must be limited as much as possible; specific arrangements have been made concerning settlement and repayment for advance payments to local personnel.

Within the range of the treasury policy, and taking into consideration the minimisation of risks, ICS seeks possibilities for realising as efficient as possible a mix of liquidities available in cash, in bank accounts and (fixed) deposits.

**Application of the treasury policy by ICS in 2016**

ICS does business in the Netherlands with 3 well-known banks (ABN AMRO, Rabobank and ING). This number is still deemed sufficient spread. Most of ICS' liquid funds are with ICS' principal banker, ABN AMRO.

Since 2015 ICS has not entered into any forward exchange contracts. Main reason is that the cash flow planning has become very dependent on seasonal patterns and is relatively difficult to predict. Also the portion of sales and purchases local currencies increases, meaning ICS' operations is less dependent on international currencies like the euro or US dollar.

A bank guarantee was provided in 2014 in connection with the rent of the new office in Amersfoort. The Supervisory Board provided permission for this bank guarantee which amounts € 11,712.

## LIABILITIES

### 6 Reserves and funds

#### *ICS equity policy*

In accordance with the Guideline for Fundraising Organizations (RJ650), ICS has the following reserves and funds:

- Continuity reserve;
- Designated reserves; and
- Designated funds.

The Supervisory Board approved the equity policy which is based on an analysis of the financial risks of ICS.

The various equity components enable ICS to set out its strategy, whereby ICS runs financial risks to a greater or lesser extent. ICS has formulated a policy for each individual component, based on both external guidelines as ICS' own analysis of ICS' financial risks and an estimate of the maximum allowable size of these components.

#### *Continuity reserve*

The continuity reserve serves as a buffer for the event future calamities take place.

The continuity reserve is no more than the amount equal to the costs of the work organisation of ICS for 1.5 years and is at least the amount equal to the costs of the work organisation of ICS in the Netherlands for 6 months. This fulfils the requirements of Goede Doelen Nederland in the context of the Code for Good Governance.

#### *Designated reserves*

ICS aims to have a balanced budget without a surplus or deficit.

The Board of Directors of ICS has decided to add or withdraw a surplus or deficit that occurs during a financial year, to or from these reserves on the understanding that such a change can be satisfactorily substantiated in the light of the objective of one of these reserves.

ICS has one designated reserve in the context of its 'Structural support' objective. In addition, ICS has an 'Exchange rate risk' designated reserve to handle any future negative price developments.

Any temporary deficit or surplus is withdrawn from or added to the designated reserves by ICS in case this is caused by under- or overspending on 'Structural support', or is due to exchange rate results. Should a deficit or surplus be caused by a different reason, they are withdrawn from or respectively added to the continuity reserve.

#### *Designated funds*

Designated funds are formed whenever grants are earmarked by donors for a specific project or and these grants have not yet been fully spent at the end of the financial year.

The aim of ICS is to limit the duration of these funds as much as possible, which depends on the progress of the project and specific requirements of the donor.

## Reserves

	December 31, 2016 €	December 31, 2015 €
Continuity reserve	519.362	1.046.637
Designated reserves	188.640	926.708
	<b>708.001</b>	<b>1.973.345</b>

### Continuity reserve

The continuity reserve proceeded as follows in 2016:

	2016 €	2015 €
Balance as at January 1	1.046.637	1.015.445
Exchange difference of balance at start of financial year	0	29.963
Deficit or surplus respectively in financial year	-527.275	1.229
<b>Balance as at December 31</b>	<b>519.362</b>	<b>1.046.637</b>

### *Application of the equity policy by ICS in 2016*

Based on the calculation in its equity policy, the balance of the continuity reserve should be set at no less than € 524,000 and no more than € 1,571,000.

The amount of the continuity reserve as of 31 December 2016 is 519,000 euros hence below the minimum level, hence the reserve is sufficient. ICS acknowledges that the balance of its continuity reserve is too low and will work on improving its equity and continuity reserve in the near future.

### Designated reserves

	December 31, 2016 €	December 31, 2015 €
Designated reserve 'Structural support'	83.177	280.109
Designated reserve 'Structural support - revolving fund'	18.948	550.703
Designated reserve 'Exchange rate risk'	86.514	95.896
	<b>188.640</b>	<b>926.708</b>

ICS has built up a designated reserve 'Structural support' over the years. This reserve is used for expenditure in the context of its 'Structural support' objective, which is not (sufficiently) covered by its income.

ICS provides local entrepreneurs and social businesses with loans in the context of its objectives. ICS has set up a specific revolving fund within the designated reserve Structural Support in order to control the risks of these loans and also to release liquidity so that it can be provided.

Finally, ICS has an 'Exchange rate risk' reserve for covering fluctuations in foreign currencies with which ICS works.

*Application of the equity policy by ICS in 2016*

The business activities of ICS in Agrics and Alizetics had a negative result of € 577,000 in 2016. This amount was withdrawn from the designated reserve 'Structural support'.  
By contrast, the net exchange result obtained in 2016 was more than € 35,000 positive. On the other hand, due to exchange rate losses ICS had to adjust the equity of foreign subsidiaries with nearly € 45,000. The balance of these two amounts was covered by the designated reserve 'Exchange rate risk'.

The designated reserves proceeded as follows in 2016:

	2016 €	2015 €
Balance as at January 1	926.708	1.316.498
Less:		
Exchange difference of balance at start of financial year	44.948	15.909
Amortization disinvestment Nafics Ltd	0	364.098
Deficit social businesses	576.987	701.407
Balance donations private donors previous years	151.700	0
Depreciation loans to entrepreneurs	0	60.296
	153.074	174.788
Plus:		
Balance donations private donors	0	151.700
Increase revolving fund from subsidy	0	466.068
Equity investment Alizetics Ltd	0	134.153
Exchange rate result ICS financial year	35.565	0
<b>Balance as at December 31</b>	<b>188.640</b>	<b>926.708</b>

**Funds**

*Designated funds*

For a number of grants committed in 2016 or before ICS still had balances available on December 31, 2016 to spend on the designated projects after 2016.

	December 31, 2016 €	December 31, 2015 €
Designated fund 'Structural support'	<b>773.897</b>	<b>581.751</b>

The designated fund proceeded as follows:

	2016 €	2015 €
Balance as at January 1	581.751	562.076
Designated funds previous year(s) spent in financial year	542.489	562.076
	39.262	0
Plus:		
Exchange rate results	9.542	0
Designated income to be spent to projects in next financial year	725.093	581.751
<b>Balance as at December 31</b>	<b>773.897</b>	<b>581.751</b>

*Application of the equity policy by ICS in 2016*

The duration of the designated fund for relevant projects is until no later than end of 2018.

## 7 Provisions

The regional office of ICS in Cambodia used to have a provision for employees. Due to closure of the office in Cambodia the amounts due are paid and the provision is no longer applicable.

	2016 €	2015 €
Balance as at January 1	41.672	42.379
Movement provision	-41.672	-707
<b>Balance as at December 31</b>	<b>0</b>	<b>41.672</b>

## 8 Long-term liabilities

	2016 €	2015 €
Subordinated loan	212.072	0
	<b>212.072</b>	<b>0</b>
Other loan I	100.000	100.000
Other loan II	214.511	0
Other loan III	94.916	0
Other loan IV	50.000	0
	<b>459.427</b>	<b>100.000</b>
<b>Balance as at December 31</b>	<b>671.499</b>	<b>100.000</b>

### Subordinated loan

**Disbursement date:** January 6, 2016

**Interest:** 0% per year.

**Repayment schedule:** 6 terms of equal amounts of € 35,345.34 each 4 months; first payment at January 1, 2019.

This loan is wholly subordinated to claims of all non-subordinated creditors of ICS. This loan will rank passu passu with all other debt which is subordinated to the non-subordinated creditors of ICS.

### Other loan I

**Disbursement date:** January 15, 2015

**Interest:** 5% per year.

**Repayment schedule:** 5 annual terms of 10.000 EUR. First installment Sept 30, 2018; last installment at Sept 30, 2022

### Other loan II

**Disbursement date:** May 27, 2016

**Securities:** All shares held by Stichting ICS in ICS B.V.; all claims of Stichting ICS on ICS B.V. and all claims of ICS B.V. on Agrics Kenya. The value of these securities should be at least 110% of the outstanding loan balance.

**Interest:** 7.5% per year. First interest payment after 1 year.

**Repayment schedule:** 7 years, first repayment after 2 years. 11 terms of equal amounts. 10 terms of USD 20,545 + final term of USD 20,550.

A total amount of USD 61,640 will be repaid more than 5 years after December 31, 2016.

### Other loan III

**Disbursement date:** December 2016

**Interest:** 0% per year.

**Repayment schedule:** 1 term after 5 years (December 31, 2021)

**Other loan IV****Disbursement date:** September 2016**Interest:** 0% per year.**Repayment schedule:** 5 annual terms of EUR 10,000. First installment Sept 30, 2018; last installment at Sept 30, 2022

A total amount of EUR 10,000 will be repaid more than 5 years after December 31, 2016.

**9 Short-term liabilities**

	December 31, 2016	December 31, 2015
	€	€
Contributions to partner organizations	290.647	1.224.762
Trade creditors	161.856	221.306
Advance payment from farmers for next distribution season	120.737	115.838
Payroll tax	15.047	16.438
Other tax payables	35.831	39.911
Reservation for severance payments	9.166	14.699
Provision for holiday allowances	22.935	28.602
Provision for leave days	30.992	41.198
Salaries payable due to closing ICS Asia office	0	22.118
Audit fees	84.036	48.023
Project expenditures	1.582	858
Staff expenditures	10.886	7.612
Consultancies	6.323	14.578
Evaluation expenses	0	48.639
Miscellaneous	77.547	86.531
	<b>867.585</b>	<b>1.931.114</b>

The short-term liabilities have a term of less than one year.

Contributions to partner organizations reduced with almost 1 million euros. The MFS subsidy ended in 2015 and as a result the major part of final settlements with partners in the Together4Change alliance were paid in the course of 2016.

## OFF BALANCE SHEET ITEMS

### Important financial rights

#### Nafics Ltd.

In 2015 ICS valued the assets and liabilities of its subsidiary Nafics Ltd. at zero. This amortization was executed due to prudence as it is uncertain whether the assets of this subsidiary can be converted.

Nafics' remaining obligations seem to be limited. Potential obligations will be paid from cash possibly received when Nafics' assets are converted. ICS filed a claim at the former managing director of Nafics for the assets and results available at Nafics in 2015. ICS did not receive any signs or information about outstanding obligations of Nafics.

#### Value added tax

ICS has claimed value added tax (VAT) for the period between January 1, 2007 and December 31, 2015 which has not been approved yet by the Dutch tax office.

The total amount of these claims is € 750,258 which will only be activated as a receivable if after the current legal procedures ICS will be granted the claimed VAT.

#### Subsidies from governments

The following subsidies from governments are committed to ICS with a duration beyond 2016:

	Duration	Commitment after December 31, 2016	
<i>Name subsidy</i>			€
Young Expert Programme Water (YEP Water)	June 1, 2017		8.865
Geodata for Agriculture and Water Facility (G4AW)	August 31, 2018		924.758
			<b>933.623</b>
		<b>USD</b>	
Africa Enterprise Challenge Fund (AECF)	December 31, 2018	200.000	189.833
DREAMS IC	September 30, 2018	1.708.717	1.621.850
		<b>1.708.717</b>	<b>1.621.850</b>
		<b>GBP</b>	
Human Development Innovation Fund (HDIF)	April 30, 2018	2.860	3.340
		<b>2.860</b>	<b>3.340</b>

### Important financial obligations

#### Tax unity

Since January 2016 ICS B.V. and Stichting ICS have formed a tax unity for value-added tax (VAT) in the Netherlands. As a result ICS B.V. and Stichting ICS are individually liable for obligations which are due to this tax unity.

#### Partner commitments

The Geodatics alliance, led by ICS, includes three partners who receive subsidy from the G4AW subsidy. The amounts committed to these partners beyond 2016 are:

	Duration	Commitment after December 31, 2016	
<i>Local partner</i>			€
Wageningen University (WUR)	August 31, 2018		162.410
Biomass Research	August 31, 2018		21.985
Manobi	August 31, 2018		88.001
			<b>272.396</b>

### Rental obligations

#### *ICS (the Netherlands)*

The rental agreement for the office of ICS in Amersfoort expires on December 31, 2020. The annual rent, including service charges, amounts € 25,033 (price level 2016).

#### *ICS (Kenya)*

The rental agreement for the office of ICS in Nairobi, Kenya expires on March 31, 2017. The annual rent amounts € 16,466 (price level 2016).

The rental agreement for the office of ICS in Kisumu, Kenya expires on October 11, 2017. The annual rent amounts € 6,429 (price level 2016).

#### *Agrics (Kenya)*

The rental agreement for the office of Agrics in Kakamega, Kenya expires on June 30, 2017. The annual rent amounts € 6,477 (price level 2016).

The rental agreement for the warehouse of Agrics in Kakamega, Kenya expires at the end of each quarter and is automatically extended. The annual rent amounts € 6,297 (price level 2016).

#### *Agrics/Alizetics (Tanzania)*

The rental agreement for the office of Agrics in Shinyanga, Tanzania ends at December 31 and is extended at annual basis. The annual rent amounts € 5,511 (price level 2016). This office is subrented by Agrics to Alizetics.

### Bank guarantee

A bank guarantee was provided in 2014 for the new office in Amersfoort. This bank guarantee amounts to € 11.712.

**NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE**

**INCOME**

**10 Income from private donors**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Donations</b>				
Direct mail	65.002	76.000	67.277	60.000
Hellpparents / Child ambassadors	370.225	352.000	397.716	339.000
School child fund	66.158	75.000	71.382	64.500
Other donations	83.408	125.000	70.637	139.500
	<b>584.793</b>	<b>628.000</b>	<b>607.012</b>	<b>603.000</b>
<b>Legacies and inheritances</b>	<b>50.310</b>	<b>50.000</b>	<b>155.880</b>	<b>50.000</b>
<b>Total income from private donors</b>	<b>635.103</b>	<b>678.000</b>	<b>762.892</b>	<b>653.000</b>

Total income from private donors dropped with 135,000 euros. Major reason is the lower income from legacies/inheritances. In 2015 ICS received some incidentally high amounts.

Besides the legacies and inheritances income from other private donations did not decrease in the same pace as previous years. In 2015 and 2016 ICS invested in a fundraising campaign to attract 1,500 new donors.

**11 Income from companies**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Donations</b>				
Direct mail	112	0	12	0
Hellpparents / Child ambassadors	3.134	3.000	3.131	3.000
School child fund	10	0	10	0
Other donations	418	0	693	0
<b>Total income from companies</b>	<b>3.674</b>	<b>3.000</b>	<b>3.846</b>	<b>3.000</b>

## 12 Income from government subsidies

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
Ministry of Foreign Affairs (MFS II)	0	0	7.282.392	0
G4AW	469.478	566.656	254.128	496.800
AECF	359.502	0	0	129.486
DREAMS IC	39.372	0	0	824.000
Partners4Water	0	0	152.113	0
HDIF	306.749	146.633	65.189	84.000
Other subsidies	75.780	564.022	73.649	394.500
<b>Total income from government subsidies</b>	<b>1.250.881</b>	<b>1.277.311</b>	<b>7.827.471</b>	<b>1.928.786</b>

To prepare ourselves for the end of the MFS-era ICS aimed to attract funding from other institutional resources. As a result income from other subsidies excluding MFS II more than doubled in 2017.

All subsidies raised in 2016 are project based and hence are incidental running for a maximum of 3 years.

## 13 Income from other charities and NGOs

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Donations</b>				
Direct mail	3.187	4.000	4.647	3.000
Hellpparents / Child ambassadors	13.210	15.000	15.995	12.000
School child fund	496	0	474	500
Other donations	6.815	6.000	7.641	6.000
	<b>23.708</b>	<b>25.000</b>	<b>28.757</b>	<b>21.500</b>
<b>Major donors</b>				
Equity funds	885.953	843.757	508.948	770.600
Actions third parties	-220	223.655	134.078	136.500
	<b>885.733</b>	<b>1.067.412</b>	<b>643.026</b>	<b>907.100</b>
<b>Total income from other charities and NGOs</b>	<b>909.441</b>	<b>1.092.412</b>	<b>671.783</b>	<b>928.600</b>

As with the subsidies the increased focus on other major donors replacing MFS resulted in an increase of equity funds in 2016.

The major part of the 2016 income from equity funds is designated to ICS SP's programs in East Africa including the Klaus J. Jacobs Prize granted to ICS SP in December 2016.

#### 14 Gross margin sales

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Agrics Kenya</b>				
Net revenue	1.572.562	2.797.034	896.289	2.560.739
Cost of goods sold	1.218.897	1.873.241	561.150	1.841.362
	<b>353.665</b>	<b>923.793</b>	<b>335.139</b>	<b>719.377</b>
<b>Agrics Tanzania</b>				
Net revenue	252.425	910.683	117.603	671.084
Cost of goods sold	177.844	669.714	99.616	425.777
	<b>74.582</b>	<b>240.969</b>	<b>17.987</b>	<b>245.307</b>
<b>Alizetics</b>				
Net revenue	199.841	598.261	212.528	494.348
Cost of goods sold	194.436	518.829	179.327	380.509
	<b>5.405</b>	<b>79.432</b>	<b>33.201</b>	<b>113.839</b>
<b>Consultancy</b>				
Net revenue	23.195	20.000	0	20.000
Cos of goods sold	0	0	0	0
	<b>23.195</b>	<b>20.000</b>	<b>0</b>	<b>20.000</b>
<b>Total gross margin sales</b>	<b>456.846</b>	<b>1.264.194</b>	<b>386.328</b>	<b>1.098.523</b>

The businesses experienced their growing pains in 2016. Sales and margins of the Agrics businesses grew, but by far did not achieve the budgeted targets.

First of all, ambitions in terms of growth appeared to be too optimistic. Besides Agrics did not achieve the potentially high margins of the poultry business case due to poor management.

Due to change of local management Alizetics was unable to increase scale.

#### 15 Other income

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
Sales of assets	0	0	32.443	0
Contribution in kind	25.357	0	0	0
Other income	1.563	0	12.370	0
<b>Total other income</b>	<b>26.920</b>	<b>0</b>	<b>44.813</b>	<b>0</b>

For the water project in Tanzania implementing partners contributed in kind. This was not budgeted for 2016.

## EXPENDITURES

MODEL C - 2016	Committed to objectives			Raising income	Admini- stration	Total actual 2016	Total budget 2016	Total actual 2015	Total budget 2017
	Structural support	Awareness raising	subtotal						
	16	17							
	€	€	€						
Contributions to third parties	409.531	0	<b>409.531</b>	0	0	<b>409.531</b>	395.818	4.466.933	654.300
Contributions to own projects	2.904.528	0	<b>2.904.528</b>	0	0	<b>2.904.528</b>	3.492.238	4.193.980	2.912.534
Publicity and communication expenses	0	27.819	<b>27.819</b>	88.236	381	<b>116.436</b>	199.500	206.799	134.000
	3.314.059	27.819	<b>3.341.878</b>	88.236	381	<b>3.430.495</b>	4.087.556	8.867.712	3.700.834
Operational expenditures									
Salaries	224.650	36.867	<b>261.517</b>	111.676	113.791	<b>486.984</b>	509.253	693.852	533.617
Social and pension premiums	69.908	11.473	<b>81.380</b>	34.752	35.410	<b>151.543</b>	142.696	205.047	150.056
Other staff expenses	12.014	1.972	<b>13.986</b>	5.972	6.085	<b>26.043</b>	3.500	17.985	8.480
Travel and lodging expenses	24.978	6.074	<b>31.051</b>	13.967	16.860	<b>61.878</b>	47.625	89.416	61.650
Office expenses	32.851	7.988	<b>40.839</b>	18.370	22.174	<b>81.383</b>	57.402	138.935	62.082
Depreciation	10.369	2.521	<b>12.890</b>	5.798	6.999	<b>25.687</b>	26.400	31.284	17.400
Board expenses	4.711	1.146	<b>5.857</b>	2.635	3.180	<b>11.672</b>	3.640	5.066	3.040
Consultancies	76.284	18.549	<b>94.832</b>	42.656	51.491	<b>188.980</b>	48.800	102.625	82.300
Other general expenses	5.390	1.311	<b>6.700</b>	3.014	3.638	<b>13.352</b>	4.250	10.745	5.550
	461.154	87.899	<b>549.052</b>	238.840	259.629	<b>1.047.521</b>	843.566	1.294.955	924.175
<b>Total expenditures</b>	<b>3.775.212</b>	<b>115.718</b>	<b>3.890.930</b>	<b>327.076</b>	<b>260.010</b>	<b>4.478.016</b>	<b>4.931.122</b>	<b>10.162.667</b>	<b>4.625.009</b>

### Operational expenditures

The most significant variances between actual and budgeted expenses in 2016 can be explained as follows:

Consultancy expenses were much higher compared to budget. We expected the audit fee to come down significantly as MFS was ended and the total turnover of ICS is much lower compared to previous years. However, the organization has become much more complex which meant the audit fee remains more or less at the same level as previous years. Besides we also invested a lot in consultancies to support finance management in Kenya and Tanzania and interim management at Agrics in Kenya.

Office expenses exceeded budget due to several reasons. At a number of areas ICS spent more than budgeted, for example on ICT, telephone (due to international calls) and ICT.

## 16 Structural support

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Contributions to third parties</b>				
International partners MFS II-alliance	-3.545	0	3.520.029	0
<i>Partnerships Agribusiness</i>				
Partners G4AW alliance	336.253	337.572	233.170	214.300
	336.253	337.572	233.170	214.300
<i>Partnerships Skilful parenting</i>				
Local partners ICS in Kenia	0	0	131.973	160.000
Local partners ICS in Tanzania	33.223	0	334.658	280.000
Local partners ICS in Cambodia	25.932	27.273	157.103	0
	59.154	27.273	623.734	440.000
<i>Partnerships Water</i>				
Local partners ICS in Cambodia	0	0	90.000	0
<i>Partnerships Youth employment</i>				
Local partners ICS in Cambodia	17.669	30.973	0	0
	<b>409.531</b>	<b>395.818</b>	<b>4.466.933</b>	<b>654.300</b>
<b>Contributions to own projects</b>				
<i>Agribusiness</i>				
Project expenditures in Kenia	1.263.125	1.288.654	1.140.031	1.195.530
Project expenditures in Tanzania	464.444	554.215	495.799	508.504
Project expenditures in Cambodia	0	0	34.175	0
Project expenditures in the Netherlands	59.267	0	0	55.700
Amortization Nafics Ltd	0	0	364.098	0
	1.786.836	1.842.869	2.034.103	1.759.734
<i>Skilful parenting</i>				
Project expenditures in Kenia	312.863	278.846	311.800	418.320
Project expenditures in Tanzania	256.958	510.713	438.042	445.400
Project expenditures in Ivory Coast	10.278	0	0	147.080
Project expenditures in Cambodja	0	0	263.999	0
Project expenditures in the Netherlands	4.456	0	0	0
	584.554	789.559	1.013.840	1.010.800
<i>Water</i>				
Project expenditures in Kenia	123.639	417.414	275.861	40.000
Project expenditures in Tanzania	375.860	418.396	121.702	84.000
Project expenditures in Cambodja	0	0	85.319	0
	499.499	835.810	482.882	124.000
<i>Youth employment</i>				
Project expenditures in Kenia	22.227	0	166.575	0
Project expenditures in Tanzania	0	0	1.357	0
Project expenditures in Cambodja	-7.158	0	320.666	0
	15.069	0	488.598	0
<i>Other contributions to own projects</i>				
Linking & learning / evaluations	638	0	144.527	0
Missions and field visits	17.932	24.000	30.029	18.000
	18.569	24.000	174.557	18.000
	<b>2.904.528</b>	<b>3.492.238</b>	<b>4.193.980</b>	<b>2.912.534</b>
<b>Operational expenditures</b>				
Allocation in accordance to Model C	461.154	373.986	601.551	356.790
	<b>3.775.212</b>	<b>4.262.042</b>	<b>9.262.464</b>	<b>3.923.624</b>

Due to the end of MFS II subsidy in 2015 total expenses on 'Structural support' reduced significantly in 2016. ICS closed its operations in Cambodia, it did not conduct new evaluations in 2016 and ended its partnerships with organizations which were part of the Together4Change alliance.

Compared to the budget the actual project expenditures of water were significantly lower in 2016. This is mainly due to the fact that new funding for water projects in Kenya did not take of in 2016.

17 Awareness raising

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b><i>Publicity and communication expenses</i></b>				
Direct mail and newsletter, printing and postage expenses	8.958	10.020	9.364	12.000
Advertisements	1.684	2.250	116	1.000
Face2face marketing	6.010	12.690	12.849	15.000
Website	5.450	2.800	4.699	2.800
Radio and television	0	0	0	0
Brochures	1.679	2.100	2.469	0
CRM database	122	1.655	3.062	750
Consultancies	852	800	2.371	2.000
Miscellaneous	3.063	4.724	4.583	1.000
	<b>27.819</b>	<b>37.039</b>	<b>39.513</b>	<b>34.550</b>
<b><i>Operational expenditures</i></b>				
Allocation in accordance to Model C	<b>87.899</b>	<b>72.769</b>	<b>98.573</b>	<b>77.830</b>
	<b>115.718</b>	<b>109.808</b>	<b>138.086</b>	<b>112.380</b>

## 18 Raising income

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Publicity and communication expenses</b>				
Direct mail and newsletter, printing and postage	20.902	23.380	21.851	28.000
Advertisements	1.684	2.250	116	1.000
Face2face marketing	54.093	114.210	115.638	60.000
Website	2.336	1.200	2.014	1.200
Radio and television	0	0	0	0
Brochures	719	900	1.058	0
CRM database	122	1.655	3.062	750
Consultancies	1.279	1.200	3.556	3.000
Miscellaneous	7.101	9.356	9.108	1.500
	<b>88.236</b>	<b>154.151</b>	<b>156.403</b>	<b>95.450</b>
<b>Operational expenditures</b>				
Allocation in accordance to Model C	<b>238.840</b>	<b>185.353</b>	<b>297.977</b>	<b>225.348</b>
	<b>327.076</b>	<b>339.504</b>	<b>454.379</b>	<b>320.798</b>

In 2016 ICS decided to discontinue the face2face marketing campaign. Though the campaign successfully attracted new private donors it proved to be a relatively expensive investment which did not provide the returns expected from it.

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
<b>Percentage raising income</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
Expenditures of raising income as a percentage of total income	<b>11,7%</b>	<b>11,1%</b>	<b>4,9%</b>	<b>9,1%</b>

The Dutch Central Bureau for Fundraising (CBF) maintains a norm of 25% as the maximum to be spent for raising income. ICS' Supervisory Board is using the same percentage as a norm for ICS.

Because MFS had a huge impact on ICS' total income the percentage until 2015 was relatively low. As MFS has ended and hence the commitments to Together4Change alliance-partners are no longer part of ICS' income the relative expenses of raising income has increased, but is still within the norm.

## 19 Administration

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Publicity and communication expenses</b>				
Miscellaneous expenses PR (annual report, CRM database)	381	8.310	10.883	4.000
	<b>381</b>	<b>8.310</b>	<b>10.883</b>	<b>4.000</b>
<b>Operational expenditures</b>				
Allocation in accordance to Model C	259.629	211.458	296.855	264.206
	<b>260.010</b>	<b>219.768</b>	<b>307.738</b>	<b>268.206</b>

The expenditures for administration exceeded budget in 2016. This is mainly due to the high consultancy expenses, which is also explained at the Model C table.

### Allocation of expenses to objectives, raising income and administration

Operational costs of ICS are allocated to the objectives, expenses of raising income and administration expenses on the basis of an estimate of division of time spent by the employees of ICS.

For the calculation of the allocation of the operational costs, ICS works with the format issued by Goede Doelen Nederland (GDN) for the Dutch charity sector. ICS does not use the format entirely in accordance with the guidelines of GDN; ICS deviates from these guidelines in applying the following principles:

- ICS allocates the operational expenses of its offices and businesses in Africa and Asia directly to the objective of 'Structural support'.

- ICS distinguishes two types of costs for the operational expenses in the Netherlands: staff expenses (salaries, social and pension premiums and other staff expenses) and other operational costs (travel and lodging expenses, office expenses, depreciation, consultancies, board expenses and other general expenses).

Staff expenses are allocated on the basis of the estimate of time spent on the objectives, raising income and administration, so the difference in salary per employee is taken into account. By doing this ICS does justice to the fact that employees for certain activities require specific expertise, which is translated in the expenses of these employees.

This method is not used for the other operational costs, which are allocated on the basis of estimated hours spent per activity, without taking the difference in salary per employee into account.

The following percentages were used in 2016:

Staff category	Objectives		Raising income	Admini- stration	Total
	Structural support	Awareness raising			
Executive director	36%	4%	37%	23%	100%
Portfolio managers	91%	0%	6%	2%	100%
Finance	14%	3%	13%	69%	100%
Fundraising and communication	7%	31%	48%	14%	100%
<b>Average allocation in 2016:</b>					
<b>Staff expenses</b>	46%	8%	23%	23%	100%
<b>Other operational expenses</b>	40%	10%	23%	27%	100%
<b>Average allocation in 2015:</b>					
<b>Staff expenses</b>	46%	7%	24%	23%	100%
<b>Other operational expenses</b>	47%	8%	21%	24%	100%

## Remuneration of the Executive Board

In 2016 the Executive Board consisted of the executive director, Mr Ronald Messelink.

The salaries of the Executive Board is based on ICS remuneration system. The salary scales applicable to public servants (BBRA) served as the basis of this system, but from 2015 ICS detached its system from the BBRA.

In its financial statements ICS uses the format of 'Responsible Management Remuneration' established by Goede Doelen Nederland (GDN).

<b>R.D.D. Messelink</b>	
<b>Executive director</b>	
<b>Employment contract</b>	
Term	indefinite
Hours	36
Parttime percentage	100%
Period	January 1 - December 31
	<b>€</b>
<b>Remuneration</b>	
Annual income	
Gross salary	97.729
Holiday allowance	7.818
<b>Total annual income</b>	<b>105.547</b>
Social insurance premiums	9.713
Pension premiums	14.522
Other premiums for future benefits	868
<b>Total remuneration 2016</b>	<b>130.650</b>
<b>Total remuneration 2015</b>	<b>126.847</b>

The annual income of the director is within the maximum of the GDN remuneration scheme.

## Remuneration Supervisory Board

The members of the Supervisory Board do not receive remuneration, except a reimbursement of expenses actually incurred in the context of their functioning as supervisor. The total amount of paid expenses in 2016 was € 1,243 (2015: € 2,141).

No loans, advance payments or guarantees were provided to the members of the Supervisory Board.

## Number of employees

In 2016 ICS employed 88.4 employees in full-time units (2015: 106.2 FTE) who were divided across the regions as follows:

	<b>Actual</b>	<b>Actual</b>
	<b>2016</b>	<b>2015</b>
	<b>ftes</b>	<b>ftes</b>
<b>The Netherlands</b>		
Executive director	1,0	1,0
Portfolio management	3,5	6,3
Finance & control	3,1	2,8
Fundraising & communication	2,8	5,1
	<b>10,4</b>	<b>15,2</b>
<b>Africa</b>		
Nairobi office (regional positions)	0,0	2,0
ICS SP (Kenya and Tanzania)	19,0	19,0
Nafics	n.v.t.	n.v.t.
Agrics Kenia	44,0	36,0
Agrics Tanzania	12,0	12,0
Alizetics	3,0	3,0
	<b>78,0</b>	<b>72,0</b>
<b>Asia</b>		
Regional office Cambodia	<b>0,0</b>	<b>19,0</b>
<b>Total number of employees</b>	<b>88,4</b>	<b>106,2</b>

## 20 Balance financial income and expenses

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Income</b>				
Exchange rate result (net)	161.424	0	0	0
Income interest	5.170	20.000	35.726	15.000
	166.594	20.000	35.726	15.000
<b>Expenses</b>				
Exchange rate result (net)	0	0	15.909	0
Interest loans	28.621	0	0	25.000
	28.621	0	15.909	25.000
<b>Total balance financial income and expenses</b>	<b>137.973</b>	<b>20.000</b>	<b>19.817</b>	<b>-10.000</b>

Due to the increased strength of the Kenyan and Tanzanian shilings at the end of 2016 ICS gained significantly on foreign exchange.

Exchange rates have been very volatile and difficult to predict, hence ICS did not budget for this result. In its equity and funds ICS holds a reserve for exchange rate risks.

In 2016 ICS had to pay interest on long term debt for the first time which was not budgeted for.



**SEPARATE FINANCIAL STATEMENTS 2016**

**STICHTING ICS**

Smallepad 30H  
3811 MG Amersfoort  
The Netherlands

## SEPARATE BALANCE SHEET AS AT DECEMBER 31, 2016

After allocation of balance statement of income and expenditure

	December 31, 2016 €	December 31, 2015 €
<b>ASSETS</b>		
<b>Fixed assets</b>		
1 Tangible fixed assets	37.303	63.335
2 Financial fixed assets	96.882	0
3 Loans to group companies	782.523	747.921
<b>Current assets</b>		
4 Receivables and current assets	552.756	1.046.136
5 Cash and cash equivalents	789.741	2.496.194
<b>Total assets</b>	<b>2.259.205</b>	<b>4.353.586</b>
<b>PASSIVA</b>		
6 <b>Reserves and funds</b>		
Continuity reserve	519.362	1.046.637
Designated reserves	188.640	904.249
<i>Total reserves</i>	<i>708.001</i>	<i>1.950.886</i>
Designated funds	773.897	581.751
<i>Total funds</i>	<i>773.897</i>	<i>581.751</i>
<i>Total reserves and funds</i>	<i>1.481.898</i>	<i>2.532.637</i>
7 Provisions	0	41.672
8 Long-term liabilities	214.511	0
9 Short-term liabilities	562.796	1.779.278
<b>Total liabilities</b>	<b>2.259.205</b>	<b>4.353.586</b>

SEPARATE STATEMENT OF INCOME AND EXPENDITURES 2016

	Actual 2016	Budget 2016	Actual 2015	Budget 2017
	€	€	€	€
<b>INCOME</b>				
10 Income from private donors	635.103	678.000	762.892	653.000
11 Income from companies	3.674	3.000	3.846	3.000
12 Income from government subsidies	864.568	1.277.311	7.884.201	1.695.800
13 Income from other charities and NGOs	909.441	1.092.412	671.783	760.420
<b>Total raised income</b>	<b>2.412.786</b>	<b>3.050.723</b>	<b>9.322.722</b>	<b>3.112.220</b>
14 Gross margin sales	24.084	20.000	0	20.000
15 Other income	96.007	75.000	64.139	100.000
<b>Total income</b>	<b>2.532.876</b>	<b>3.145.723</b>	<b>9.386.860</b>	<b>3.232.220</b>
<b>EXPENDITURES</b>				
<i>Committed to objectives</i>				
16 Structural support	2.408.662	2.975.102	8.550.683	2.753.710
17 Awareness raising	112.431	109.808	134.904	112.380
	<b>2.521.092</b>	<b>3.084.910</b>	<b>8.685.588</b>	<b>2.866.090</b>
18 Raising income	322.978	339.504	449.622	320.798
19 Administration	256.020	219.768	304.094	268.206
<b>Total expenditures</b>	<b>3.100.090</b>	<b>3.644.182</b>	<b>9.439.303</b>	<b>3.455.095</b>
<b>Balance before financial income</b>	-567.214	-498.459	-52.443	-222.875
20 Balance financial income and expenses	70.358	45.000	25.925	65.000
<b>Balance before result subsidiaries</b>	<b>-496.856</b>	<b>-453.459</b>	<b>-26.518</b>	<b>-157.875</b>
<b>Result subsidiaries</b>	<b>-550.455</b>	<b>-142.746</b>	<b>-476.520</b>	<b>75.761</b>
<b>Balance</b>	<b>-1.047.311</b>	<b>-596.205</b>	<b>-503.038</b>	<b>-82.114</b>
<b>Allocation of balance</b>				
Continuity reserve	-527.275	0	59.774	0
Designated reserves	-702.640	-134.333	-582.488	-10.114
Designated funds	182.604	-461.872	19.675	-72.000
	<b>-1.047.311</b>	<b>-596.205</b>	<b>-503.038</b>	<b>-82.114</b>

SEPARATE CASH FLOW STATEMENT 2016

	Ref	2016	2015
		€	€
<b>BALANCE OF STATEMENT OF INCOME AND EXPENDITURE</b>		-1.047.311	-26.518
<i>Adjustments</i>			
- Depreciation and amortisation	1	35.828	61.293
- Exchange difference of book value at start of financial year	1	-3.935	-9.210
- Changes in provisions	7	-41.672	-707
		-9.779	51.375
<i>Changes in working capital</i>			
- Inventory	4	0	45.652
- Receivables and current assets	5	493.380	2.754.639
- Short-term liabilities	9	-1.216.482	-2.428.949
		-723.102	371.341
<b>Operational cash flow</b>		<b>-1.780.193</b>	<b>396.198</b>
<i>Investments long-term liabilities</i>		214.511	0
<b>Financing cash flow</b>		<b>214.511</b>	<b>0</b>
<i>Investments in tangible fixed assets</i>	1	-9.288	200.968
<i>Investments in financial fixed assets</i>	2 & 3	-131.484	-509.907
<b>Investment cash flow</b>		<b>-140.772</b>	<b>-308.939</b>
Increase/decrease of cash in the financial year	6	-1.706.454	87.259
Balance cash and cash equivalents January 1		2.496.194	2.408.935
<b>Balance cash and cash equivalents December 31</b>		<b>789.741</b>	<b>2.496.194</b>

## NOTES TO THE SEPARATE BALANCE SHEET

### ASSETS

The assets are entirely used for the operations of ICS.

#### 1 Tangible fixed assets

	2016 €	2015 €
Book value as at January 1	63.335	324.689
Plus:		
Exchange difference of book value at start of financial year	508	907
Investments	18.288	5.867
	82.131	331.463
Less:		
Disinvestments	9.000	206.835
Depreciation	35.828	61.293
<b>Book value as at December 31</b>	<b>37.303</b>	<b>63.335</b>
Accumulated acquisition value	175.349	213.144
Accumulated depreciation	138.045	149.809
<b>Book value as at December 31</b>	<b>37.303</b>	<b>63.335</b>

#### 2 Financial fixed assets

	December 31, 2016 €	December 31, 2015 €
Subsidiary ICS B.V.	0	0
Receivable grant	96.882	0
	<b>96.882</b>	<b>0</b>

<i>Subsidiary ICS B.V.</i>	December 31, 2016 €	December 31, 2015 €
Book value as at January 1	-654.704	0
Minus: deficit subsidiary in financial year	550.455	654.704
Minus: exchange rate adjustment equity subsidiary	28.758	0
	-1.233.917	-654.704
Plus: accumulated deficit covered by control account ICS B.V.	1.233.917	654.704
<b>Book value as at December 31</b>	<b>0</b>	<b>0</b>

#### 3 Loans to group companies

	December 31, 2016 €	December 31, 2015 €
ICS B.V. - control account	568.012	747.921
Agrics Company Ltd (Kenya) - loan	214.511	0
	<b>782.523</b>	<b>747.921</b>

#### ICS B.V. - control account

Stichting ICS has a control account arrangement with ICS B.V. to enable ICS B.V. to invest in its subsidiaries. Interest percentage is 1.95%; ICS B.V. did not provide any securities, nor did Stichting ICS and ICS B.V. agree on a repayment schedule.

Stichting ICS values the control account at the nominal value with deduction of a provision at maximum the negative book value of the equity of ICS B.V.

	2016	2015
--	------	------

	€	€
Book value as at January 1	1.402.625	823.260
Plus: additional investments during financial year (net)	399.303	579.365
	1.801.928	1.402.625
Less: provision due to negative equity subsidiary	1.233.917	654.704
<b>Book value as at December 31</b>	<b>568.012</b>	<b>747.921</b>

#### **Agrics Company Ltd (Kenya) - loan**

Stichting ICS has received a loan from an investor which is committed to Agrics Company Ltd through an on-lending agreement. Interest is 7.5% per year; the first interest payment is supposed to be paid in May 2017. First repayment is supposed to be paid in May 2018. Agrics will repay in 10 terms of USD 20,545 and a final term of USD 20,550.

	2016 €
Book value as at January 1	0
Loan disbursed during financial year (USD 226.000)	214.511
<b>Book value as at December 31</b>	<b>214.511</b>

#### **4 Receivables and current assets**

	December 31, 2016 €	December 31, 2015 €
To be received from subsidies and grants	446.885	825.964
To be received from legacies and inheritances	10.533	77.628
Pension premiums paid in advance	3.975	15.376
Advances and loans to personnel	3.482	7.138
Deposits	831	2.393
Interest to be received	349	6.410
Tax to be received	4.082	0
Other advance payments	52.938	58.169
Miscellaneous	29.682	53.058
	<b>552.756</b>	<b>1.046.136</b>

#### **5 Cash and cash equivalents**

	December 31, 2016 €	December 31, 2015 €
Petty cash	1.437	1.846
Bank accounts	662.844	495.484
Savings accounts	113.747	1.987.151
Fixed deposits	11.712	11.712
	<b>789.741</b>	<b>2.496.194</b>

The fixed deposits of € 11,712 are not accessible as it serves as a deposit for a bank guarantee.

## LIABILITIES

### 6 Reserves and funds

#### Reserves

	December 31, 2016 €	December 31, 2015 €
Continuity reserve	519.362	1.046.637
Designated reserves	188.640	904.249
	<b>708.001</b>	<b>1.950.886</b>

#### Funds

##### *Designated funds*

	December 31, 2016 €	December 31, 2015 €
Designated fund 'Structural support'	<b>773.897</b>	<b>581.751</b>

The designated fund proceeded as follows:

	2016 €	2015 €
Balance as at January 1	581.751	562.076
Designated funds previous year(s) spent in financial year	581.751	562.076
	0	0
Plus:		
Exchange rate results	9.542	0
Designated income to be spent to projects in next financial year	764.355	581.751
<b>Balance as at December 31</b>	<b>773.897</b>	<b>581.751</b>

## 7 Provisions

	2016 €	2015 €
Balance as at January 1	41.672	42.379
Movement provision	-41.672	-707
<b>Balance as at December 31</b>	<b>0</b>	<b>41.672</b>

## 8 Long term liabilities

Stichting ICS has been committed a loan by an external investor in 2016; the conditions of this loan are explained in the notes to the consolidated balance sheet.

	2016 €
Balance as at January 1	0
Plus: received loan	214.511
<b>Balance as at December 31</b>	<b>214.511</b>

## 9 Short-term liabilities

	December 31, 2016 €	December 31, 2015 €
Contributions to partner organisations	290.647	1.281.492
Trade creditors	70.438	191.492
Payroll tax	15.047	16.438
Other tax payables	0	38.806
Reservation for severance payments	4.283	14.699
Provision for holiday allowances	0	22.118
Provision for leave days	22.935	28.602
Salaries payable due to closing ICS Asia office	19.389	25.878
Audit fees	76.070	41.171
Project expenditures	1.582	858
Staff expenditures	0	7.369
Consultancies	6.323	14.578
Evaluation expenses	0	48.639
Miscellaneous	56.081	47.138
	<b>562.796</b>	<b>1.779.278</b>

**NOTES TO THE SEPARATE STATEMENT OF INCOME AND EXPENDITURE**

**INCOME**

**10 Income from private donors**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	€	€	€	€
<b>Donations</b>				
Direct mail	65.002	76.000	67.277	60.000
Hellpparents / Child ambassadors	370.225	352.000	397.716	339.000
School child fund	66.158	75.000	71.382	64.500
Other donations	83.408	125.000	70.637	139.500
	<b>584.793</b>	<b>628.000</b>	<b>607.012</b>	<b>603.000</b>
<b>Legacies and inheritances</b>	<b>50.310</b>	<b>50.000</b>	<b>155.880</b>	<b>50.000</b>
<b>Total income from private donors</b>	<b>635.103</b>	<b>678.000</b>	<b>762.892</b>	<b>653.000</b>

**11 Income from companies**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	€	€	€	€
<b>Donations</b>				
Direct mail	112	0	12	0
Hellpparents / Child ambassadors	3.134	3.000	3.131	3.000
School child fund	10	0	10	0
Other donations	418	0	693	0
<b>Total income from companies</b>	<b>3.674</b>	<b>3.000</b>	<b>3.846</b>	<b>3.000</b>

**12 Income from government subsidies**

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>
	€	€	€	€
Ministry of Foreign Affairs (MFS II)	0	0	7.282.392	0
G4AW	469.478	566.656	310.858	496.800
DREAMS IC	39.372	0	0	824.000
Partners4Water	0	0	152.113	0
Other subsidies	355.718	710.655	138.838	375.000
<b>Total income from government subsidies</b>	<b>864.568</b>	<b>1.277.311</b>	<b>7.884.201</b>	<b>1.695.800</b>

Actual income in 2016 from subsidies is more than 400,000 euros lower than budgeted. One major subsidy in 2017 was received by Agrics Kenya instead of ICS. As a result this amount is part of the consolidated income, but not accounted for in the separate financial statements of ICS.

### 13 Income from other charities and NGOs

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Donations</b>				
Direct mail	3.187	4.000	4.647	3.000
Hellpparents / Child ambassadors	13.210	15.000	15.995	12.000
School child fund	496	0	474	500
Other donations	6.815	6.000	7.641	6.000
	<b>23.708</b>	<b>25.000</b>	<b>28.757</b>	<b>21.500</b>
<b>Major donors</b>				
Equity funds	885.953	843.757	508.948	602.420
Actions third parties	-220	223.655	134.078	136.500
	<b>885.733</b>	<b>1.067.412</b>	<b>643.026</b>	<b>738.920</b>
<b>Total income from other charities and NGOs</b>	<b>909.441</b>	<b>1.092.412</b>	<b>671.783</b>	<b>760.420</b>

### 14 Gross margin sales

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Consultancy</b>				
Net revenue	24.084	20.000	0	20.000
Cos of goods sold	0	0	0	0
	<b>24.084</b>	<b>20.000</b>	<b>0</b>	<b>20.000</b>
<b>Total gross margin sales</b>	<b>24.084</b>	<b>20.000</b>	<b>0</b>	<b>20.000</b>

### 15 Other income

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
Sales of assets	0	0	32.443	0
Managementfee subsidiaries	70.650	75.000	22.500	100.000
Other income	25.357	0	9.196	0
<b>Total other income</b>	<b>96.007</b>	<b>75.000</b>	<b>64.139</b>	<b>100.000</b>

**EXPENDITURES**

MODEL C - 2016	Committed to objectives			Raising income	Admini- stration	Total actual 2016	Total budget 2016	Total actual 2015	Total budget 2017
	Structural support	Awareness raising	subtotal						
	16	17							
	€	€	€						
Contributions to third parties	876.953	0	<b>876.953</b>	0	0	<b>876.953</b>	1.727.557	4.548.663	1.348.420
Contributions to own projects	1.076.467	0	<b>1.076.467</b>	0	0	<b>1.076.467</b>	873.559	3.407.713	1.048.500
Publicity and communication expenses	0	25.969	<b>25.969</b>	87.443	381	<b>113.794</b>	199.500	200.504	134.000
	1.953.419	25.969	<b>1.979.389</b>	87.443	381	<b>2.067.213</b>	2.800.616	8.156.879	2.530.920
Operational expenditures									
Salaries	224.650	36.867	<b>261.517</b>	111.676	113.791	<b>486.984</b>	509.253	595.895	533.617
Social and pension premiums	69.908	11.473	<b>81.380</b>	34.752	35.410	<b>151.543</b>	142.696	176.099	150.056
Other staff expenses	12.014	1.972	<b>13.986</b>	5.972	6.085	<b>26.043</b>	3.500	15.446	8.480
Travel and lodging expenses	24.978	6.074	<b>31.051</b>	13.967	16.860	<b>61.878</b>	47.625	78.591	61.650
Office expenses	32.596	7.926	<b>40.523</b>	18.227	22.003	<b>80.753</b>	57.402	118.776	62.082
Depreciation	10.369	2.521	<b>12.890</b>	5.798	6.999	<b>25.687</b>	26.400	27.497	17.400
Board expenses	4.711	1.146	<b>5.857</b>	2.635	3.180	<b>11.672</b>	3.640	4.453	3.040
Consultancies	75.339	18.319	<b>93.658</b>	42.128	50.853	<b>186.639</b>	48.800	84.550	82.300
Other general expenses	678	165	<b>843</b>	379	457	<b>1.679</b>	4.250	4.911	5.550
	455.242	86.461	<b>541.704</b>	235.534	255.639	<b>1.032.877</b>	843.566	1.106.219	924.175
<b>Total expenditures</b>	<b>2.408.662</b>	<b>112.431</b>	<b>2.521.092</b>	<b>322.978</b>	<b>256.020</b>	<b>3.100.090</b>	<b>3.644.182</b>	<b>9.263.098</b>	<b>3.455.095</b>

Committed to objectives

16 Structural support

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Contributions to third parties</b>				
International partners MFS II-alliance	-3.545	0	3.520.029	0
<i>Partnerships Agribusiness</i>				
Agrics Kenya	242.424	334.703	53.725	487.000
Agrics Tanzania	61.762	161.226	3.005	167.120
Alizetics	29.934	0	25.000	0
Other partners G4AW alliance	336.253	337.572	233.170	214.300
	<b>670.373</b>	<b>833.501</b>	<b>314.900</b>	<b>868.420</b>
<i>Partnerships Skilful parenting</i>				
Local partners ICS in Kenia	0	0	131.973	160.000
Local partners ICS in Tanzania	33.223	0	334.658	280.000
Local partners ICS in Cambodia	25.932	27.273	157.103	0
	<b>59.154</b>	<b>27.273</b>	<b>623.734</b>	<b>440.000</b>
<i>Partnerships Water</i>				
Agrics Kenya	107.176	417.414	0	40.000
Agrics Tanzania	4.573	418.396	0	0
Local partners ICS in Cambodia	0	0	90.000	0
	<b>111.749</b>	<b>835.810</b>	<b>90.000</b>	<b>40.000</b>
<i>Partnerships Youth employment</i>				
Agrics Kenya	21.553	0	0	0
Local partners ICS in Cambodia	17.669	30.973	0	0
	<b>39.222</b>	<b>30.973</b>	<b>0</b>	<b>0</b>
	<b>876.953</b>	<b>1.727.557</b>	<b>4.548.663</b>	<b>1.348.420</b>

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Contributions to own projects</b>				
<i>Agribusiness</i>				
Project expenditures in Kenia	27.520	36.000	435.595	0
Project expenditures in Tanzania	0	24.000	145.703	0
Project expenditures in Cambodia	0	0	34.175	0
Project expenditures in the Netherlands	59.267	0	0	55.700
Amortization Nafics Ltd	0	0	632.363	0
	<b>86.787</b>	<b>60.000</b>	<b>1.247.836</b>	<b>55.700</b>
<i>Skilful parenting</i>				
Project expenditures in Kenia	312.863	278.846	311.800	405.320
Project expenditures in Tanzania	262.338	510.713	438.042	422.400
Project expenditures in Ivory Coast	10.278	0	0	147.080
Project expenditures in Cambodja	0	0	263.999	0
Project expenditures in the Netherlands	4.456	0	0	0
	<b>589.934</b>	<b>789.559</b>	<b>1.013.840</b>	<b>974.800</b>
<i>Water</i>				
Project expenditures in Kenia	16.771	0	275.861	0
Project expenditures in Tanzania	736	0	121.702	0
Project expenditures in Cambodja	0	0	85.319	0
	<b>17.507</b>	<b>0</b>	<b>482.882</b>	<b>0</b>
<i>Youth employment</i>				
Project expenditures in Kenia	0	0	166.575	0
Project expenditures in Tanzania	0	0	1.357	0
Project expenditures in Cambodja	-7.158	0	320.666	0
	<b>-7.158</b>	<b>0</b>	<b>488.598</b>	<b>0</b>
<i>Other contributions to own projects</i>				
Linking & learning / evaluations	638	0	144.527	0
Missions and field visits	17.932	24.000	30.029	18.000
	<b>18.569</b>	<b>24.000</b>	<b>174.557</b>	<b>18.000</b>
	<b>705.640</b>	<b>873.559</b>	<b>3.407.713</b>	<b>1.048.500</b>
<b>Operational expenditures</b>				
Allocation in accordance to Model C	<b>455.242</b>	<b>373.986</b>	<b>594.308</b>	<b>356.790</b>
	<b>2.037.835</b>	<b>2.975.102</b>	<b>8.550.683</b>	<b>2.753.710</b>

17 Awareness raising

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Publicity and communication expenses</b>				
Direct mail and newsletter, printing and postage expenses	8.958	10.020	9.364	12.000
Advertisements	1.684	2.250	116	1.000
Marketing campaigns	6.010	12.690	12.849	15.000
Website	3.601	2.800	3.123	2.800
Radio and television	0	0	0	0
Brochures	1.679	2.100	2.469	0
CRM database	122	1.655	3.062	750
Consultancies	852	800	2.371	2.000
Miscellaneous	3.063	4.724	4.226	1.000
	<b>25.969</b>	<b>37.039</b>	<b>37.581</b>	<b>34.550</b>
<b>Operational expenditures</b>				
Allocation in accordance to Model C	<b>86.461</b>	<b>72.769</b>	<b>97.324</b>	<b>77.830</b>
	<b>112.431</b>	<b>109.808</b>	<b>134.904</b>	<b>112.380</b>

## 18 Raising income

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b><i>Publicity and communication expenses</i></b>				
Direct mail and newsletter, printing and postage	20.902	23.380	21.851	28.000
Advertisements	1.684	2.250	116	1.000
Marketing campaigns	54.093	114.210	115.638	60.000
Website	1.543	1.200	1.339	1.200
Radio and television	0	0	0	0
Brochures	719	900	1.058	0
CRM database	122	1.655	3.062	750
Consultancies	1.279	1.200	3.556	3.000
Miscellaneous	7.101	9.356	8.275	1.500
	<b>87.443</b>	<b>154.151</b>	<b>154.895</b>	<b>95.450</b>
<b><i>Operational expenditures</i></b>				
Allocation in accordance to Model C	<b>235.534</b>	<b>185.353</b>	<b>294.727</b>	<b>225.348</b>
	<b>322.978</b>	<b>339.504</b>	<b>449.622</b>	<b>320.798</b>

## 19 Administration

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b><i>Publicity and communication expenses</i></b>				
Miscellaneous expenses PR (annual report, CRM database)	381	8.310	10.883	4.000
	381	8.310	10.883	4.000
<b><i>Operational expenditures</i></b>				
Allocation in accordance to Model C	255.639	211.458	293.211	264.206
	<b>256.020</b>	<b>219.768</b>	<b>304.094</b>	<b>268.206</b>

## 20 Balance financial income and expenses

	Actual	Budget	Actual	Budget
	2016	2016	2015	2017
	€	€	€	€
<b>Income</b>				
Exchange rate result	35.565	0	0	0
Income loans group companies	39.263	25.000	21.276	75.000
Other income interest	5.170	20.000	35.725	15.000
	79.997	45.000	57.001	90.000
<b>Expenses</b>				
Exchange rate result	0	0	31.076	0
Interest loans	9.640	0	0	25.000
	9.640	0	31.076	25.000
<b>Total balance financial income and expenses</b>	<b>70.358</b>	<b>45.000</b>	<b>25.925</b>	<b>65.000</b>

## **OTHER INFORMATION**

### **Regulation in the articles of association concerning appropriation of surplus or deficit**

The articles of association specify, as stipulated in article 16, that the financial statements are adopted by the Executive Board; this decision for adoption requires prior approval from the Supervisory Board. The articles of association do not contain any regulations which specifically deal with profit appropriation. In the financial statements a proposal for the appropriation of surplus or deficit is included as standard.

### **Auditor's report**

## INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board and the management Board of Stichting ICS

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 INCLUDED IN THE ANNUAL ACCOUNTS

#### **OUR OPINION**

We have audited the financial statements for the year ended 31 December 2016 of Stichting ICS, based in Amersfoort.

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

The financial statements comprise:

1. the consolidated and separate balance sheet as at 31 December 2016;
2. the consolidated and separate statement of income and expenditure for 2016;
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 ICS 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:

- the management Boards' Report;
- the Supervisory Boards' Report;
- 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.

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

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management Board is responsible for the preparation of the management Boards' Report in accordance with the Guideline for annual reporting 650 "Fundraising Organizations" of the Dutch Accounting Standards Board.

## **DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS**

### ***RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS***

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

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

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

The Supervisory Board is responsible for overseeing the entities' 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 scepticism 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 company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;
- concluding on the appropriateness of the 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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- 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 identify during our audit.

Utrecht, 21 July 2017

**MAZARS PAARDEKOOPER HOFFMAN N.V.**

Was signed

drs. J.G. Rauw RA