



THE FACTS AND
FIGURES FOR 2014

ANNUAL REPORT

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Report of an eventful year

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PIONEERING FOR SUSTAINABLE DEVELOPMENT



Development work is changing. The traditional approach consisted largely of giving money and goods. That is now giving way more and more to a more businesslike approach. Sustainability is an important objective in this approach.

After all, how long can you keep drawing from a well if there are no resources or knowledge for fixing it when it breaks down?

Social business model

ICS therefore changed course a good seven years ago. We now organise our programs as much as possible as social businesses, where financial profit goes hand in hand with social impact in the business model. Agrics is our best example of this. This business offers small farmers the opportunity to buy agricultural products on instalment. They can buy products such as seed and fertilizer, and recently also chickens, solar lamps and even the use of a tractor. These products enable farmers to expand their crops and thus give their standard of living a positive impulse. The financial statements show that the harvests of affiliated farmers rose by no less than 46% in one year. This is a percentage we are proud of. In 2014 Agrics achieved a turnover of €426,000. This turnover allows the costs to be covered almost completely. In 2015 Agrics wants to take the final step towards profitability.

Investing is the new giving

We want to find even more people or organisations who want to invest in these social businesses and for example receive shares for that investment, instead of giving the traditional donations. The investments are necessary to raise an initial start-up capital, but the business model ensures that the enterprise can be self-financing after a period of time. The money comes back and can be invested again to pay for the enterprises to grow and scale up.

Economic development does not automatically result in better living conditions for children. That is why ICS always combines its economic activities with programs



for positive parenting and child protection. These activities are not suitable for a business model, so they continue to need donations and subsidies. Fundraising is therefore being developed vigorously, from both private persons and foundations and businesses. Over the past few years the revenue from private donations has diminished. A specific plan was therefore developed in 2014 to reverse this trend and ensure that we can continue to work on safer living conditions for children in the future as well.

Cessation of government subsidy in 2016

The Dutch government has always been an important partner and financial backer of social organisations such as ICS. After 2015, however, the government budget available for that support will be halved. The minister therefore had to make decisions, and she chose lobby and advocacy as the theme she wants to support. ICS is not a lobby organisation, and so at the end of January 2015 we were informed that we will not receive a continuation of the current MFS II program. More limited funding through other channels of the ministry is still possible. This does not lead to a fundamental modification of our strategy at ICS. Our social businesses are the key element, supplemented by our programs for good parenting. This allows us to have a sustainable impact on the communities we support. But it does mean that we will have to cut back significantly. Some of the programs which are outside the strategic focus will have to be scrapped, and we will have to reduce the overhead drastically.

The transition from regular NGO to social business also brings about a cultural change inside our organisation. Running a social business demands a different mindset of the employees. That is why a number of positions were already decentralised last year. The general managers of the social businesses now have more responsibility. The office in the Netherlands takes care of the strategic framework and plays a controlling role in finances. All cost-cutting measures and reform measures are currently being worked out so that we are ready for 2016.

Social relevance

The work of social business pioneers like ICS is of great importance for the future of development cooperation. It gives development a firm foundation in the market economy, and that is the only way economic change can really become sustainable. This pioneering not only helps people in rural areas through development, but other NGOs can also learn from the ICS approach. Thus the way is gradually cleared for a new, more sustainable method.

Ronald Messelink
General director



IN BRIEF

ICS Mission

In collaboration with people and their organisations, we stimulate cooperation in initiatives and enterprises that ensure continuing social and economic changes so that the well-being of children and young people is guaranteed.

ICS Vision

People are able and prepared to guarantee the well-being of children and bring about a change themselves.

Development aid 3.0.

ICS does not provide aid: we invest. We believe that giving away money or goods is not the right way to sustainable growth. That's why ICS invests in people, in parents and children. We do that by sharing knowledge and providing access to financial resources and markets.

We work closely together with the local population to get social and economic development going. We believe in the power of people themselves. The basic principle is that they take responsibility 'for their own lives'. That makes the development of the community is not only successful, but also sustainable.

Many of ICS' projects are set up as social enterprises. One of the aims of the social business is financial profit, but another goal is social impact. Once a social business has achieved financial independence, we can put the invested money from our donors to use again. And that is how we can continue with our projects and how more people can profit from them.

ICS combines all economic activities with social activities aimed at protecting children and improving their social environment. The combination of these activities creates cross-fertilization which has a positive effect on the welfare as well as the well-being of parents and children. The programs of ICS are divided into five categories:

1. Food security and income;
2. Skillful parenting;
3. Child protection;
4. Clean drinking water close to home;
5. Work and income for young people.

In 2014 ICS operates completely independently of faith, race and political belief. ICS is headquartered in Amersfoort, the Netherlands. Program and regional offices are located in Kenya, Tanzania and Cambodia. ICS works for the most part with local staff.

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 make an evaluation. Of course, we monitored the projects internally as well. ICS can thus account for the results of its programs and learn from them for the future. Both the immediate results and the consequences for the long term are important.

For example, in 2014 a Kenyan researcher investigated how participation in Agrics and Nafics affected farmers in West Kenya. The University of Utrecht is researching the effects of the skillful parenting program in Kenya. This field research will be completed and presented in 2015. An external assessment was also conducted into the work of ICS in child protection in West Kenya. More information about these evaluations can be found in the chapters on agribusiness, skillful parenting and child protection.



What did ICS achieve in 2014?

ICS changed course around seven years ago. In 2014 that new direction is starting to bear fruit. Agrics is now past the start-up phase and has commenced scaling up. We had more than 8,000 farmers as customers in 2014, but in 2015 we expect to serve 25,000 farmers. The other businesses are still in an earlier stage, but now we understand properly how we should shape these business processes. Our skillful parenting program has been worked out in detail according to our own ICS approach and adapted to the local cultural contexts. ICS will continue implementing these training courses in 2015. The following developments and results can be listed for 2014.

- ▶ Thanks to Agrics among other things, the maize harvest of farmers in Kenya rose from 552 kg per acre in 2013 to 807 kg per acre in 2014, an increase of more than 46%. The size of an acre is roughly half a soccer pitch. In Tanzania, the harvest rose from 12 bags to 15 bags per farmer. Each bag holds around 90 kg. This is an increase of 25%;
- ▶ A total of 8,176 farmers bought seed and fertilizer from Agrics;
- ▶ Besides Agrics and Nafics, ICS officially started a new social business in Tanzania in 2014, following a pilot phase of one year: Alizetics, wholesaler in sunflower seeds;
- ▶ In Cambodia, ICS built three water stations, each managed by a local franchisee. Each station can supply around 2,000 people in the immediate surroundings with clean drinking water;
- ▶ In Kenya the first two water wells were drilled in 2014, while in 2015 the wells will be connected by pipes so that the local population can soon collect clean drinking water from eleven water draw-off points;
- ▶ In Kenya, Tanzania and Cambodia a total of no fewer than 6,973 parents followed the skillful parenting course via ICS and our partners;
- ▶ In Chi Kraeng in Cambodia ICS is working together with two partners on an integral action plan against domestic violence. The baseline of the program is ready for implementation; the contribution of ICS in this program concentrates on the skillful parenting courses;
- ▶ The County Child Protection Guidelines for the Kenyan government, the manual with guidelines, has been completed and is currently implemented in the county of Busia;
- ▶ 50 young Cambodians worked on their business plans via Young Startups. Four of them received a loan for the startup of their small business. In Tanzania ICS helped get 31 young people going through coaching and a startup loan: the new entrepreneurs are now running their own businesses;
- ▶ ICS raised more than 1.6 million EUR in funds in 2014 (excl. MFS II subsidy). This amount is made up of contributions from institutional donors, private donors, foundations and businesses.

FAR AND AWAY MOST OF THE PEOPLE WHO LIVE IN THE RURAL AREAS OF KENYA AND TANZANIA RELY ON THE PRODUCE FROM THEIR OWN LAND FOR THEIR FOOD AND INCOME. THE FARMERS CULTIVATE SMALL QUANTITIES OF MAIZE, SUNFLOWER SEEDS OR VEGETABLES, MOST OF WHICH ARE DESTINED FOR CONSUMPTION BY THEIR OWN FAMILIES. ANYTHING LEFT IS SOLD TO GENERATE A LITTLE INCOME. ICS SET UP THREE SOCIAL BUSINESSES WHICH OFFER THE SMALL FARMERS AN HONEST MARKET FOR THEIR CROPS AND THE POSSIBILITY OF BUYING GOOD QUALITY AGRICULTURAL PRODUCTS BY INSTALMENT. WHEN THESE ACTIVITIES ARE COMBINED, A VALUE CHAIN IS CREATED WHICH ENSURES THAT WE CAN IMPROVE THE FARMERS' STANDARD OF LIVING PERMANENTLY. MORE THAN 8,000 FARMERS ORDERED SEED AND FERTILIZER ON CREDIT IN 2014.

ICS INVESTS: IN AGRIBUSINESS

SEED AND FERTILIZER ON CREDIT VIA AGRICS

At the end of every season farmers obtain seed from old plants which they use again. This method is free, but it does mean that the quality of the crop and the yield drop considerably every year. Using certified sowing seed and fertilizer can improve this situation. All the same, good seed is hard to find and the expense is an obstacle for the poor farmers. Agrics, a social business which supplies farmers with agricultural products on credit, has brought about a change since 2012. Agrics is active in Kenya and Tanzania.

Besides basic products like seed and fertilizer, farmers can also decide to order extra materials or services including chickens, solar lamps, storage facilities and tractor hire. The farmer is given six months to repay the costs by instalment. Because the farmers function as a group, any problems with instalments can be taken care of by the group itself.

The farmers meet on a weekly basis and pay off part of their outstanding debt. They can specify themselves how much they want to pay back that week. Since this year, repayments in Kenya have been made almost fully via mobile telephone, which is a much more reliable

method. The money is transferred directly to the Agrics account. In Tanzania payment is still in cash, but the mobile phone payment system will soon be operational.

Training courses for better land yield

Farmers who order agricultural products through Agrics in Kenya are also offered courses to help them improve the yield from their land in the future. PUM Netherlands

Rosemary Wanjiku, farmer and mother of two children, uses the facilities of Agrics and Nafics.

"I grow sugar cane on one half of my land and maize on the other. Last year I harvested no less than eight full bags of maize. The bags weigh 90 kg each. I sold six bags and I use the other two to make ugali for my family. My eldest son is studying journalism at the Daystar University in Nairobi. I had to pay tuition fees of 80,000 Kenyan Shillings (approx. €750) this semester. My savings were insufficient, but because of this year's excellent crop I still managed to pay all the expenses. Now I think I might grow maize instead of the sugar cane on my land."



senior experts and the Kenyan government contribute with their expertise in agriculture. The farmers learn about the best times and ways to sow and harvest, and the best way to use the Agrics products they order.

Development and impact of Agrics

In 2014 Agrics achieved a turnover of €426,000 with a gross margin of -€59,000. A separate limited company was established for Agrics in October 2014. This enables the company to operate as an independent enterprise from 2015 onwards, with ICS as sole shareholder. The repayment ratio of credits in Kenya rose last year to more than 95%. In 2012 it was still 70%. The repayment percentage in Tanzania is currently 87%.

- ▶ A total of 4,271 farmers in western Kenya bought products on credit via Agrics. The same number of farmers followed courses to improve their knowledge of agriculture. In Tanzania, 3,905 farmers did this;
- ▶ The maize harvest in Kenya rose from 552 kg per acre in 2013 to 807 kg per acre in 2014, an increase of 46%. In Tanzania, the harvest rose from 12 bags to 15 bags per farmer. Each bag holds around 90 kg. This is an increase of 25%;
- ▶ The Kenyan farmers cultivated a total of 2,799 acres of maize. Agrics supplied the farmers with no less than 138,950 kg of fertilizer and 27,990 kg of maize seed. In Tanzania Agrics supplied 228 farmer groups with 78,000 kg of seed;

- ▶ 117 farmers in Kenya ordered a solar lamp;
- ▶ The operational area of Agrics Kenya has been expanded from two to five counties.

Chickens gaining in popularity

The range of products and services offered by Agrics in Kenya has been expanded. In Kenya in particular, chickens are very much in demand at the moment. Agrics supplies peepers on credit; the farmer keeps the chickens for the eggs and the meat. The peepers are supplied together with information about proper care, feed and housing. This gives the farmer food and income outside of the harvest season as well. This was a reason for ICS to build a new chicken farm. The farm currently has a capacity of 4,500 chickens, with an intended expansion to 7,000 chickens in 2015. Last year 217 farmers bought 1,135 chickens in total.

NAFICS: TRADING COMPANY IN MAIZE

Maize is one of the most important agricultural products in Kenya. It is the main ingredient of ugali, the 'daily bread'. Around 90% of the inhabitants of rural Kenya are farmers. Many of these small-scale farmers complain about the maize market. Intermediaries buy up their harvest, but because the farmers have no idea of market value they are in an unfavourable negotiating position. The farmers need a reliable and transparent market with fair prices. On the basis of that information, ICS started a social business in Kenya in 2013: Nafics, trading company in maize.

Warehouse Receipt System

The farmer brings his bags of maize to Nafics and is immediately given a basic price for his harvest, which is around 60% of the market value at that moment. Nafics stores the maize and later, when the market price is the best possible, it sells the maize. Nafics informs the farmers frequently about the market value by means of SMS. They can thus decide themselves when they want to sell. Following the sale, the farmer is paid the rest and thus profits from the added value. Usually farmers have to sell their harvest immediately because they need the money badly and have no space for storage. Because there is so much supply at that moment, the returns are low. This system allows the farmers to wait for the right sale moment without having to go without money.

Development and impact of Nafics

In 2014 Nafics achieved a turnover of €1,160,000 with a gross margin of €74,000. The net result in 2014 was still negative: -€164,000. Some of the purchased maize turned out to be of inferior quality, which meant the proceeds fell short of expectations. Government intervention also depressed the sale price of maize in Kenya, so that the margins which were initially expected could not be achieved. It is still a challenge to get small farmers to supply to Nafics. Buying maize from smaller farmers requires more logistics and a more intensive process than acquiring it from large farmers. Nafics ran a pilot project at the end of 2014 to use its logistics network to buy the maize from farmers who receive raw materials from Agrics. These stocks will be sold in 2015 and the approach assessed.

ALIZETICS: TRADING COMPANY IN SUNFLOWER SEEDS

Besides maize, sunflowers are cultivated to a large extent in Tanzania. After pressing, the seeds from the flowers yield sunflower oil. The same problems faced by maize farmers in Kenya apply to these farmers in Tanzania. ICS therefore started a new social business in 2013: Alizetics, wholesaler in sunflower seeds for small farmers. Alizetics offers farmers a guaranteed outlet for their sunflower seeds.



Development and impact of Alizetics

Alizetics is still in the startup phase. Its own managing director started in the autumn of 2014. He now has the task, together with his team members, of professionalising Alizetics in the coming year. Alizetics sold 406,501 kg of sunflower seeds to a large buyer, Mount Meru, in the autumn. The seeds were purchased from small farmers from 15 different villages who had received the raw materials via Agrics. Thanks to these better-quality raw materials, the participating farmers saw their crop increase in the past year from 8 bags per acre to 13 bags. More than 1,000 farmers have joined Alizetics now. The turnover of Alizetics for 2014 was €152,000 with a gross margin of €10,000. Because of the startup of its activities, Alizetics went through a steep learning curve. It is expected that the sale prices as well as the gross margin will grow strongly in 2015.

The quality and stock management of the seeds were in need of improvement in 2014. Major steps are now being taken in these areas together with the new managing director.

Sustainable value chain

Combining the different activities offered by Agrics, Nafics and Alizetics creates a value chain. Training the farmers are trained and offering them seed and fertilizer on credit means they have good preparation to go ahead. A farmer can then sell his improved crop for a fair market price thanks to a transparent market. This combined approach offers the farmers more added value than that provided by the sum of the separate activities. The different social businesses always operate in the same regions in order to make a sustainable value chain possible.

In addition, ICS also gives courses in skillful parenting in the previously mentioned regions in Kenya and Tanzania. Running economic programs at the same time as social programs creates cross-fertilization, and this has a positive effect on people's prosperity as well as their well-being. Read about positive parenting in the next chapter, on page 12.





Independent research into impact of agribusinesses

An independent investigation into the effects of Agrics and Nafics for the participating farmers started in 2013. Prior to the study, several hundred farmers were compared with farmers from a different community in which ICS is not active. In 2014, after the farmers had used the services of Agrics and Nafics for one season, the two groups of farmers were compared again. This evaluation shows that the yield from the land of the group of ICS farmers was 60% higher than that of the non-participating farmers from a different community.

Break-even point as challenge

Increasing the number of participating farmers to 100,000 in 2018 will require hard work in 2015 to arrange the funding for this growth. Agrics Tanzania will have to take significant steps in 2015 to optimise its internal processes and business model so that it can progress to break-even, like Agrics Kenya. The specific challenges in Tanzania compared with Kenya consist of making a relatively small range of products viable, the larger geographical distribution of participating farmers and a more efficient seed distribution process.

PUM expert Lidwine Dellaert in PUM Magazine, spring 2014.

“Theoretically it should be possible to quadruple the sunflower harvest as high yields are achieved in other areas outside Tanzania. It is still difficult to say whether ICS will achieve its aim in this region and it also depends on whether the seed currently issued already has a much higher yield potential: that is measured in the ‘try-outs’. If that is not the case, other improved varieties will have to be introduced. It also depends on improvement of the soil fertility (especially organic matter) through green manure and compost. And it depends on the availability of good seed and fertilizer.”



FINANCIAL DATA OF AGRIBUSINESSES 2014

	Nafics	Agrics Kenia	Agrics Tanzania	Alizetics
Turnover	1,160	271	155	152
Gross margin	74	-36	-23	10
Net result	-164	-36*	-23*	-73
ICS investment as of end of 2014	615	0*	0*	116

* The activities of Agrics were still formally a part of ICS in 2014. Operational expenses were not allocated to Agrics and nor did ICS invest in these businesses in 2014.

THE SKILLFUL PARENTING COURSE DEVELOPED BY ICS HELPS FATHERS, MOTHERS AND OTHER CAREGIVERS IN THE RURAL AREAS OF KENYA, TANZANIA AND CAMBODIA IN BRINGING UP CHILDREN. RAISING CHILDREN IS NOT ALWAYS EASY, ESPECIALLY WHEN POVERTY, VIOLENCE AND GREAT INEQUALITY BETWEEN MEN AND WOMEN ARE PART OF YOUR DAILY LIFE. THE CURRICULUM OF THE COURSE IS CERTAINLY NOT A LESSON ON 'HOW IT SHOULD BE'. IT GIVES PARENTS AN UNDERSTANDING OF HOW CHILDREN DEVELOP. PARENTS ARE INVITED TO REFLECT ON THEIR ROLE IN THAT DEVELOPMENT BY WAY OF GROUP DISCUSSIONS AND PRACTICAL ASSIGNMENTS. A TOTAL OF 6,973 PARENTS FOLLOWED THE COURSE IN 2014.

ICS INVESTS: IN SKILLFUL PARENTING

Improving the well-being of children is a priority of many non-governmental organisations. Child protection and children's rights are high on their agendas. And that's a good thing. But the huge responsibility of parents and grandparents for the well-being of children is often disregarded. Many people suffered serious traumas during the regime of the Khmer Rouge in Cambodia in the 1970s. The aftermath still has an effect today: violence in families is a regular occurrence. In Kenya and Tanzania it is a commonly held belief that children should be raised with an iron hand and that corporal punishment is good. Parents were brought up that way themselves; they pass on what they learned and they are not aware of the positive alternatives. ICS would like parents and grandparents to see and experience that it can be different. And that a positive approach can have a positive effect on all members of the family. Children who have a happy and safe childhood often grow up to become positive and stable adults.

Reflecting in a group on upbringing

Our master trainers have been training so-called facilitators since 2012. These facilitators work in the field with the skillful parenting method developed by ICS. The method is adapted in each country to suit the prevailing issues and culture of upbringing.

Over a period of two to three months, parents meet weekly and discuss various themes under the supervision of the facilitator. Roles and responsibilities, norms and

values and positive discipline are discussed, but also things like balancing the family budget. ICS works with established groups as much as possible. In Kenya and Tanzania we work together with the farmer groups in the 'Food security and income' program. In Cambodia parents from groups such as existing saving groups are encouraged to participate. Participation is voluntary. Each group has around 18 – 24 participants.

Discussions, practical assignments, reflections and working on parents' confidence form an important part of the approach. There needs to be a sense of trust for people to speak openly about problem areas which parents experience in bringing up children. Because we work with established groups that sense of trust already exists to a certain degree. Moreover, this allows participants to share their dilemmas, questions and uncertainties with each other after the course as well, and learn from each other.

Developments and impact

- ▶ In 2014 a total of 1,462 parents participated in the Skillful Parenting courses in Cambodia;
- ▶ In Kenya and Tanzania a total of no fewer than 5,511 parents followed the skillful parenting course via ICS and our partners;
- ▶ The 'roadshow' reached approximately 18,994 people; this is a truck which travels from village to village in Kenya and Tanzania to inform parents in an approachable and cheerful way about positive parenting;



- ▶ In Kenya 99 fathers participated in the course in three different father groups;
- ▶ Extra facilitators were trained to give the courses in the field and to increase the range of the program even more. 21 facilitators were added in Kenya, 17 in Tanzania and 34 in Cambodia;
- ▶ The Skillful Parenting workers of ICS Africa are very active on social media, including Facebook, Twitter, LinkedIn and YouTube. They provide education and distribute information on parenting and child protection. They have no fewer than 6,398 followers on Facebook and 945 on Twitter.

New modules and larger-scale deployment

Two new modules were added to the training curriculum and are now being worked with: family budget management and child protection. This brings the total number of modules to seven.

ICS has started a training institute as a pilot project in Cambodia. The purpose of this institute is to train other NGOs, businesses and institutes in positive parenting so that the method can be rolled out on a larger scale. The first courses started in 2014. There is great interest from other NGOs. In 2015 the establishment of training institutes in Kenya and Tanzania will also commence.

Humorous campaigns help awareness raising

Besides the fixed curriculum of the training, other resources on community level are also used to promote awareness raising. Theatre and special actions create a low threshold to make it possible to talk about themes in upbringing. One example is a humorous event for Father's Day organised by ICS Africa. Fathers were challenged to take part in a competition to see who was the fastest in putting a nappy on a baby doll properly. The lack of experience in most fathers made it a difficult task and a hilarious event, which also exposed the role of fathers.

Integrated approach to domestic violence

The fight against domestic violence in Cambodia has been declared one of the points for attention of the national government. In 2014 ICS developed a program focusing on prevention and victim help in cooperation with Transcultural Psychosocial Organisation (TPO), This Life Cambodia (TLC) and a number of local NGOs. ICS will roll out this integrated approach, which includes the skillful parenting course, in the commune of Chi Kraeng in January.

Ruben van Esch, researcher at the University of Utrecht

"The intention during most of my studies of Kenyan families was to disappear into the surroundings, almost invisible, like a 'fly on the wall'. You might like to know that I am a blonde 'mzungu' with blue eyes. And so you've guessed it already: totally impossible for me to disappear!"

"It is still too early to say anything really about the effects of the Skillful Parenting program but what I have seen is that parents really appreciate it and that many of them are interested in supplementary modules."

Field research into impact of parenting courses

ICS requested the University of Utrecht to make an independent study of the effects of the program in Kenya, also for the long term. Various families were monitored in 2014, and the results of the research will be published in the course of 2015.

Openness and commitment of parents challenging

Commitment from fathers is quite low. There is reasonable commitment in Kenya and Tanzania, but in Cambodia it forms a serious challenge. ICS is considering the introduction of separate father groups, similar to Kenya, instead of working with mixed groups.

In Cambodia in particular is important to really build up a sense of trust with the participants. Parents are rather tight-lipped when it comes to their personal circumstances. This is also a consequence of the Khmer Rouge regime which is deeply entrenched and cannot be solved just like that.

Guaranteeing quality and continuity

Preserving the quality of the courses is of great importance. The ICS master trainers are regularly in the field to see what kind of a job the facilitators make of it in practice. Some need more guidance than others. ICS is lobbying on a regional and national government level in all three countries for attention, policy and legislation for parenting. There is also interest in the training program, but time and funds are not provided swiftly enough for the implementation. It is important to hammer in the benefits of the training to the useful bodies in order to guarantee the future of the program and increase its scope.



Beatrice Ogutu, skillful parenting worker at ICS Africa, in the program 'AM live' on Kenyan television.

"Yes we praise parents for providing basic necessities, but to be a skillful parent you need to go even further. Be available for your child, connect and encourage them to reach their full potential."

POVERTY, TRAUMA AND MALFUNCTIONING LEGAL SYSTEMS OFTEN GIVE RISE TO VIOLENCE AGAINST CHILDREN OR THEIR NEGLECT. ICS SEEKS A CHILD PROTECTION SYSTEM WHICH REVOLVES AROUND PREVENTION AND HELP AND IS USED ON ALL ADMINISTRATIVE AND POLITICAL LEVELS. FROM NATIONAL GOVERNMENT TO LOCAL COMMUNITY. ALL CHILDREN WHO ONE WAY OR ANOTHER RUN THE RISK OF EXPERIENCING VIOLENCE, NEGLECT OR EXPLOITATION MUST HAVE ACCESS TO SOME KIND OF HELP. ICS COMPLETED THE COUNTY CHILD PROTECTION GUIDELINES IN 2014, A MANUAL FOR THE KENYAN GOVERNMENT WITH GUIDELINES ON CHILD PROTECTION ON A COUNTY LEVEL.

ICS INVESTS: IN CHILD PROTECTION

Child protection is a high priority for many NGOs, and rightly so. Four in ten children in Kenya, Tanzania and Cambodia experience some kind of abuse, neglect or exploitation. Aid organisations have good intentions, but they often become stranded in ad hoc interventions or their service focuses on a single specific target group: disabled persons for instance, young girls married off or former child soldiers. Many children do not come under these groups and thus have no chance of getting help.

If a child in Kenya or Tanzania encounters a form of abuse, parents or other adults go to the 'chief' or the village head to raise the matter. But this person is not always objective and may not have the knowledge or the capacity to find a permanent solution to the problem and put the interests of the child first. Mutual relationships and the balance of power determine decisions, and the well-being of the child slips into the background.

Domestic violence is a large problem in Cambodia, for women and for children. The frustration, poverty and trauma resulting from the Khmer Rouge regime often underlie this problem. Its deep impact on children is reflected in the entire further course of their lives.

Prevention and aid on all administrative levels

In Kenya, ICS is working on establishing an extensive child protection system. This system revolves around prevention as well as assistance and will be used on all administrative and political levels: from the national government to local communities. It is intended to provide access to adequate aid and services for all children, regardless of the specific issues. In Tanzania we focus especially on how authorities collaborate with each other in this area and where this can be improved. In both countries we pay special attention to legal support in the case of mistreatment and abuse, safety in and around schools and registration of births. In the Chi Kraeng commune in Cambodia, ICS is developing and implementing an integrated program against domestic violence in cooperation with partners Transcultural Psychosocial Organisation (TPO), This Life Cambodia (TLC) and a number of local NGOs. The focus is on prevention and victim assistance; the contribution of ICS aims mainly at providing training in skillful parenting.

ICS fulfils an advisory and support role and is responsible for implementing courses in skillful parenting as a preventive service. ICS uses these course to makes parents



aware of the role they play and the impact this has on their children's lives. ICS lobbies and collaborates with governments and authorities. In addition, ICS provides a financial contribution to support various implementation partners.

Developments and impact

Child protection guidelines

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. If the government promotes the importance of child protection, things can change on community level as well. The strategic five-year plan of the Busia district has specified parenting and child protection as a point requiring attention. ICS and a number of partners are now implementing the guidelines on the basis of nine specific goals, which include training a total of 20,000 parents and building up a database.

Electronic dossier

In the pilot area Busia in Kenya, every report of mistreatment is kept in an electronic dossier. The dossier contains information about the mistreatment, the perpetrator and when reports are made. In 2014 the possibility was created to consult the dossiers by mobile telephone with internet connection. So-called children's officers, as well as doctors, police officers and other care workers have access to the dossiers.

Child helpline and speak-out boxes

In Tanzania the government has committed itself to a child helpline. Children can call this helpline free of charge to report their problems. In areas where children cannot get to a telephone, they can use the 'speak-out boxes' at school. The children can put a note in the box to report a case of mistreatment. The note can be anonymous or the child can put their name on it. Every school has a confidential counsellor who takes action on the reports. The child helpline was called a total of 284 times. Most of the reports were about physical violence (9%) and neglect (also 9%). We were able to reach 800 children with the speak-out boxes in Tanzania. The boxes are spread across 30 schools.



Start of integrated program against domestic violence

In Cambodia the baseline measurement of the integrated program against domestic violence has been completed. The program is ready for implementation at the start of 2015.

Evaluation and measurement of effects

ICS has been working since 2012 together with local partners and the Kenyan government to strengthen the child protection system in Busia County. An independent evaluation showed that ICS has been successful in organising different parties involved in child protection and reinforcing the local authorities so that they assume responsibility in the coordination and implementation of the child protection system. The national government acknowledges the effectiveness of the system in this area and has taken over the guidelines for its national policy

and implementation in other parts of Kenya. Nevertheless, it remains difficult to measure the effects of prevention. Often it concerns long periods and it is difficult to find out whether the effects are caused solely by the program or are due to other factors as well.

Dependence on partners and authorities

In this program ICS cooperates with numerous partner organisations and government agencies. It takes a lot of time to build up a bond, and coming to agreement together is a challenge in itself. The dependence this entails can have a significant effect on the course of the program.

Kofi Annan, secretary general of the United Nations in 2006 in the 'World Report on Violence Against Children'.

"Violence against children is never justifiable. Nor is it inevitable. If its underlying causes are identified and addressed, violence against children is entirely preventable."

ICS WAS ABLE TO BUILD THREE WATER TREATMENT STATIONS IN THE PAST YEAR IN THE PROVINCES SIEM REAP AND ODDAR MEANCHEY OF NORTHERN CAMBODIA. IN WESTERN KENYA, IN THE COMMUNITIES OF AMAGORO AND MALABA, ICS DRILLED FOR WATER AT THREE LOCATIONS. IN 2015, TWO OF THESE WATER BORES WILL BE CONNECTED TO PIPELINES WHICH WILL EVENTUALLY DISTRIBUTE THE WATER TO ELEVEN WATER DRAW-OFF POINTS. ALL THE ICS WATER PROJECTS ARE CHARACTERISED BY THEIR INTEGRATED BUSINESS MODEL AND BY WORKING WITH LOCAL ENTREPRENEURS, THINGS WHICH GENERATE SUFFICIENT INCOME FOR MAINTENANCE. ICS CONTRIBUTES TO HEALTH AND ECONOMIC DEVELOPMENT BY CREATING ACCESS TO CLEAN DRINKING WATER FOR THOUSANDS OF RURAL INHABITANTS.

ICS INVESTS: IN CLEAN DRINKING WATER CLOSE TO HOME

Clean drinking water is a basic necessity of life. But the figures from the World Health Organization show that in 2014 millions of people in developing countries still have no access to safe drinking water. Parasites and bacteria in polluted water often cause chronic intestinal disorders in adults, and in children this can even result in death. Sometimes people treat the rainwater or groundwater themselves, using a ceramic filter or sand, by boiling it or adding chlorine or iodine. But none of these solutions is really sustainable. Filters are not always cleaned in time, and the water quality deteriorates. Boiling water properly takes a lot of time and firewood. It's clearly time for a different approach.

FRANCHISE BUSINESS MODEL FOR WATER STATIONS IN CAMBODIA

Every water station opened by ICS in Cambodia is run by a local entrepreneur: the franchisee. He or she treats and bottles the water, and sells the bottles to the community. Every week the franchisee carries out simple quality control checks. These entrepreneurs are selected in advance and trained in maintenance, finances and sales. They pay a maintenance fee to the 'head office'. Head office provides technical assistance to all water stations and performs monthly quality control checks on the

water. It offers support for social marketing, so that the whole community is made aware of the importance of clean drinking water and knows where to find the water stations.

Villagers can bring their bottles for filling at the station for around 25 cents (US) per bottle. One bottle holds 20 litres of water. The bottles are also supplied to existing shops in the area and can even be home-delivered. This optimises the scope of the market.

ICS aims to make every water station financially independent within one and a half years with this franchise approach. This is the only way to create really sustainable development. Once a station has reached this point, ICS wants it to supply the schools in the area with free drinking water.

Developments and impact

We built a total of three water stations in Cambodia in 2014. The first station, Kouk Mon, was a pilot project. Shortly after its opening in December 2013, we decided to close the station until further notice. The appointed entrepreneur turned out to be untrustworthy and the water source was not optimal. Kouk Mon was reopened



in November at a location a little further away. Reul opened its doors earlier in the year (in May), followed by Sranal (in September). While the Kouk Mon startup was not without struggle, many lessons were certainly learned from it.

- ▶ Each station which is built will provide 10,000 people with access to clean drinking water. In daily practice around 2,000 people are using the facilities at each station;
- ▶ More than 300,000 litres of water have been sold in 31 villages. The water is sold from the three water stations and via 53 subsellers, extra sales outlets at existing shops;
- ▶ The quality controls have been tightened further: tests are performed weekly on a local level, and the head office sends samples to a laboratory for examination every month;
- ▶ Ten new locations have already been identified as potentially suitable for new water stations to be built in 2015.

Water station acquisition

Partner NGOs 1001 Fontaines and Teuk Saat are implementing a similar water project in the provinces of Battambang and Phnom Penh where 108 stations are now operational. Cooperation with these organisations was strengthened in the past year, and will become even more important in the coming years. ICS can learn a lot from these partners, and we have also decided to work on fundraising jointly. ICS will furthermore take over 14 water stations, because they are located more in 'our' area of work.

Social marketing contributes to sales and instruction. Every opening of a new water station is accompanied by festivities for guests and inhabitants. Games for children, dance performances, speeches and competitions with prizes help increase the knowledge about the importance of clean drinking water and its sale. Besides providing instruction in this festive form of instruction, this also enables the brand-new franchisee to introduce himself or herself to the community. The franchisee now has the task of continuing the success of the opening in daily practice.

Teuk Samret

This project originally ran under the name Community Water Enterprise. But many Cambodians cannot read or write English, so the name was changed. Teuk Samret ('clean drinking water' in Khmer) is the business name, and O'we is the brand name of the water which is shown on the bottles.

Selection of franchisees and locations

It is difficult to select suitable franchisees in Cambodia. A selection procedure has now been developed in which various key persons from the community are asked separately to give the names of a number of potential candidates. After a first round of interviews this long list is cut down to a short list. The appropriate candidate must emerge from a second round of interviews.



Determining the location of a new station is not easy but certainly of fundamental importance. The available water source must be reliable, both during and outside the rainy season. Although the area's infrastructure may be simple, it must be good enough to allow the construction of a water station. About 2,000 litres of water need to be sold daily to break even. Selling this quantity of water is only possible if there are at least 10,000 inhabitants in a radius of 10 to 15 kilometres around the water station.

PAYING WITH A PREPAID CARD IN KENYA

There is considerably less water in western Kenya than in Cambodia. While in Cambodia you can treat water from rivers, lakes or other sources, in Kenya you have to drill down dozens of metres into the ground in the hope of hitting a spring. Last year ICS drilled for water at three locations. Two of those locations yielded sufficient water, while the third was rejected. Water is pumped from the two bore holes up to a water tower. The water is distributed from the tower via a pipeline system to a total of eleven draw-off points. Each draw-off point will have a prepaid meter. Inhabitants can charge a chip card in advance at the participating local shops and then use it to pay immediately for the amount of water they tap.

Developments and impact

In February 2015 the two drilled wells will be connected to metal water tanks of 50 m³ (Malaba) and 24 m³ (Amagoro). In cooperation with partner Susteq, prepaid meters will be installed at the water draw-off

points. Advisory discussions will be held at the same time with the relevant communities and the local authorities in order to make the implementation as smooth as possible.

Cost-effective business model is the challenge

Creating a cost-effective business model for the water wells in Kenya is a challenge. Research into the willingness of people to pay for water resulted in the price of €0.05 being set for 20 litres. Currently the amount of water which each well can supply is a maximum of 5 litres per person per day. That is not very much. When these facts are added up, it is no simple task to make the model cost-effective.

Adrien Pellequer, water program manager ICS Cambodia

"Many Cambodians are quite reserved. They are loath to approach someone to ask questions. We noticed quite soon that it works better if we approach people ourselves together with the new entrepreneur to tell them more about the water station. When the third water station was opened this active approach saw us sell 91 bottles of water of 20 litres each, in one afternoon. A new record."

THE PURPOSE OF YOUNG ENTREPRENEURSHIP PROGRAM (YEP) IN TANZANIA AND YOUNG STARTUPS IN CAMBODIA IS TO GIVE YOUNG ENTERPRISING PEOPLE IN RURAL AREAS THE BOOST THEY NEED SO MUCH: TRAINING IN ENTREPRENEURIAL SKILLS, ASSISTANCE IN WRITING A BUSINESS PLAN AND A STARTUP LOAN. THE VIJANA RELOADED (VR) PROGRAMS IN KENYA AND THE TWO CEFY CENTRES IN CAMBODIA INCREASE YOUNG PEOPLE'S CHANCES OF GETTING A JOB BY PROVIDING THEM WITH TRAINING. VR AIMS PRIMARILY AT AMBITIOUS STUDENTS WITH HIGHER EDUCATION. TRAINEESHIPS AND BUSINESS CASES HELP THEM LEARN HOW TO THINK INNOVATIVELY AND IN TERMS OF SOLUTIONS, WITH THE AIM OF STARTING A BUSINESS OR ENTERING EMPLOYMENT AT LARGER COMPANIES. THE CEFY CENTRES PROVIDE A BASIC PACKAGE OF SKILLS: ENGLISH, COMPUTER LESSONS AND JOB APPLICATION SKILLS. THE CAREER CENTRE ALSO PROVIDES DIRECTION. IT HELPS YOUNG PEOPLE DISCOVER WHAT THEY WANT AND WHICH VOCATIONAL TRAINING COURSES ARE AVAILABLE.

ICS INVESTS: IN WORK AND INCOME FOR YOUNG PEOPLE

Unemployment among young people in the rural areas of Kenya, Tanzania and Cambodia is high. They often fall into a vacuum after primary or secondary school. To find a good job they need more skills apart from reading, writing and mathematics. These days social skills, an understanding of marketing and entrepreneurial skills are also crucial, especially in Africa and Asia. And that is what is missing. In times of unemployment, the big city becomes very attractive. ICS has developed various programs to counteract the exodus from the rural areas.

FLYING START AS ENTREPRENEUR

The Young Entrepreneurship Program (YEP) concentrates on young people with minimal education from the rural areas of Tanzania. They have few chances of finding good work or starting their own business successfully after they finish school. The YEP program focused in the first instance on training young people to become entrepreneurs. Young people with business ideas were trained and coached in drawing up a business plan. If the plan was viable, they were eligible for a start-up loan.

Despite its success, ICS decided to modify the program in 2014. The area where YEP runs is so sparsely populated that very quickly a profusion of similar small businesses arises which then have to compete with each other. Because by far most employment is found in agriculture, we shifted the focus to that sector. The Agrics program, which already runs in the same area, has gained a 'junior' version. Young people can follow courses to improve their knowledge of agriculture. Besides specific information about sowing, harvesting and fertilizing, there are also courses on finances, marketing and how to mobilise other farmers to form a farmers group together. The young people can buy seed and fertilizer on credit via Agrics so they have a successful start.

Naturally we continue to follow the young entrepreneurs who have started with the help of YEP and support them whenever they need assistance. And of course, there are loans which must be paid off. The starters visit the local ICS office regularly to discuss how things are going with us.



Developments and impact

Since 2013, YEP has supported 31 young people through coaching and funding to start up their business. These young people started small businesses and shops in areas including clothing and mobile telephones. YEP also trained and advised 240 young agricultural entrepreneurs.

SOLUTION-ORIENTED THINKING AT VIJANA RELOADED

Vijana Reloaded is educating a new generation of 'change makers': young people who think in terms of innovative solutions and contribute in some way to the development of their local economy and society. The training is geared towards young people who have a lot to offer and are bursting with ambition. Usually they have already obtained a good basic education, but because they lack the specific skills that the local job market is seeking, they simply have not been able to secure a job. Through a traineeship of six months, the young trainees learn how to think innovatively and in terms of solutions. In addition to weekly lessons, they are work on real life

case studies in collaboration with local businesses, with a slight emphasis on agriculture. Since existing educational institutions and universities do not offer practical apprenticeships, Vijana Reloaded fills the gap with a valuable supplement. What is more, the curriculum is aligned with the current spirit of the times. ICS would like to see this curriculum taken up by universities in the future, so that opportunities can reach as many Kenyans as possible.

Developments and impact

An analysis of the current education market in 2014 forms the basis on which the curriculum of Vijana Reloaded was developed. The website, www.vijanareloaded.com, is now online. Future trainees can find all the information here about the course and register immediately. The first group is no larger than 16 students and starts at the end of February 2015. When they register, the trainee must substantiate their motivation and also contribute financially to the costs. The second group can already start three months later.

Charles Njile, YEP participant

"I came into contact with the YEP program of ICS in 2012. At the time I was trying to make ends meet by selling water at the bus station and helping people lift their luggage. YEP helped me to find training in entrepreneurship and I obtained a loan to start my own business in 'home needs'. It changed my life drastically. My business grew and I have even been able to save some money. I also found a job as bookkeeper at Jama Oil Station in Mwanhuzi. I also learned bookkeeping via YEP."

YOUNG STARTUPS DETERMINE UNIQUE SELLING POINTS

The aim of Young Startups in Cambodia is to encourage young people in the northern province of Siem Reap to become entrepreneurs. Young Startups offers coaching and a start-up loan to young people between the ages of 18 and 35 years. The budding entrepreneurs must submit an initial proposal and then defend their plan: what makes their business different? What are their Unique Selling Points and what is their proposition? Young people are encouraged to be original and think outside the square and further than the standard small shops. Ideas which are currently popular are starting a language school and providing computer lessons. Experts help work the plan out in further detail. If the plan is viable, the trainee can obtain a startup-loan. The entrepreneur should contribute at least 10% of the startup capital themselves.

Developments and impact

The Young Startups website went online at the start of 2014: www.youngstartups.combodia.com. YS gained publicity through presentations at local universities and promotion of the platform through website and Facebook. A total of 60 registrations were received by Young Startups in 2014, 50 of which were sufficiently promising to proceed to the next round. ICS has invested in four young entrepreneurs: the investment differs per business and can be a loan, a donation or an investment. The requirements of each case are examined, and the coaching and any financial support are geared towards them.

Extra focus on women

Of the registrations received this year by Young Startups, 70% were from men. In the coming year we want to put more effort into recruiting potential entrepreneurs and focus more on female participation.



CAREER EXPLORATION FOR YOUTH

CEFY stands for Career Exploration For Youth. There are two training centres, in Siem Reap and Oddar Meanchey. CEFY stimulates young people to follow vocational training and arranges for courses on things like job applications. For example, how do you write a job application letter and a CV, how does a job interview go and how do you ensure that you are sufficiently confident to make a good impression? Computer lessons and English lessons are also part of the package offered. Practical information is intended to help young people find work more easily. CEFY does not provide the vocational training courses itself. The two centres show young people the way: what can I do, what do I really want to do, and where do I find a course which matches what I want? CEFY therefore works closely together with local businesses, organisations and other NGOs.

Developments and impact

In 2014, more than 500 young people came to the two CEFY centres. 197 young people followed courses to work on their self-confidence, write application letters and CVs, train for a job interview and manage their personal finances. 51 young people registered for working visits. CEFY also helped 13 young people find employment at local businesses: seven of them now work in the hospitality industry, one with a travel agency, one in a shop, two at the airport and another two have entered service at the Cambodian office of ICS.

THE FUNDRAISING & COMMUNICATION DEPARTMENT WORKS CLOSELY TOGETHER WITH THE PROGRAMS AND BUSINESS DEVELOPMENT DEPARTMENTS, IN THE FIRST PLACE TO RAISE FUNDS FOR REALISING THE PROGRAMS OF ICS. IT ALSO AIMS TO INCREASE THE PUBLIC PROFILE AND PROVIDE INFORMATION TO (POTENTIAL) FUNDS, PARTNERS, BENEFICIARIES AND THE PUBLIC. THE ACTIVE APPROACH TO NEW FUNDS ENSURED THAT THE RISING LINE OF INCOME WAS ABLE TO CONTINUE IN 2014. THE TOTAL AMOUNT OF FUNDRAISING GREW TO MORE THAN EUR 1.6 MILLION. THE CLEAR POSITIONING ALSO LAID AN IMPORTANT FOUNDATION FOR US TO GET GOING WITH RAISING THE PUBLIC PROFILE OF ICS IN 2015.

FUNDRAISING & COMMUNICATION

ICS depends to a large extent on income from faithful private donors, service clubs, foundations and national and international institutional donors. ICS has also received financial support, known as MFS, from the Dutch government since 2007. The second MFS term ends in 2015. In order to reduce reliance on the Dutch government and thus safeguard the future of ICS, we must now spread the risks more. ICS is therefore also focusing actively on other fundraising opportunities.

ICS is a well-known name among beneficiaries in Kenya, Tanzania and Cambodia, and has the reputation of a reliable and sound partner. The public profile of ICS in the Netherlands is much lower. The general public have not heard of us. It is highly important to change this situation so that a larger (financial) support base is created for the work of ICS.

Active fundraising via three channels

ICS reoriented its position in fundraising in 2012 and 2013, and continued the new approach in 2014. The approach has three cornerstones:

► Active fundraising with institutional donors

All calls with small and large international foundations are monitored strictly. These calls can concern subsidies as well as investments. For each call we examine whether it fits in with one or more of our (combined) programs.

If there is a good match, we react by submitting a proposal written by the relevant program department. We check after a specific period which proposals have been approved.

► Active networking with businesses, service clubs and asset management companies

Networking is hugely important and extremely labour-intensive. ICS approaches businesses and donor-advised funds for cash flow investments and start-up capital for the social businesses, among other things. We gradually build up a relationship which can result in productive cooperation. We aspire to partnerships which are not solely concerned with acquiring money, but also with knowledge and expertise. ICS has a long-established cooperation with various Rotary Clubs in the Netherlands and the countries in which we operate. We give presentations to the clubs in the Netherlands and organise working visits to the relevant project areas.

► Acquiring new private donors

Over the past five years, the donations from private donors have dropped by 40%. Natural attrition and the financial crisis are partly to blame for this, but ICS has paid insufficient attention to recruiting new donors to fill the gap. A specific recruitment plan has been drawn up to bring the private donations back to their old level, and preferably even higher.



Communication strategy

The main elements of communication, the strategy and company style we follow, are determined in the Netherlands. They are translated for local needs by ICS staff in Kenya, Tanzania and Cambodia. Beneficiaries in Cambodia have different information needs to those of Dutch donors. 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.

Developments and impact

Funds and institutional donors have been approached very actively. Applications worth EUR 9.9 million were submitted in 2014. At the end of the financial year almost EUR 1 million had been promised; applications with a total amount of EUR 4.2 million are still outstanding. Up to the end of 2014 the applications therefore had a success percentage of almost 10%. At the last moment a Dutch foundation made a commitment to ICS in 2014 of a donation as well as a loan and share capital for Alizetics in Tanzania, with a total value of €350,000. Three applications were also submitted to the National Postcode Lottery. We were informed at the start of 2015 that they unfortunately would not be granted. We will use the feedback we received as a guideline in submitting a new application in 2015.

- ▶ In 2014 we acquired a total of €1,669,000 in external funds (excl. MFSII);
- ▶ Institutional donors contributed €327,000;
- ▶ The share originating from businesses, service clubs and asset management companies is €579,000;
- ▶ Private donors raised €763,000.

New partnerships

ICS is currently holding discussions with a number of Dutch businesses and entrepreneurs from various sectors, from onion seed company to beauty expert. More and more businesses want to put their specific expertise and services to use for people in developing countries. Cooperation with ICS gives their aim added value thanks to our extensive knowledge of and experience and links with local communities, authorities and infrastructure. These discussions are expected to lead to a number of new partnerships in the short term.

Street recruitment of new donors

In order to acquire new private donors, ICS has engaged a reputable agency which specialises in face-to-face donor acquisition. This agency will help ICS to achieve the objective of 1,000 new donors before the end of the first half of 2015. Preparations for this form of acquisition began in the summer of 2014 already, with the implementation following in 2015.

Small and medium-sized enterprises

We have developed a pilot for approaching small and medium-sized enterprises (SMEs) for multi-year donations. Direct mail was used to approach 200 businesses around Amersfoort. The mailing referred to two action pages on the website. Follow-up calls to this first pilot group were made in the first instance by the F&C department. A telemarketing agency will take over this task in January 2015.



New positioning creates firm foundation

A clear, unambiguous positioning has been drawn up in order to make the identity of ICS and our motives crystal clear for everyone. The positioning is ready and as of 2015 it will serve as the starting point for working out our new communication strategy.

Cross-media approach

In August we launched our new website which makes clearer what ICS does and pursues. The news feed has been tightened and intensified so that the site always has up-to-date information. Messages are added several times a week and shared through Facebook, Twitter and

LinkedIn. ICS wants to give more exposure to our vision and our approach. The cross-media approach, together with the advertisements of Google Grants, should ensure that website visits will increase in the coming years and that ICS gains more name recognition in the Netherlands.

Annual planning and more research into donors

An annual planning has been prepared for each program for 2015 concerning the approach of institutional donors, donor-advised funds and businesses. It is highly important to check the criteria, so that we do not waste time and effort on applications which are certain to fail. Moreover, a meticulous planning ensures that there is sufficient time to work the application out in more detail with the greatest possible attention. Research into other potentially interesting businesses and foundations continues all year through. Every employee, whether they are in the Netherlands, Kenya, Tanzania or Cambodia, plays a part in this. We aim at a mix of large and small donors so that we can spread our chances.

Gerrit-Jan Hülsenbeck, Rotary Club Laren-Blaricum

"The proceeds from our annual village dinner in Laren were more than doubled by Wilde Ganzen, the Rotary District Fund and the Rotary Foundation, and thus form a significant contribution to the projects of ICS. Two of our Rotary Club members went to Cambodia in February, not only to obtain information about the current projects, but also to contribute actively to the setup and implementation. The conversations with young people and the (water) entrepreneurs were certainly very enriching. It was special to find that the funds we had collected are being spent responsibly on useful projects. Our Rotary members make every effort now and in the future for them."

PARTNERS IN IMPLEMENTATION, KNOWLEDGE, NETWORK AND FUNDING



The Netherlands

- € Ministry of Foreign Affairs
- € Aqua4All
- € Wilde Ganzen
- € Learn4WorK
- € Achmea Foundation
- € Partners voor Water
- € Rabo Share4More
- € St. Georges International School
- € Marthe van Rijswijck Foundation
- € Rotaryclub Laren-Blaricum
- € Rotaryclub Oldebroek
- € Rotaryclub Hattem-Heerde
- € Rotaryclub Epe
- € Rotaryclub Nunspeet
- € Rotaryclub Harderwijk
- ➔ Stichting Sengerema
- ➔ ProPortion Foundation
- ➔ PUM (senior expert organization)

International

- ➔ Parenting in Africa Network
- ➔ African Child Policy Forum (ACPF)
- ➔ International Institute for Communication and Development (IICD)
- ➔ Child & Youth Finance International (CYFI)
- ➔ The Netherlands-African Business Council (NABC)
- ➔ Together4Change: SOS Kinderdorpen / Wereldkinderen / Wilde Ganzen
- ➔ Partos
- ➔ A+B=3
- ➔ Context, international cooperation
- ➔ MetaMeta

Cambodia

- € Rotaryclub Phnom Penh
- € Rotaryclub Angkor
- ➔ Ponleu Kumar
- ➔ Cambodian Women's Crisis Center (CWCC)
- ➔ This Life Cambodia (TLC)

- ➔ Transcultural Psychosocial Organisation (TPO)
- ➔ CIDO (Community-based Integrated Development Organization)
- ➔ KrouSar Yoeung
- ➔ 1001 Fontaines / Teuk Saat
- ➔ Tom Sebastian (By TOM)
- ➔ Yes Center
- ➔ Friends International
- ➔ Regional Polytechnic Institute Techo Sen (RPITS)
- ➔ Bayon Pastries
- ➔ Gazaab
- ➔ The Hub Singapore
- ➔ Water for Cambodia
- ➔ Royal University of Phnom Penh (RUPP)
- ➔ National Employment Agency Cambodia
- ➔ Ministry of Rural Development
- ➔ WATSAN Sector Cambodia
- ➔ Coalition on the Rights of the Child (CRC)
- ➔ Corporation Committee for Cambodia (CCC)

Tanzania

- ➔ Monduli Pastoralist Development Initiative (MPDI)
- ➔ C-SEMA
- ➔ Mkombozi
- ➔ Mount Meru oil millers
- ➔ Sokoine University of Agriculture (SUA)

Kenya

- ➔ Child Legal Action Network (CLAN)
- ➔ Kenya Alliance for the Advancement of Children (KAACR)
- ➔ Rural Education and Economic Enhancement Programme (REEP)
- ➔ Child Line Kenya (CLK)
- ➔ ICT Consortium Kakamega
- ➔ Jaramogi Oginga Odinga University of Science and Technology (JOOUST), Bondo
- ➔ NaiLab
- ➔ Water Forever International
- ➔ SusteQ

TOGETHER4CHANGE ALLIANCE

The Together4Change alliance revolves around inspiring and motivating individuals and organisations to take initiatives which result in long-term social and economic change. This objective focuses on safeguarding the well-being of children and young people. By joining forces and sharing knowledge from different fields of work, the program can achieve more. ICS is lead agent of the alliance which consists further of SOS Kinderdorpen, Wereldkinderen and Wilde Ganzen, and a large number of local and international organisations.

The four alliance partners jointly drew up a number of themes which we can learn from each other and can teach to others. ICS, SOS Kinderdorpen and Wereldkinderen held a seminar in May 2014 on the different ways we work with parenting support. The alliance introduced the Parenting in Africa Network at this seminar. African organisations which concentrate on parenting support can use this network to learn from each other and take action jointly. We also exchanged ideas with a wide variety of organisations about the effectiveness and necessity of this approach.

In 2014 we also started research into the effects of social entrepreneurship on the well-being of children. Context International visited two programs of ICS and two programs of SOS Kinderdorpen and examined how the different organisations realise social entrepreneurship and the aspects of children's well-being this affects. A seminar will be held in 2015 on this topic at which the results of this study will also be discussed. This study links up with research of Context International in the Together4Change alliance into the role of NGOs in the field of social entrepreneurship. The report of this research will be published in 2015 as well.

The Together4Change alliance was awarded a subsidy by the Dutch Ministry of Foreign Affairs in 2011. This subsidy is for five years (2011-2015). As lead agent of the alliance, in legal terms ICS is also the organisation bearing the ultimate responsibility for the subsidy received. Among other things, it means that ICS is the direct discussion partner with the ministry and takes on a coordinating role.

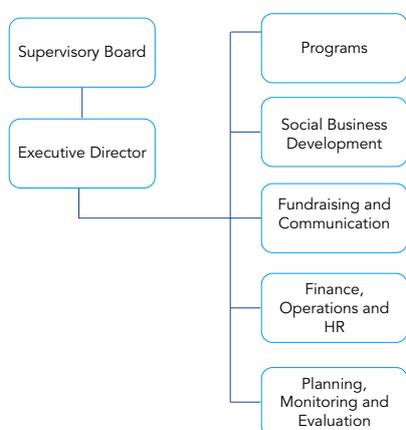


FACTS AND FIGURES

ORGANISATION

Organisation under development

As an organisation, ICS is developing continually. The most important changes in 2014 and the preceding couple of years related mainly to the management of and in the countries. The main structure of the organisation, however, has remained the same:



Head office Netherlands

The office in Amersfoort functions as the international headquarters, where the general strategic course is set out by the ICS management team. The programs and social enterprises are also managed from here, and reports on 'group level' are made, for instance to the Ministry of Foreign Affairs. A large number of the fundraising activities take place here as well.

Program offices

The program offices are located centrally in the areas in which ICS operates. The programs are run from there and also partly developed further there. There are program offices in Busia and Kakamega in West Kenya, in Meatu and Arusha in Tanzania and in Samrong in Cambodia. The employees at these offices are exclusively local people.

Regional offices

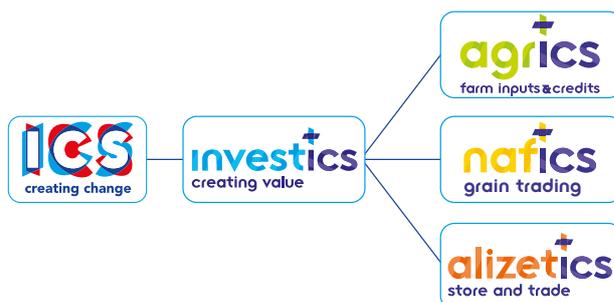
The regional offices in Kenya (Nairobi) and Cambodia (Siem Reap) have a coordinating character and play an important part in the development of the programs and fundraising in the region. Coordination on a regional level in Africa in 2014 was the responsibility of the Regional Management Team (RMT) consisting of two Program Area Managers (West Kenya and Tanzania), the regional Finance & Controls Manager and the regional Program Manager Child Protection (who also chairs the RMT). The coordination in Cambodia is the responsibility of the Cambodia country director.

International Management Team (IMT)

The Dutch MT, African RMT and the Cambodia Country Director meet once a year for a few days to discuss specific topics on a strategic level. In 2014 this meeting took place in the Netherlands in June. One of the most important topics at this meeting was the international organisational structure and the decentralisation of functions.

Investics

ICS set up Investics (the registered business name is ICS BV) in 2012 with the aim of establishing social enterprises. Stichting ICS has full ownership of this company. Investics is the holding under which various economic activities take place, each in a separate BV [private limited company]. Nafics Ltd and Hydrics Cambodia Ltd were established in 2013. In 2014, another two new BVs were established: Agrics Ltd in Kenya and Alizetics Ltd in Tanzania. Hydrics Cambodia Ltd, our water company in Cambodia, will be transferred to a local NGO in 2015 for fiscal and legal reasons. Hydrics will be maintained, but for the time being it will not undertake any activities.



STAFF

Local and international staff

ICS prefers to work with local staff in the regional and program offices. In 2014 there was a fully local workforce in Africa, with the exception of the manager of the subsidiary Alizetics (Tanzania) who entered employment in November.

In 2014 only international staff members were employed in Cambodia; these employees came from the Netherlands, Italy and France (there were 4 persons on 31 December).

Recruitment and selection

There were several job vacancies to be filled in 2014, in the Netherlands as well as in the program areas. The ICS website and social media, online job vacancy sites, newspapers and a recruitment and selection agency were used for recruitment.

Number of employees

On 31 December 2014 ICS employed 95.7 employees (in FTE) internationally, of whom 16.7 in the Netherlands, 29 (ICS) and 7 (Nafics) in Kenya, 9 in Tanzania and 34 in Cambodia.

Capacity to learn

Professional development of individual employees as well as of the team is very important to an organisation which is on the move. Various meetings were therefore held in the Netherlands and in Africa and Asia concerning knowledge sharing, collaboration and strategy. Professional development also received explicit attention as part of the performance management process through the definition of challenging and functional development objectives.

Following studies or training is only one of the resources for professional development. We emphasise the fact that activities such as reading books and articles and attending congresses and debates are also very valuable means, as are asking critical questions or requesting feedback from colleagues.

On an individual level, various employees followed one or more courses and/or training sessions last year, varying from practical training to Masters courses.

Quality assurance

For ICS, quality management means ensuring that the resources made available are spent effectively and efficiently for the purpose of the identified projects and programs. This comprises the executive organisation for implementing programs as well as the support organisation (Finances, Office Support, HR, etc.). Quality is connected to the daily work and forms an integral part of the activities of ICS.

ISO

The quality system with which ICS works has been certified under the ISO 9001:2008 norm. Certification agency KIWA performed a recertification audit in December 2013, following which the ISO certification was renewed for another three years.

ICS established a CSR policy in 2014 in which it has formulated its social responsibility. This social responsibility relates to the internal organisation, such as staff, and to principles concerning activities which affect the environment. Thus ICS applies CO2 compensation to all its trips abroad and has established a child protection policy for its staff.

In addition, the details of the social responsibility of (possible) partners of ICS are checked.

ICS, due to the establishment of its CSR policy among other things, satisfies the criteria of Partos 9001 Sector-specific Application of ISO 9001:2008. KIWA performed a supplementary audit in July 2014 and awarded a certificate for this.

KIWA performed a new audit of the quality system of ICS in November 2014. With the exception of a few minor remarks, the conclusion was that the quality system is satisfactory and is actually used in the organisation. The quality officer of ICS performed an internal audit prior to the external audit. Besides checking compliance with the quality system, points for improvement were examined and the consequences which developments in the organisation have for the structure of the system. This resulted in a number of proposals for improvement, for example in supplier assessment and fundraising. The findings of the quality officer were discussed in the management meeting of November 2014.

IATI

Increasingly more aid organisations publish their information in accordance with the IATI standard. On the one hand this is compelled by major donors, while on the other hand transparency about expenditure and results, the objectives of IATI, form a reason for many organisations to participate in IATI. ICS published data in accordance with the IATI standard for the first time in 2014. In brief this means that ICS publishes its project expenditure according to a fixed layout on the IATI website. This makes the information available to everyone. The standard makes it easier to process this information, for example for donors or interested parties who want to compare organisations.

Other standards

External stakeholders and ICS itself, especially its Supervisory Board, have established a number of standards in terms of expenditure on fundraising, management and administration and directors' remuneration. ICS has also established standards for its investment and treasury policy. By conforming to these norms, ICS is continually forced to be accountable for choices made.

The financial statements of ICS also include the assets, investment and treasury policy and various key indicators. They also explain the extent to which ICS has succeeded in conforming with the set standards. Furthermore, a comprehensive explanation of the directors' remuneration is included in accordance with the format introduced sector-wide. ICS thus complies with the agreements within the sector to report as transparently as possible on the remuneration of its director(s).

ICS takes the following certifications, quality marks and guidelines into account:

CBF	Quality mark
VFI	Guideline
Code Wijffels	Guideline
Richtlijn voor de jaarverslaglegging 650	Guideline
ISO 9001: 2008	Certificate
Partos 9001 Sector specifieke Toepassing ISO 9001: 2008	Certificate
IATI	Publication

RISK MANAGEMENT

ICS has introduced a risk register to set out the risks of the organisation in a structured manner. This risk register is discussed regularly with the Supervisory Board.

The Dutch government finances a considerable part of the ICS activities through the Cofinancing System (MFS). ICS made a great effort in 2014 to realise sufficient income after 2015, so that it could reduce dependence on a possible follow-up of MFS. We had a number of successes in 2014, thanks to the increased turnover of the social enterprises which continually reduces dependence on donations, and to the acquisition of a number of large funds and an investor. We will have to continue in this direction in 2015, partly because we already know that from 2016 ICS will no longer receive any financial resources from the subsidy system of the Ministry of Foreign Affairs. In the first half year of 2015 the results of the fundraising will be taken seriously into consideration in the assessment of the strategic decisions which can and will have to be made for the period 2015. A significant pipeline was built up at the end of December 2014 from outstanding proposals with various donors. This pipeline amounted to a total of more than EUR 5 million at the end of 2014. An associated risk is that financing

for overhead (including costs of office and support staff) is expected to become increasingly difficult to find. In project financing the inclusion of these general costs is often only allowed to a limited extent. ICS will naturally try to use the space offered by donors as best as possible. In the course of 2014 it was decided that overhead costs would have to be cut. Part of this measure meant we had to farewell two employees. In view of the loss of MFS funding, ICS will have to make further cutbacks in overhead for 2016.

ICS perceives a shift in risks through the establishment of social enterprises, which involves different structures, legislation and funding flows. Investment through the issue of loans and capital, by ourselves or third parties, implies very different risks to those which arise through the provision of donations and subsidies. Together with its advisors, ICS has gathered information about specific legislation and regulations with respect to our business operations in the Netherlands and in the countries in which we are active. In order to continue to fulfil its supervisory role properly, in 2015 the Supervisory Board will assess how the social enterprises can be anchored adequately in its governance.

FINANCIAL MANAGEMENT

The policy of ICS relating to the management of funds and reserves and the policy on investments are explained in detail in the financial statements.

ABN AMRO Mees Pierson has been the principal banker of ICS for several years. ICS also has bank accounts with two other banks in the Netherlands (Rabobank and ING); in Africa and Asia ICS works with several local banks. Given that ICS does not participate in shares or investment funds, but 'only' uses savings products, ICS has decided that its investments will not be tested proactively in the implementation of the financial status within the current relationships. If it turns out that the current bank relations do not handle the resources entrusted to them in a responsible manner, ICS will attach consequences to this. Should ICS look for a new (principal) banker, ethical criteria will definitely play a role.

Almost all of the income of ICS is supplied in euros, but the expenditure of ICS takes place to a large extent in other currencies, mainly US dollars and Kenyan and Tanzanian shillings. Because the currencies of income and expenditure differ so much, ICS runs the risk that the exchange rates can fluctuate strongly and the expenditure in local currencies can end up much greater than initially budgeted. In order to minimise this risk, ICS has been working for several years with option contracts in US dollars, which cover the risk of a more expensive dollar to a great extent. ICS worked with future forward contracts for the Kenyan and Tanzanian shillings in 2014. While this instrument functioned properly, the strong growth of our business operations and the corresponding fluctuations in liquidity make it difficult to make a good estimate of the cash planning. Since future forward contracts involve a purchase obligation of local currency, we decided not to use this instrument due to these fluctuations and corresponding uncertainties. ICS took a number of important steps in 2014 in giving shape to its business branch. Two businesses (Nafics Ltd and Alizetics Ltd) ran their first cycle of purchase and sales in 2014. In

addition, Agrics Ltd laid down its activities in Kenya and Tanzania in a structure with which the new cycle can be performed by a separate entity in 2015.

For ICS this means that in 2014 the greater part of its mission-related investments were no longer supplied directly from Stichting ICS, but that the foundation invested via ICS BV (Investics) in the specified businesses by means of share capital and loans. Standardisation in relation to its subsidiaries was worked on further. One of the things this means is that the relationship between the foundation, BV and businesses in Kenya, Tanzania and Cambodia is formalised. Loan and cooperation agreements between the entities are concluded and Stichting ICS is delegated formally in the boards of the various companies.

Financial management has also been further standardised. A finance professional was appointed in the Netherlands in the spring of 2014 to professionalise the financial management of the companies and strengthen control. This employee implemented an ERP solution for all the companies and trained local financial and logistics employees in the use of this solution.

The figures of the subsidiaries have been included in the consolidated financial statements of Stichting ICS. In 2014 ICS provided Investics with the amount of approximately €823,000 in the form of a current account. ICS did not charge any interest on this in 2013. Investics has mainly used this amount to finance its subsidiaries, also in the form of a current account in 2013.

ICS endeavours to put aside its temporarily surplus resources as much as possible in a savings account. Due to the increase in the number of investments in subsidiaries and the lower interest rate, the interest income dropped greatly in the past five years. In the period 2010-2014, ICS obtained the following (consolidated) interest income:

	2010 (€)	2011 (€)	2012 (€)	2013 (€)	2014 (€)
Net result cash and cash equivalents	66.340	110.691	112.233	56.625	53.681

ACCOUNTABILITY REPORT CBF QUALITY MARK

As holder of the CBF quality mark for charities, ICS must implement three principles:

1. Separation of the positions of supervision, management and execution;
2. Optimum expenditure of funds;
3. Optimum contact with stakeholders.

ICS endorses the importance of clarity, transparency and accountability and thus applies the guidelines from the Code for Good Governance to its own organisation.

1. Separation of the positions of supervision, management and execution

ICS has fully separated the management and supervisory functions. ICS has an Executive Board and a Supervisory Board. The Executive Board consists of one person: Ronald Messelink. He is responsible for the management of the organisation. From its position, the Supervisory Board sees to it that management and the execution take place within the framework set up for that purpose. When appointments are made for the supervisory and management bodies of ICS, criteria of professionalism, relevant knowledge and experience, commitment and networking are applied. Ancillary positions may not result in a conflict of interests and must preferably provide added value.

Role and working procedure of the Executive Board

The Executive Director is charged with managing the foundation and is accountable to the Supervisory Board. The Executive Director is responsible in particular for the strategic policy, the general coordination and the external representation. In addition, he is responsible for the substantive and administrative quality control and the staffing policy. At the end of each quarter, the Executive Director reports to the Supervisory Board. He holds weekly meetings with the Management Team, which consists of the Finance Manager, the Program Manager and the Fundraising & Communications Manager. The members of the Management Team are responsible for the preparation of policy and the execution of that policy. Decisions of the Executive Director are incorporated as much as possible in the Management Team and then documented.

Remuneration of the Executive Board

The Supervisory Board sets out the remuneration policy, the size of the directors' remuneration and the size of other remuneration components. The policy is updated regularly. In determining the remuneration policy and setting the remuneration, ICS follows the guidelines for good governance and salary of the Recommendations for the remuneration of directors for charities of the VFI and the Wijffels Code (see www.vfi.nl). The Recommendation uses criteria of importance to specify a maximum norm for the annual income. The weighting of the situation at ICS was performed by the Supervisory Board. This resulted in a BSD (Basic Score for Director positions) score of 395 points with a maximum annual income of €98,257 (FTE/12 months).

The actual annual income of the Executive Board relevant to testing against VFI maximums in 2014 was €89,668 (1.0 FTE/12 months) for Ronald Messelink. This remuneration remained within the VFI maximums. The size and composition of the remuneration is explained in the financial statements in the notes to the statement of income and expenditure.

Ancillary positions of Ronald Messelink in 2014:

- ▶ Board member of Foundation Global Call to Action Against Poverty (GCAP);
- ▶ Board member of Foundation SOMO.

Supervisory Board

The Supervisory Board supervises the policy determination and operations of ICS and the performance of the Executive Director. The supervision includes:

1. Realisation of the objectives of the Foundation;
2. Strategy and risks associated with the activities;
3. Organisation/effect of the internal systems for risk management and control;
4. Financial reporting.

The composition of the Supervisory Board is in accordance with the profile as established in April 2013. This means there is ample knowledge and experience in the Board in the areas of development aid, finances, organisation and economy. A number of members of the Supervisory Board also have technical knowledge in the area of the projects of ICS.

The duties and powers of the members of the Supervisory Board are guaranteed in the articles.

Monitoring and advice

The Supervisory Board has at least five and no more than nine members. Currently there are five members on the Board. The members do this work voluntarily and are not remunerated, although they can be reimbursed for expenses such as travelling expenses. A list of the expenses of the Supervisory Board can be found in the financial statements on page 30.

Besides the supervision of the Executive Director in respect of the determination and implementation of the policy and the internal state of affairs and finances, the Board also acts as advisor and sounding board for the Executive Director.

The Board evaluates strategic decisions of the Executive Director. It assesses whether ICS is fulfilling its social function properly.

The meetings of the Financial Audit Committee set up by the Supervisory Board which supervises the financial affairs and reporting, the administrative system and the control mechanisms have been integrated in the meetings of the Supervisory Board as of 2014 for the sake of

efficiency. The Financial Audit Committee convenes one additional time per year for the financial statements. The accountant also attends this meeting.

The Supervisory Board also designates the external auditor who audits the financial administration of ICS. The current auditor PwC was appointed again in 2012 by the Supervisory Board following an evaluation and tender process. PwC reports to the Supervisory Board and the Executive Director.

Appointment to the Supervisory Board

The members of the Supervisory Board are appointed each time for a period of four years and may sit on the board for a maximum of two periods. If there is a vacancy on the Supervisory Board, the members of the Supervisory Board as well as the Executive Board may put forward candidates. A new member is appointed by the members of the Supervisory Board. The vacancy which arose in the second semester of 2013 was filled, following a recruitment procedure, on 1 February 2014.

COMPOSITION OF THE SUPERVISORY BOARD IN 2014

Name and position	Term of office	Ancillary positions
Miss. J.M. de Vries Chairperson / Financial Audit Committee member/ Remuneration Committee chairperson	2014 - 2018 2nd term	<ul style="list-style-type: none">▶ 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
J. van der Veen Member / Vice chairperson/ Remuneration Committee member	2013 - 2017 2nd term	<ul style="list-style-type: none">▶ None
C. Kuijvenhoven Member / Financial Audit Committee chairperson	2011 - 2015	<ul style="list-style-type: none">▶ Chairperson Pensioenfonds Productschappen▶ Chairperson Supervisory Board Alfa Accountants▶ Chairperson Supervisory Board Actor▶ Chairperson Audit Committee SAZAS (insurer)
C.J.J. van der Riet Member	2013 - 2017	<ul style="list-style-type: none">▶ Training coordinator at PUM▶ Board member IOOF▶ Member Advisory Board Promesis
L.J. Beyer Member	2014 - 2018	<ul style="list-style-type: none">▶ Executive Board ORAM (Amsterdam association of businesses)▶ Board member Green Business Club Zuidas

Accountability report of the Supervisory Board

The Supervisory Board and the Executive Director have a shared vision of the objectives. Strategic plans are made in close consultation. 2014 was a year full of implementation, but it was also a year of much research and preparation. A number of projects have now left the start-up phase behind them, while others are still in the middle of it. The transition from regular development work to establishing social enterprises is not simple. Pioneering takes time and involves a great deal of trial and error. The Supervisory Board nevertheless believes that the organisation is on the right path. This applies to the director and to the team in the Netherlands, Kenya, Tanzania and Cambodia.

The decision to concentrate on social businesses in addition to the child-oriented programs such as child protection and skillful parenting in this MFS period requires a different approach and way of thinking, but possibly also a different management structure. A number of variations have been developed which will be worked out in more detail in the course of 2015.

An extra strategy session was held in one of the regular meetings this year. When MFSII ends at the end of 2015, this can have some major consequences for the progress of the work of ICS. The Supervisory Board has discussed various scenarios with the Executive Director to ensure good preparation, whatever the outcome.

In April 2014 three members of the Supervisory Board and the Executive Director made a joint working trip to Cambodia to visit the local office, be introduced to the local employees and see the various projects with their own eyes. There were also discussions with various implementation partners in order to build up as full a picture as possible of the current state of affairs.

The Supervisory Board convened six times during 2014. The quarterly report is always discussed at these regular meetings. An overview of the projects with their status is also given. Projects requiring (extra) financing are highlighted and discussed, with the financial manager present as well. Every meeting also allows for joint discussion of current affairs which are at issue at that moment in the organisation.

The Supervisory Board of ICS chooses to monitor the Executive Board of the foundation from an appropriate distance. The Executive Board, in this case the Director, has primary responsibility. The Supervisory Board supervises the management of the organisation, monitors the budget and the financial statements, is employer of the Executive Director and serves moreover as a strategic partner for the Executive Director.

Each member of the Supervisory Board contributes expertise. Because each member is an expert in their field, many different sources can automatically be drawn on in the search for solutions for problems and challenges in the organisation. In addition, depending on the portfolio there is also contact with employees in the workplace, so that the Supervisory Board can hear stories from different sides.

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 evaluation and discussion of the performance of the Executive Director has been postponed until the start of 2015 and will therefore be discussed in the 2015 Annual Report.

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

2. Optimum expenditure of funds

ICS adheres to a comprehensive set of instruments to monitor the effectiveness and efficiency of its spending.

Strategic long-term plans and budgets

ICS has established a long-term plan for the period 2011-2015. This plan forms the basis of the plans and budgets for each individual year.

Internal monitoring

ICS uses score cards and management reports to obtain insight into the progress of the programs in comparison with the annual plan and achieving the objectives. Over the past two years this has greatly improved management's insight into the progress of the planned activities. The progress of projects and the support processes is monitored every quarter, and if necessary, adjusted. Furthermore, ICS adheres to several financial key indicators with corresponding standards.

External monitoring

The legitimacy of the expenditure of ICS and its justification are verified annually by external auditors, which enables ICS to render account to its donors, partners and the Ministry of Foreign Affairs. KIWA carries out an external audit every year to test the ICS quality system on the requirements of ISO certification. The contents of the ICS programs are tested by external evaluators. To that aim, ICS participates in the joint evaluations in the context of MFS II (Cofinancing System II) which are organised by the sector organisation Partos. Most alliances that receive MFS II subsidies participate in this. In this way, the programs subsidised by MFS II are evaluated systematically in the period up to and including 2015.

As ICS also attaches value to the evaluation of programs that are not part of the random test of the joint evaluations, ICS also organises its own evaluations in the same period. ICS can thus account for the results of its programs and learn from them for the future. This involves the immediate results as well as the consequences for the long term. Due to the high costs involved, not all programs undergo external evaluation. In the first instance evaluations are chosen which are of strategic importance to the organisation. ICS performed and completed two evaluations in 2014 into agribusinesses and child protection in West Kenya. The positive parenting courses were also investigated by an independent party; the results of this research will follow early in 2015.

Besides external evaluations, ICS also has a number of indicators which measure whether the activities have been performed properly and the results achieved. One example is the number of farmers who have repaid credit, and another is the number of people who have consumed clean drinking water. ICS works continually together with partners to improve this monitoring, and to expand measurement of the effectiveness and efficiency of its programs without incurring high costs.

Anti-corruption and sanctioning policy

ICS has worked out a step-by-step plan for its anti-corruption and sanctioning policy. This policy applies both to our own organisation and to the projects carried out by the partner organisations. Besides their own financial accountability, partner organisations that receive funding from ICS also have their reports checked by an external auditor. They also receive regular visits from ICS staff.

ICS established a whistleblower scheme in 2014 to offer more opportunities for employees to report misconduct in the organisations, including fraud and corruption, and to protect these employees when they draw attention to and report these instances of misconduct.

In 2013 ICS terminated the contract early with Mkombozi, a partner in Tanzania. ICS went through an intensive process together with the partner, but this partner was nevertheless unable to produce a realistic long-term plan to give the program the right direction and implement it satisfactorily. ICS had to take the difficult decision to spend the funds on other parts of the program and terminate the collaboration with this partner.

Moreover, undertakings to partners were cut back in 2013 in connection with underspending or delays in implementation. Finally, ICS delayed payments of funds to partner organisations which did not meet agreed arrangements and procedures concerning reports and cash flow requests.

3. Optimum contact with stakeholders

ICS belongs to the category of medium-sized development organisations in the Netherlands. Private benefactors and the funds and businesses that support ICS form the public support base of the organisation and its projects. That is why ICS believes that open and honest communication is important. Direct mail, telephone calls, newsletters, social media and the website: they are all opportunities for contact with interested parties. Besides 'sending' information, sharing news about our projects, we also regularly receive reactions. Every question, remark or complaint is handled with care. This information is entered in Pluriform, the database we use. The information is added to the relevant person or organisation so that internally everyone is kept informed.

The projects of ICS are carried out to a significant extent by partners and obviously it is very important to maintain good contact with them due to the importance of achieving optimum results. ICS visits these partners regularly for that purpose, with the offices in Africa and Asia playing an important part. ICS works together a great deal with its partners in the further development of new programs. A full overview of partners in implementation and network, knowledge and funding is given on page 27.

ICS also started a number of public-private partnerships in 2014. In addition, the child protection and parenting program was specified further in 2014 in cooperation with local partners and donors. ICS attaches importance to a good relationship with the Dutch government, which currently funds around 81% of the activities of ICS through the Cofinancing System (MFS)(this amounts to 64% with correction for payments to the alliance partners).

CONSOLIDATED FINANCIAL STATEMENTS 2014

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

After allocation of balance statement of income and expenditure	31 december 2014	31 december 2013
	€	€
ASSETS		
1 Tangible fixed assets	337,439	385,455
2 Financial fixed assets	198,313	141,335
3 Inventory	157,152	48,425
4 Receivables and current assets	3,996,424	4,162,739
5 Cash and cash equivalents	2,483,456	1,521,329
Total assets	7,172,782	6,259,283
LIABILITIES		
6 Reserves and funds		
Continuity reserve	1,015,445	962,250
Designated reserves	1,316,498	657,037
Total reserves	2,331,943	1,619,287
Designated funds	562,076	364,007
Total funds	562,076	364,007
Total reserves and funds	2,894,018	1,983,294
Share of third parties	-26,826	-10,129
7 Provisions	42,379	26,864
8 Short-term liabilities	4,263,211	4,259,254
Total liabilities	7,172,782	6,259,283

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE 2014

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
INCOME				
9 Income from own fundraising	1,264,933	1,250,000	1,204,704	1,286,200
10 Income from campaigns of third parties	78,153	200,000	91,699	150,000
11 Income from government subsidies	10,120,062	10,903,665	10,227,533	9,006,504
12 Interest income	144,689	60,000	77,423	32,000
13 Other income	1,806,650	1,162,783	227,388	3,129,340
Total income	13,414,488	13,576,448	11,828,747	13,604,044
EXPENDITURE				
<i>Committed to objectives</i>				
14 Structural support	11,569,026	12,516,233	10,656,953	12,338,039
15 Awareness raising	132,511	127,090	133,689	149,334
	11,701,537	12,643,323	10,790,642	12,487,373
<i>Committed to raising income</i>				
16 Own fundraising	166,190	192,972	211,304	308,081
17 Campaigns of third parties	43,428	41,588	43,138	43,511
18 Subsidies	212,569	192,532	217,930	177,575
	422,187	427,092	472,372	529,168
<i>Committed to administration</i>				
19 Administration	396,431	395,886	380,768	375,205
Total expenditure	12,520,155	13,466,301	11,643,782	13,391,746
Balance of income and expenditure	894,333	110,147	184,965	212,298
Result of subsidiaries	0	0	15,000	0
Share of third parties	16,391	0	10,129	0
Balance	910,724	110,147	210,094	212,298
<i>Allocation of balance</i>				
Continuity reserve	53,195	0	-19,649	0
Designated reserves	659,461	110,147	95,360	212,298
Designated funds	198,069	0	134,383	0
	910,724	110,147	210,094	212,298

CONSOLIDATED CASH FLOW STATEMENT 2014

	Ref	2014 €	2013 €
BALANCE OF STATEMENT OF INCOME AND EXPENDITURE		910,724	210,094
<i>Adjustments</i>			
- Depreciation and amortisation	1	112,013	150,262
- Exchange difference of book value at start of financial year	1	-26,120	6,189
- Changes in provisions	7	15,515	8,102
		101,408	164,554
<i>Changes in working capital</i>			
- Inventory	3	-108,727	-27,990
- Receivables and current assets	4	166,315	-1,134,695
- Short-term liabilities	8	3,957	75,602
		61,545	-1,087,083
Operational cash flow		1,073,678	-712,435
Investments in tangible fixed assets	1	-37,876	-163,919
Investments in financial fixed assets	2	-73,675	179,815
Investment cash flow		-111,552	15,896
Increase/decrease of cash in the financial year	5	962,126	-696,539
Balance of cash and cash equivalents on 1 January		1,521,329	2,217,868
Balance of cash and cash equivalents on 31 December		2,483,455	1,521,329

The cash position increased in comparison with the end of 2013 by more than 900,000 Euros. The major cause of this was the late request by an alliance partner for this amount; this payment was made at the start of January.

ACCOUNTING PRINCIPLES

General

The financial statements for 2014 were drawn up in accordance with the accounting principles for Fundraising Institutions in the Netherlands (RJ650). The financial statements include the financial data of Stichting ICS in Amersfoort, together with the data from the regional 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.

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 (executive director of ICS) and John Otini (general manager Agrics Kenya).
- ▶ 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 100% 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 (general manager Agrics Tanzania) and Benard Sitati (regional finance & control manager ICS Africa).
- ▶ Agrics Ltd., in which ICS B.V. has a 100% share, with its registered office in Kakamega, Kenya (operational as of 1 January 2015). Agrics Ltd. also has a branch in Shinyanga, Tanzania. From 2015 this participation will trade in inputs for farmers in Kenya and Tanzania. The Executive Board consists of Ronald Messelink, John Otini and Benard Sitati.

Comparison with preceding year

The accounting principles adhered to are unchanged with respect to the preceding year.

Compared with the financial statements of 2013, the presentation of the net turnover and expenditure on social business activities has changed.

In comparison with the financial statements 2013 the income for 2013 increased by €211,174 and the expenditure for 2013 increased by the same amount. In the financial statements 2013 the net turnover of the social business activities was netted with the expenditure which related to these activities. In the financial statements 2014 the income has been explicitly accounted for under 'Other income' and the expenditure, which comes under the objective 'Structural support', has been shown as a gross amount.

The reason for this change is the fact that the social business activities have reached such proportions that it is necessary to explain the net turnover and the expenditure in the framework of these activities explicitly in order to provide a clear insight into the figures.

The presentation of the exchange results has also changed in comparison with the financial statements of 2013.

In comparison with the financial statements 2013 the income for 2013 increased by €20,798 and the expenditure for 2013 increased by the same amount. In the financial statements 2013 the positive exchange result was netted with the general costs. Due to the change, the administration costs which are allocated to objectives, acquisition of income and administration are modified proportionately.

In accordance with RJ650 exchange results must be accounted for under 'Interest income'. Due to the low impact in the past, it was decided at the time to put these results under the general costs. But the exchange result in 2013 and 2014 was so high that it had a significant impact on the administration costs and corresponding ratios. It was therefore decided to implement this change.

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 required to be given pursuant to Book 2, Section 362, paragraph 1 of the Dutch Civil Code, the nature of these opinions and estimates including the corresponding assumptions are included in the explanatory notes for the relevant financial statement items.

Continuïteit

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.

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 designated reserve 'Exchange Rate Risk'.

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

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 and current assets

The receivables and current assets included under financial fixed assets comprise loans granted and other receivables and current assets. These receivables and current assets 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, under the precondition 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.

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 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

Income from own fundraising

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

Income from estates is included in the financial year in which the size can be established reliably. Income from funds and businesses is included in the financial year in which the donation was promised by the giver.

Income from campaigns of third parties

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

Income from estates is included in the financial year in which the size can be established reliably. Income from funds and businesses is included in the financial year in which the donation was promised by the giver.

Income from government subsidies

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

Interest income

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

Other income

The other income is accounted for in the year in which it is received.

Net turnover comprises the income from the supply of goods and services after deduction of discounts and suchlike and taxes imposed on the turnover.

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.

Expenditure

The expenditure is divided over the objectives:

1. Objectives
 - Structural support;
 - Awareness raising.
2. Raising income
 - Own fundraising;
 - Campaigns of third parties;
 - Joint campaigns;
 - Acquisition of government subsidies.
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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

The assets are used in their entirety for the operations of ICS.

1 TANGIBLE FIXED ASSETS

	Fixtures and furniture €	ICT €	Vehicles €	Total €
<i>Balance as at 1 January 2014</i>				
Accumulated acquisition value	164,967	101,862	413,825	680,655
Accumulated depreciation	57,978	47,885	189,336	295,199
<i>Book value as at 1 January</i>	<i>106,989</i>	<i>53,977</i>	<i>224,489</i>	<i>385,455</i>
Exchange difference of book value at start of financial year	1,425	3,471	21,225	26,120
Investments	4,986	37,040	11,528	53,554
Disinvestments	-15,677	0	0	-15,677
Depreciation	-24,661	-35,910	-51,443	-112,013
<i>Book value as at 31 December 2014</i>	<i>73,061</i>	<i>58,578</i>	<i>205,799</i>	<i>337,439</i>
Accumulated acquisition value	185,630	138,902	425,353	749,885
Accumulated depreciation	112,569	80,324	219,554	412,447
<i>Book value as at 31 December 2014</i>	<i>73,061</i>	<i>58,578</i>	<i>205,799</i>	<i>337,439</i>

There was relatively little investment in tangible fixed assets in 2014. In contrast with preceding years, the vehicle fleet remained as good as steady.

2. FINANCIAL FIXED ASSETS

	31 december 2014 €	31 december 2013 €
Loans to farmers and social entrepreneurs	424,483	281,432
Less: provision due to possible irrecoverability	226,171	140,098
	198,313	141,335

ICS provides loans to farmers, partner organisations and social entrepreneurs in its program areas. These loans are used, for example, as credit for the purchase of inputs, or as start-up capital for small businesses. Nine portfolios were still outstanding at the end of 2014. A portfolio can consist of a loan to a partner organisation, to a group of small entrepreneurs or to groups of a total of several thousand farmers.

For this last group, repayment generally occurs during the harvest period; the term of the loans is longer for the loans to entrepreneurs and partner organisations.

Repayment of the loans will continue until no later than the end of 2015, with the exception of one partner organisation (loan €22,047) for which the repayment continues until no later than 2019.

No interest is charged, nor is any security provided.

In 2014 a provision was included for some of the old outstanding loans. The farmers or partners probably have insufficient repayment capacity; the provision was increased in 2014 by more than €76,000.

The course of these loans is as follows:

	2014 €	2013 €
Book value as at 1 January	281,432	211,279
Loans provided during financial year	479,866	329,140
Less: exchange result on book value	24,699	-13,201
	785,998	527,219
Repayment in financial year	337,931	230,674
	448,066	296,545
Less: write-off due to irrecoverability	23,583	15,113
Outstanding balance as at 31 December	424,483	281,432
Less: provision due to possible irrecoverability	226,171	140,098
Book value as at 31 December	198,313	141,335

3. INVENTORY

	31 december 2014 €	31 december 2013 €
Inventory of inputs for agricultural projects	45,652	25,397
Inventory of maize	111,499	23,028
	157,152	48,425

The inputs were purchased in order to be provided on credit in the near future to the farmers in the program areas in Kenya and Tanzania. Nafics Ltd purchased an inventory of maize in the fourth quarter of 2014. This inventory will be sold in the first half of 2015.

4. RECEIVABLES AND CURRENT ASSETS

	31 december 2014	31 december 2013
	€	€
Trade debtors	338,043	0
Deposits	18,418	111,318
MFS II subsidy to be received	3,031,943	3,090,593
Interest to be received	9,068	14,513
To be received from funds and campaigns of third parties	281,414	552,280
To be received from legacies & inheritances	24,812	10,750
Turnover tax to be received	235	5,183
Paid in advance for inputs purchase	143,254	126,016
Materials paid in advance for programs	0	21,764
Paid in advance for evaluations	0	120,000
Paid in advance for future businesses	0	1,497
Pension premiums paid in advance	40	40
To be received in connection with transfer of Nafics shares	0	15,000
Loans to personnel	68,398	17,578
Miscellaneous	80,798	76,206
	3,996,424	4,162,739

Of the receivables, only the deposits have a term longer than one year.

The advance funding from the Ministry of Foreign Affairs in the context of MFS II does not run parallel with the actual expenditure. As a result, a significant amount receivable from the Ministry has arisen in the past years, which will be made up to a large extent in 2015.

A large down payment of more than 143,000 euros was already made in 2014 for the provision of inputs in 2015 so as to ensure a good price for purchasing.

5. CASH AND CASH EQUIVALENTS

	31 december 2014	31 december 2013
	€	€
Petty cash	58,083	6,043
Bank accounts	571,191	253,445
Savings accounts	1,828,928	947,942
Fixed deposits	25,254	313,899
	2,483,456	1,521,329

The cash and cash equivalents have limited availability for an amount of €25,254.

Because an alliance partner sent a payment request too late for the second half year of 2014, the cash and cash equivalents are significantly higher at the end of 2014 than at the end of 2013. In 2015 the cash and cash equivalents will probably decrease again, since most partner relations will be settled financially for the most part in 2015.

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 sets out that 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 2014

At the end of 2014 the accumulated size of the continuity reserve and the designated funds was almost 1.6 million euros. The total amount of cash in hand and directly available bank and savings accounts was more than 2.4 million euros at the end of 2014. This is partly caused by a deposit of €300,000 which expired in September 2014. In view of the changed cash position of ICS, it was decided not to open a new fixed deposit.

The total amount of mission-related investments at the end of 2014 is €198,313, after deduction of the provision for irrecoverable loans. This is well inside the set range, in view of the fact that the designated reserves in the context of 'Structural support' amounted to more than €800,000 at the end of 2014.

ICS treasury policy

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 2014

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.

In 2014, ICS entered into forward exchange contracts for risk management of the Kenyan and Tanzanian shillings; option contracts were entered into for American dollars. This covered an important portion of the budget in these currencies. It has been decided not to enter into any contracts for 2015. This mainly has to do with the fact that the cash planning has become very dependent on the purchase and sales of the social business. It is less easy to plan the dynamics of these processes so forward exchange contracts cannot be matched to them to manage the currency risk.

A bank guarantee was provided in 2014 in connection with the rent of the new office in Amersfoort. The guarantee which had been provided for the previous office had not yet been released at the end of 2014. The Supervisory Board provided permission for both bank guarantees. Together the guarantees amount to €25,254. During 2014, ICS prefinanced on average one month of liquid funds to its regional and program offices.

LIABILITIES

6. RESERVES AND FUNDS

ICS equity policy

In accordance with the Guideline for Fundraising Institutions (Guideline 650), ICS has a number of different reserves and funds, namely:

- ▶ Continuity reserve
- ▶ Designated reserves
- ▶ Other reserves
- ▶ Designated funds

The Supervisory Board establishes the equity policy which is based on an analysis of the financial risks of ICS. The various assets are built up to enable ICS to set out a strategic course, whereby ICS runs financial risks to a greater or lesser extent. ICS has formulated policy for each individual asset, based on the one hand on external guidelines and on the other on ICS' own analysis of ICS' financial risks and an estimate of the maximum allowable size of these assets.

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 VFI in the context of the Code for Good Governance.

Reserves

	31 december 2014	31 december 2013
	€	€
Continuity reserve	1,015,445	962,250
Designated reserves	1,316,498	657,037
	2,331,943	1,619,287

Continuity reserve

The course of this reserve is as follows:

	2014	2013
	€	€
Balance as at 1 January	962,250	981,899
Surplus or deficit respectively in financial year	53,195	-19,649
Balance as at 31 December	1,015,445	962,250

Designated funds

Designated funds are formed whenever subsidies or donations are earmarked by donors for a specific project or program section and the subsidies or donations have not yet been fully spent at the end of the financial year. Should a surplus or deficit be realised during a financial year, they can be added to or respectively withdrawn 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 Stichting ICS, in so far as this deficit or surplus is caused by underspending or overspending on this objective.

Should a deficit or surplus be caused by a different reason, they are withdrawn from or respectively added to the continuity reserve.

Designated reserves

Designated funds are formed whenever subsidies or donations are earmarked by donors for a specific project or program section and the subsidies or donations 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.

Application of the equity policy to the continuity reserve by ICS in 2014

On the basis of the calculation in accordance with the equity policy, the balance of the continuity reserve should be set at no less than €716,000 and no more than €2,153,000.

Designated reserves

	31 december 2014	31 december 2013
	€	€
Designated reserve Structural support	400,937	212,780
Designated reserve Structural support – revolving fund	803,756	423,460
Designated reserve Exchange rate risk	111,805	20,797
	1,316,498	657,037

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 farmers, farmer groups, 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.

The amount of the continuity reserve as of 31 December 2014 is more than 300,000 euros above the minimum level, so that the reserve is sufficiently large.

Application of the equity policy by ICS in 2014

The business activities of ICS in Nafics, Hydrics Cambodia and Nafics had a negative result of €226,947 at the end of 2014. This amount was withdrawn from the designated reserve 'Structural support'.

Almost €100,000 was amortized to the mission-related investments in connection with irrecoverability in 2014. This amount was withdrawn from the designated reserve 'Structural support - revolving fund'.

By contrast, the net exchange result obtained in 2014 was more than €85,000 positive. This amount was added to the designated reserve 'Exchange rate risk'.

In addition, ICS was able to add almost €900,000 to the designated reserve 'Structural support' from its surplus.

At the end of 2014 the balance of mission-related investments was €198.313. The total amount of the designated reserve at the end of 2014 was €1.3 million, so around 15% of this reserve was used for providing mission-related investments.

During 2014, the designated reserve Structural support was not used as guarantee capital for the implementation of activities.

The course of the designated reserves in 2014 is as follows:

	2014 €	2013 €
Balance as at 1 January	657,037	561,677
Less:		
negative result of business activities	230,247	96,497
write-down of credits against reserve Revolving fund	99,570	129,807
	327,220	335,373
Plus: addition from surplus private donations	418,404	0
addition to reserve Revolving fund	479,866	300,867
exchange result added to reserve Exchange rate risk	91,008	20,797
Balance as at 31 December	1,316,498	657,037

Funds

DESIGNATED FUNDS

On 31 December 2014 ICS had not spent some funds to a greater or lesser extent on the projects for which they were acquired. The as yet unspent amount is added to the designated fund Structural support.

	31 december 2014 €	31 december 2013 €
Designated fund Structural Support	562,076	364,007

The course of this designated fund is as follows:

	2014 €	2013 €
Balance as at 1 January	364,007	229,624
Less: spent on projects during the financial year	308,980	229,624
	55,027	0
Plus: designated income from campaigns of third parties, to be spent on projects in the following financial year	507,048	364,007
Balance as at 31 December	562,076	364,007

Application of the equity policy by ICS in 2014

The duration of the designated fund for relevant projects is until no later than mid-2016.

7. PROVISIONS

The ICS office in Asia has built up a provision for its employees whereby employees are paid an amount if they leave employment. This provision is of a mainly long-term character.

	2014 €	2013 €
Balance as at 1 January	26,864	18,762
Increase of provisions	15,515	8,102
Balance as at 31 December	42,379	26,864

The provision has grown due to the increased number of employees in Cambodia.

8. SHORT-TERM LIABILITIES

	31 december 2014 €	31 december 2013 €
Contributions to partner organisations	3,722,781	3,827,610
Creditors	233,565	181,952
Tax withheld	22,790	32,226
Provision for severance payments	15,988	57,640
Provision for holiday allowances	40,236	34,183
Provision for leave days	42,771	31,976
Auditor's fees	47,922	28,134
Project costs	43,975	0
Employees' expense claims	7,218	0
Consultancy fees	4,854	7,811
Miscellaneous	81,112	57,722
	4,263,211	4,259,254

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

The contributions to partner organisations involve commitments to partner organisations which have not yet been paid. This is caused in most cases by the delayed request for funds by partners, or by underspending in the projects performed by these partners. This amount is expected to drop considerably over the course of 2015.

OFF-BALANCE SHEET ITEMS

IMPORTANT FINANCIAL RIGHTS

MFS II subsidy

In 2010 the Ministry of Foreign Affairs granted ICS, as lead agent of the alliance Together4Change, an MFS II subsidy for the period 2011-2015.

Of the total subsidy awarded of a maximum €46,384,275, an amount of €7,283,191 is still available for 2015.

Other subsidies

ICS has been granted the following subsidies with a term which expires after 31 December 2014:

	Term until	Outstanding commitment after 31 December 2014 €
Subsidy name		
Partners4Water	30 november 2015	152,113
Learn4Work	31 december 2016	141,810
		293,923

Together4Change alliance

Following from the subsidy provided in the scope of MFS II, ICS as lead agent of Together4Change has entered into a number of long-term obligations with the following partners:

	Term until	2015 €
Alliance partners		
Wilde Ganzen	31 december 2015	622,619
SOS Kinderdorpen	31 december 2015	1,891,324
Wereldkinderen	31 december 2015	381,164
Strategic partners		
ACPF	31 december 2015	487,605
Child and Youth Finance	31 december 2015	194,797
		3,577,509

		USD
Local partner		
Transcultural Psychosocial Organisation Cambodia	30 september 2015	44,039
Ponleur Kumar	31 december 2015	51,655
Cambodian Women's Crisis Center	31 december 2015	26,915
This Life Cambodia	14 july 2015	29,359
		151,968

An alliance agreement was signed with the alliance partners in 2009. The amounts committed to them were established at the start of 2011 on the basis of the MFS II subsidy decision.

The contracts with the strategic partners and the local partner were entered into in 2011; the contracts with the local partners were entered into in the course of 2014.

Rental obligations

ICS Netherlands

The office of ICS in Amersfoort is rented under a lease that expires on 31 December 2020. The annual rental expenses amount to €34,800 (price level 2014).

ICS Asia

- ▶ The regional office in Siem Reap, Cambodia, is rented under a lease that expires on 1 March 2016.
- ▶ The program office in Samraong, Cambodia, is rented under a lease that expires on 31 October 2015.
- ▶ Two offices are rented in the context of the programs. Their contracts expire on 16 and 30 November 2015.
- ▶ The total annual rent for these locations in Asia comes to around USD 27,960 (around €23,000, price level 2014).

ICS Africa

- ▶ The regional office in Nairobi, Kenya, is rented on the basis of a lease with a term until 30 September 2017.
- ▶ The program office in Kakamega, Kenya, is rented on the basis of a lease with a term until 30 June 2015.
- ▶ The program office in Busia, Kenya, was rented under a lease that expired on 31 December 2014.
- ▶ The program office in Shinyanga, Tanzania, was rented under a lease that expired on 31 December 2014.

The total rental amount for the offices in Africa in 2013 came to around €39,380.

Bank guarantee

A bank guarantee of €13,899 was provided in 2012 in connection with the rent of the old office in Amersfoort. This bank guarantee was released by the bank at the start of 2014. A bank guarantee was provided in 2014 for the new office in Amersfoort. This bank guarantee amounts to €11,355.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

Income

9. INCOME FROM OWN FUNDRAISING

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
<i>Mailings</i>	82,021	100,000	113,125	85,000
<i>Donations and gifts</i>				
Help parents / Child ambassadors	454,424	450,000	510,881	390,000
Schoolchild fund	81,577	100,000	97,340	85,000
Other donations and gifts	61,703	50,000	64,676	126,200
	597,704	600,000	672,897	601,200
<i>Inheritances</i>	83,892	50,000	-13,003	50,000
<i>Other income</i>				
Funds and companies	501,316	500,000	431,685	550,000
Total income from own fundraising	1,264,933	1,250,000	1,204,704	1,286,200

The income from own fundraising grew in 2014 in comparison with 2013. The growth was caused mainly by larger proceeds from inheritances. The income realised from own fundraising in 2014 is somewhat larger than budgeted, for the same reason.

On the private market we note a reduction in donations of more than 10%. This downward trend has been noticeable for years. Because ICS acknowledges that private donors are important to the funding of its activities, there will be significant investment in the acquisition of new donors in 2015. The effect of this acquisition has already been budgeted in the 2015 budget.

In 2014 the proceeds from inheritances are more than €30,000 larger than budgeted and almost €100,000 larger than 2013. It must be noted that the proceeds for 2013 were strongly affected by a debit entry of around €28,000.

The proceeds from funds and companies in 2014 ended up slightly higher than estimated. The income from funds and companies is affected negatively by a debit entry of around €67,000 of an old outstanding amount receivable from a fund.

10. INCOME FROM CAMPAIGNS OF THIRD PARTIES

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
Wilde Ganzen / Rotary	75,942	200,000	33,150	150,000
Aqua 4 All	0	0	53,549	0
1% Club	2,211	0	5,000	0
Total income from campaigns of third parties	78,153	200,000	91,699	150,000

In 2014 there was one campaign with Rotary in combination with a premium from Wilde Ganzen. A premium was furthermore received from Rotary International for two campaigns from 2013.

11. INCOME FROM GOVERNMENT SUBSIDIES

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
Ministry of Foreign Affairs (MFS II)	10,082,390	10,310,467	10,217,507	8,029,984
Other subsidies	37,672	593,198	10,026	976,520
Total income from government subsidies	10,120,062	10,903,665	10,227,533	9,006,504

ICS has less income from MFS II in 2014 than originally estimated. The expenditure in projects which is funded by the MFS subsidy remained somewhat behind with respect to the budget. This underspending has passed on to 2015.

12. INTEREST INCOME

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
Exchange results	91,008	0	20,798	0
Interest income	53,681	60,000	56,625	32,000
Total interest income	144,689	60,000	77,423	32,000

Revaluation of the assets and liabilities in foreign currency at the end of 2014 supplied a large exchange result due to the stronger dollar and linked Kenyan and Tanzanian shillings.

In contrast to the financial statements 2013, the exchange result is accounted for under 'Interest income', so that the income in the comparative figures ends up €20,798 higher than in the financial statements 2013.

Of the interest received, an amount of €40,897 is to be allocated to MFS II. This is interest received on the advance payments of the subsidy received from the Ministry.

13. OTHER INCOME

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
Net turnover social business activities Kenya	1,430,700	828,899	156,042	1,943,026
Net turnover social business activities Tanzania	306,978	333,884	55,132	1,186,314
Sale of assets	4,734	0	1,789	0
Other income	64,238	0	14,425	0
Total other income	1,806,650	1,162,783	227,388	3,129,340

The business activities grew considerably in 2014 in comparison with 2013. The net turnover from the businesses has increased to more than 1.7 million euros. More than 60% of this can be attributed to the maize trade in Kenya by Nafics. The other turnover was achieved in the supply of inputs to farmers in Kenya and Tanzania (Agrics) and the trade in sunflower seeds in Tanzania (Alizetics).

The growth in other income was caused for a large part by a one-off lump-sum payment in connection with the move from our office building in Amersfoort.

The net turnover of ICS' business operations is presented in the financial statements 2014 differently to the financial statements 2013. In the financial statements 2013 this income was netted by the expenditure which related to these activities. In the financial statements 2014 the income has been explicitly accounted for under 'Other income', which makes the comparative figures different to those of the income for 2013 in the financial statements 2013. This makes the other income for 2013 end up €211,174 higher than in the financial statements 2013.

Expenditure

Committed to objective						
MODEL C - 2014	Program A	Program B	Program C	sub total	Awareness raising	Sub total
	14A	14B	14C	14	15	
	€	€	€	€	€	€
Contributions to third parties	3,276,863	1,776,013	1,076,577	6,129,453	0	6,129,453
Contributions to own projects	4,219,826	610,470	45,490	4,875,785	0	4,875,785
Publicity and communication expenses	0	0	0	0	37,185	37,185
	7,496,689	2,386,483	1,122,067	11,005,239	37,185	11,042,424
Operational costs						
Salaries	241,590	61,168	7,385	310,143	51,115	361,258
Social insurance and pension charges	70,714	17,904	2,162	90,780	14,961	105,741
Other staff expenses	18,581	4,705	568	23,853	3,931	27,785
Travel and lodging expenses	26,345	6,738	653	33,736	6,144	39,880
Office expenses	30,378	7,770	752	38,900	7,085	45,984
Depreciation and amortisation	16,976	4,342	420	21,739	3,959	25,698
Board expenses	3,802	972	94	4,868	887	5,755
Consultancies	29,650	7,583	734	37,967	6,915	44,882
General expenses	1,407	360	35	1,801	328	2,129
	439,443	111,542	12,803	563,788	95,325	659,113
Total expenditure	7,936,131	2,498,025	1,134,870	11,569,026	132,511	11,701,537

	Committed to raising income				Admini- stration	Total actual 2014	Total budget 2014	Total actual 2013	Total budget 2015
	Own fundraising	Campaigns of third parties	Subsidies	sub total					
	16 €	17 €	18 €	€	19 €	€	€	€	€
Contributions to third parties	0	0	0	0	0	6,129,453	6,644,706	6,982,369	4,359,922
Contributions to own projects	0	0	0	0	0	4,875,785	5,301,949	3,067,200	7,448,328
Publicity and communication expenses	47,743	0	6,574	54,317	8,229	99,731	116,560	142,019	243,636
	47,743	0	6,574	54,317	8,229	11,104,970	12,063,215	10,191,588	12,051,886

Operational costs

Salaries	65,619	24,138	118,181	207,938	211,964	781,161	794,664	764,784	733,686
Social insurance and pension charges	19,207	7,065	34,592	60,864	62,043	228,648	200,156	196,368	218,449
Other staff expenses	5,047	1,857	9,089	15,993	16,302	60,080	43,100	110,441	21,900
Travel and lodging expenses	6,935	2,516	10,710	20,161	23,757	83,798	109,160	103,238	83,295
Office expenses	7,996	2,901	12,350	23,247	27,394	96,625	107,926	97,984	121,140
Depreciation and amortisation	4,469	1,621	6,901	12,991	15,309	53,998	42,000	66,322	30,500
Board expenses	1,001	363	1,545	2,909	3,428	12,092	7,150	5,460	3,640
Consultancies	7,805	2,832	12,054	22,690	26,737	94,309	93,730	101,886	123,000
General expenses	370	134	572	1,076	1,268	4,474	5,200	5,711	4,250
	118,447	43,428	205,995	367,870	388,202	1,415,185	1,403,086	1,452,194	1,339,860
Total expenses	166,190	43,428	212,569	422,187	396,431	12,520,155	13,466,301	11,643,782	13,391,746

Percentage of expenditure

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
Total expenditure on objectives as % of total income	87.2%	93.1%	91.2%	91.8%
Total expenditure on objectives as % of total expenses	93.5%	93.9%	92.7%	93.2%

Operational expenses

The most significant differences in the actual operational costs in 2014 compared with the budget have the following causes:

- ▶ ICS had more staff members on the payroll in 2014 than was initially estimated. ICS received a total amount of €76,000 in benefits due to sickness and pregnancy, which meant that the salary expenses were ultimately lower than estimated. Since social insurance costs and pension premiums still had to be paid for these employees, these costs turned out higher than estimated.
- ▶ The other staff expenses were higher than estimated. A number of temporary workers were hired in connection with sickness and pregnancy; they are accounted for under this item.
- ▶ Dutch employees of ICS travelled less to Africa and Asia, which meant that the travel and subsistence expenses ended up lower than estimated. There was also less expenditure on office costs. This is connected partly to the move to the new office building in Amersfoort.

14. STRUCTURELE HULP

14 A. Program A: 'Investment in Social and Economic Change'

	Actual 2014 €	Budget 2014 €	Actual 2013 €	Budget 2015 €
Contributions to third parties				
SOS Kinderdorpen	3,062,045	2,942,531	2,218,878	2,010,838
Aflatoun	0	0	72,049	0
Child & Youth Finance International	204,797	194,797	557,081	194,797
Health[e]Foundation	0	0	98,033	0
Context	8,261	177,910	207,000	0
Local partners of ICS in Kenya	727	50,000	421,362	0
Local partners of ICS in Tanzania	-12,409	30,000	174,322	0
Local partners of ICS in Cambodia	13,442	30,000	32,630	25,396
	3,276,863	3,425,238	3,781,355	2,231,031
Contributions to own projects				
Implementation of projects in program areas				
Projects of ICS in Kenya	1,212,329	1,322,144	800,937	487,315
Projects of ICS in Tanzania	760,537	799,889	854,842	486,916
Projects of ICS in Cambodia	480,074	886,975	572,314	1,291,442
	2,452,941	3,009,008	2,228,093	2,265,673
Expenditure on business operations				
Social businesses in Kenya	1,630,184	872,806	236,593	2,069,696
Social businesses in Tanzania	403,134	347,235	49,265	1,344,346
	2,033,319	1,220,041	285,858	3,414,042
Other contributions to own projects				
T4C linking & learning / evaluations	242,100	362,548	39,661	296,062
Training and courses	105	0	182	0
Program development	1,247	0	8,994	0
Missions, field visits and miscellaneous	18,492	29,800	39,762	21,150
	261,944	392,348	88,597	317,212
	4,748,203	4,621,397	2,602,548	5,996,927
Operational expenses				
Allocation in accordance with Model C	439,443	476,496	496,657	431,529
	8,464,509	8,523,131	6,880,561	8,659,487

Less was spent in program A than had been budgeted. There are a number of underlying causes, including write-offs in connection with terminated programs in Kenya and Tanzania, the delay in the implementation of our large-scale water projects in Cambodia and Kenya and the Vijana program in Kenya. The expenditure on the long-term project of Context was also lower, so that the allocation to Context in 2014 was adjusted downwards.

On the other hand, the business activities in 2014 turned out considerably higher than initially estimated. This growth is partly due to the purchase and sale of maize in Kenya and of sunflower seeds in Tanzania.

The expenditure on business operations is presented differently in the financial statements 2014 than in the financial statements 2013. In the financial statements 2013 this expenditure was netted by the income which related to the same activities. In the financial statements 2014 the income has been explicitly accounted for under 'Other income', so that the comparative figures are not netted, in contrast with the financial statements 2013. This makes the expenditure for 2013 end up €211,174 higher than in the financial statements 2013.

14 B. Program B: 'Child Protection'

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Contributions to third parties				
Wereldkinderen	730,029	698,127	893,449	413,066
The African Child Policy Forum (ACPF)	617,568	582,252	641,549	530,698
Local partners of ICS in Kenya	274,541	472,503	323,724	247,882
Local partners of ICS in Tanzania	88,610	253,731	173,601	104,764
Local partners of ICS in Cambodia	65,265	186,750	82,868	159,390
Local partners of ICS in Thailand	0	0	5,107	0
	1,776,013	2,193,363	2,120,298	1,455,800
Implementation of projects in program areas				
Projects of ICS in Kenya	237,557	134,204	151,699	515,965
Projects of ICS in Tanzania	103,392	220,086	128,633	547,431
Projects of ICS in Cambodia	163,975	158,740	139,543	296,929
	504,924	513,030	419,875	1,360,324
Other contributions to own projects				
T4C linking & learning / evaluations	96,379	103,014	16,850	56,018
Staff education	3,250	0	7,283	0
Missions, field visits and miscellaneous	5,918	13,000	13,475	7,050
	105,546	116,014	37,608	63,068
	610,470	629,044	457,483	1,423,392
Operational expenses				
Allocation in accordance with Model C	111,542	80,395	98,041	84,874
	2,498,025	2,902,802	2,675,822	2,964,066

The activities of partner organisations were less than the budget in 2014. In Kenya, Tanzania and Cambodia we only had limited success in finding new partners and we parted with partners which did not contribute sufficiently to the program. On the other hand, expenditure on our own implementation of projects in child protection was on balance in accordance with the budget. The contribution of a donor put the emphasis in Africa more on Kenya than on Tanzania.

14 C. Program C: 'Action for Children'

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Contributions to third parties				
Wilde Ganzen	1,076,577	1,026,105	1,080,715	673,091
Contributions to own projects				
Other contributions to own projects				
T4C linking & learning / evaluations	45,490	51,507	7,169	28,009
Operational expenses				
Allocation in accordance with Model C	12,731	12,688	12,686	13,386
	1,134,798	1,090,300	1,100,570	714,486

15. AWARENESS RAISING

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Publicity and communication expenses				
Printing and postage expenses, direct mail and CC	10,517	15,000	22,587	18,186
Advertisements	1,206	1,000	2,061	1,250
Face2face marketing	0	0	0	14,714
Website	6,421	2,800	6,430	2,541
Radio and television	37	0	37	0
Stands and events	0	0	364	0
Brochures	440	1,400	3,294	0
CRM database	1,695	2,140	2,141	1,655
Consultancies	11,746	6,000	5,547	0
Other	5,123	14,500	10,055	6,315
	37,185	42,840	52,515	44,661
Operational expenses				
Allocation in accordance with Model C	95,325	84,250	81,174	104,674
	132,511	127,090	133,689	149,334

Cleaning up the address file and switching to a new provider have reduced expenditure on direct mail and CC. All in all, the costs of awareness raising are reasonably in line with the budget.

16. OWN FUNDRAISING

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Publicity and communication expenses				
Printing and postage expenses, direct mail and CC	24,539	35,000	52,703	42,434
Advertisements and inserts	1,206	1,000	2,061	1,250
Face2face marketing	0	0	0	132,422
Website	2,752	1,200	2,756	1,089
Radio and television	85	0	85	0
Stands and events	0	0	546	0
Brochures	189	600	1,412	0
CRM database	1,695	2,140	2,141	1,655
Consultancies	14,089	9,000	8,321	1,125
Other	3,188	12,500	8,644	4,315
	47,743	61,440	78,668	184,290
Operational expenses				
Allocation in accordance with Model C	118,447	131,532	132,636	123,791
	166,190	192,972	211,304	308,081

As made clear with awareness raising, we were able to achieve considerable savings on direct mail and CC. This involved cleaning up the address file and switching to a new provider.

The larger expenditure on consultancy mainly involves the deployment of an international consultant in the evaluation and acquisition of proposals for fundraising through major donors.

A large-scale face to face marketing campaign will start in 2015 which will increase the costs of own fundraising considerably.

Percentage of own fundraising

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
Expenses of own fundraising as a percentage of income from own fundraising	13.1%	15.4%	17.5%	24.0%

The Central Fundraising Bureau (CBF) adheres to a standard of 25% as maximum percentage of own fundraising. The Supervisory Board adheres to this standard for ICS.

The percentage of own fundraising in 2014 was still low, although the preparations for a new recruitment campaign in 2015 were started. This will make the percentage increase greatly in 2015.

17. CAMPAIGNS OF THIRD PARTIES

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Publicity and communication expenses				
Stands and events	0	0	910	0
	0	0	910	0
Operational expenses				
Allocation in accordance with Model C	43,428	41,588	42,228	43,511
	43,428	41,588	43,138	43,511

18. SUBSIDIES

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Publicity and communication expenses				
Consultancies	3,671	0	0	3,375
General PR expenses	2,903	3,000	2,117	3,000
	6,574	3,000	2,117	6,375
Operational expenses				
Allocation in accordance with Model C	205,995	189,532	215,813	171,200
	212,569	192,532	217,930	177,575

19. ADMINISTRATION

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
	€	€	€	€
Publicity and communication expenses				
General PR expenses (annual report, CRM database)	8,229	9,280	7,809	8,310
	8,229	9,280	7,809	8,310
Operational expenses				
Allocation in accordance with Model C	388,202	386,606	372,959	366,895
	396,431	395,886	380,768	375,205

Percentage eigen fondsenwerving

	Actual 2014	Budget 2014	Actual 2013	Budget 2015
Costs of administration as % of the total expenses	3.2%	2.9%	3.3%	2.8%

The Supervisory Board has set a standard of 5% for this percentage. This may be deviated from only in occasional cases, with satisfactory explanation to be assessed by the Supervisory Board.

In comparison with the budget for 2014, costs of administration have ended up lower. This is mainly due to the effect of the exchange rate profits on the total of the operational costs. Employees have been attributed relatively more for example to acquisition of subsidies, so that the expenditure on 'Administration' lagged even further with respect to the budget.

Allocation of expenses to objectives, acquisition of income and administration

Operational costs of ICS are allocated to the objectives, expenses of acquisition of income and costs of management and administration 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 as prescribed by the Fundraising Institutions Association (VFI).

ICS does not use the format entirely in accordance with the guidelines of VFI; ICS differs from these guidelines in applying the following principles:

- ▶ ICS allocates the costs of the regional and program offices in Africa and Asia directly to the objective of 'Structural support'.
- ▶ ICS distinguishes two types of costs for the operational costs in the Netherlands: personnel expenses (salaries, social insurance and pension expenses and other staff costs) and other operational costs (travel and lodging expenses, office expenses, depreciation and amortisation, administration costs, consultancies and general expenses).

Staff expenses are allocated on the basis of the estimate of time spent on the objectives, acquisition of income and management and administration, and the difference in salary per employee is taken into account. ICS does justice in this way to the fact that allocation of effort of employees for certain activities requires 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 2014:

Staff category	Objectives		Raising income			Administration	Total
	Structural support	Awareness raising	Own fundraising	Campaigns of third parties	Acquisition of subsidies		
Executive director	31%	4%	10%	5%	17%	33%	100%
Program managers	86%	0%	5%	0%	9%	0%	100%
Program employees	96%	0%	0%	0%	4%	0%	100%
Quality & PM&E	25%	0%	0%	0%	51%	24%	100%
Office support	0%	8%	8%	0%	3%	81%	100%
Finance & HR	26%	1%	2%	1%	11%	59%	100%
Fundraising & communication	5%	28%	28%	12%	10%	16%	100%

Average allocation of costs in 2014:

Staff expenses	40%	7%	8%	3%	15%	27%	100%
Other operational expenses	40%	7%	8%	3%	13%	28%	100%

Average allocation of costs in 2013:

Staff expenses	42%	5%	9%	3%	15%	25%	100%
Other operational expenses	41%	6%	9%	3%	13%	27%	100%

Remuneration of the Executive Board

In 2014, the Executive Board of ICS consisted of one executive director, Mr Ronald Messelink. The salaries of the Executive Board are placed in a pay scale on the basis of the Civil Servants' Pay Decree (BBRA). In its financial statements ICS uses the format of 'Responsible Management Remuneration' established by the VFI.

	R.D.D. Messelink executive director	
Employment contract		
Nature (term)	indefinite	
Hours	36	
Part-time percentage	100%	
Period	1 january - 31 december	
Remuneration		
Annual income		
Gross salary	83,026	
Holiday pay	6,642	
Total annual income		89,668
Social insurance costs (employer's share)		
Employer's share social insurance premiums		11,039
Taxable payments/additions		
Addition for private use of company car		8,225
Pension costs (employer's share)		
Pension premiums payable by employer		12,081
Other payments in the short to medium term		
Supplementary invalidity insurances		1,389
Total remuneration 2014		122,402
Total remuneration 2013		114,036

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

Remuneration of the 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 2014 was €1,278 (2013: €2,276). No loans, advance payments or guarantees were provided to the members of the Supervisory Board.

Number of employees

In 2014 ICS employed 95.7 employees in full-time units (2013: 86.6 FTE) who were divided across the regions as follows:

	Actual 2014 FTE	Actual 2013 FTE
The Netherlands		
Executive director	1.0	1.0
Program managers	1.0	2.0
Program employees	4.2	2.9
Office support employees	1.6	1.4
Quality and PM&E employees	1.8	1.8
Financial and HR employees	3.4	2.5
Fundraising & Communication employees	3.7	3.0
	16.7	14.6
Africa		
Regional office	9.0	13.0
Program offices	29.0	23.0
Nafics Ltd	7.0	7.0
	45.0	43.0
Asia		
Regional office	25.0	18.0
Program offices	9.0	11.0
	34.0	29.0
Total number of employees	95.7	86.6

OTHER INFORMATION

Regulation in the articles of association concerning profit appropriation

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 profit appropriation is included as standard.

Proposal for profit appropriation

It is proposed to divide the result of €910,724 as follows:

	€
Continuity reserve	53,195
Designated reserves	659,461
Designated funds	198,069
	910,724

Amersfoort, 28 April 2015



R.D.D. Messelink
General director

Auditor's report

The Financial statements of ICS were audited by PricewaterhouseCoopers Accountants NV. In the annual report 2014 published in the Dutch language, the auditor's report is included.

MULTI-YEAR BUDGET 2011-2015

	Budget (original)	Actual	Budget (original)	Projection
	2011 - 2015	2011 - 2014	2015	2011 - 2015
	€	€	€	€
INCOME				
Income from own fundraising	9,540,000	6,210,513	1,286,200	7,496,713
Income from campaigns of third parties	1,140,000	533,415	150,000	683,415
Subsidies	46,684,274	39,290,568	9,006,504	48,297,072
Interest income	250,000	424,238	32,000	456,238
Other income	0	1,917,608	3,129,340	5,046,948
Total income	57,614,274	48,376,343	13,604,044	61,980,387
EXPENDITURE				
<i>Committed to objectives</i>				
Structural support	53,015,909	42,891,037	12,338,039	55,229,076
Awareness raising	831,419	680,847	149,334	830,181
	53,847,329	43,571,884	12,487,373	56,059,257
<i>Raising income</i>				
Own fundraising	1,822,267	850,416	308,081	1,158,498
Campaigns of third parties	90,454	181,226	43,511	224,737
Subsidies	765,207	849,247	177,575	1,026,822
	2,677,929	1,880,889	529,168	2,410,057
<i>Administration</i>				
Administration	1,657,067	1,547,002	375,205	1,922,207
Total expenditure	58,182,324	46,999,775	13,391,746	60,391,521
RESULT	-568,050	1,376,568	212,298	1,588,866

Due to the growth of the social business activities (not included in the multi-year budget), the total income and expenditure are higher than originally estimated. At the same time, the reserves of ICS were further strengthened in this budget period in order to make sufficient assets available to fund the start-up and up-scaling of our businesses. During the course of 2015 a new strategic plan and corresponding multi-year budget will be established for the coming years.



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