

Consolidated **Financial** Report **2017**

Stichting Vredesbeweging Pax Nederland



Document waarop het KPMG-rapport (1368085/18X00157929UTR) d.d. 30 april 2018 (mede) betrekking heeft.

© ICAN Tarik M.S. Osman. The PAX No Nukes team admiring the Nobel Peace Prize medal 2017.

PAX

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Table of content

1. Management report 2017	4
1.1 Vision, mission and objectives	4
Vision	4
Central values	4
Mission.....	4
Objectives	4
1.2 Risks and uncertainties.....	5
1.3 Achieving goals.....	6
Monitoring	6
Selection of programmes/projects	6
Results.....	6
Progress	6
1.4 Financial policy and financial results	8
Analysis of the 2017 sum of income and expenses.....	8
Fundraising diversification.....	9
Expenditures	9
Sum income and expenditure.....	9
Continuity of income	9
Key ratios	9
Continuity reserve	9
Investments	9
1.5 Governance	10
Legal structure	10
IKV, PAX Christi and PAX	10
PAX Colombia Foundation	11
Executive board	11
Remuneration of senior management	11
Governance and supervision	12
Integrity	12
PAX's complaints procedure.....	13
Compliance with external supervision codes	13
ISO Certificate 9001:2008.....	14
External accountant.....	14
Codes and guidelines.....	14
General Public Advancement (ANBI)	14
1.6 Communication with stakeholders	14
1.7 Expected state of affairs.....	15

[Document waarop het KPMG-rapport \(1368085/18X00157929UTR\) d.d. 30 april 2018 \(mede\) betrekking heeft.](#)

1.8 Corporate social responsibility	16
2. Report from the supervisory board	17
Remuneration	21
3. Consolidated Financial Statements 2017	22
3.1 The consolidated balance sheet as at 31 December 2017	24
3.2 The consolidated statement of income and expenditures 2017	27
3.3 The notes comprising a summary of the accounting policies and other explanatory information (including the foundation's financial statement PAX).....	29
4. Other	59
4.1 Independent auditors report.....	59

1. Management report 2017

1.1 Vision, mission and objectives

Vision

It is our conviction that every person has a right to a dignified life. We believe that human dignity is the basis for peace and justice, and that every person has the right to live free from fear. We consider peace a verb: a task assigned to us all. We therefore show our solidarity with peace activists and victims of war and violence. We support local communities and civil society organizations that are willing to go the extra mile for the right to human security and who try to end conflict with sustainable solutions anchored in international law.

Central values

Human dignity, solidarity and the common good shape the values of our peace work. They are the ultimate criteria for the quality of our peace work, the critical eye for exposing, interpreting and tackling social injustice and violence against human life and the foundation of human rights.

Human dignity is the basis for our solidarity with people who long for and work towards a peaceful and dignified existence. We always keep the common good in mind and are not distracted by private, party political or national interests.

PAX is rooted in the Christian tradition and inspired by a prophetic call to peace and justice. We are catalysts for critical reflection on current political and social trends, and play an active role in them. This tradition has truth as a basis, justice as a standard, love as inspiration and freedom as a hallmark, and its aim is to serve the common good, for all people and the whole individual. The call for peace can also be heard in other religious and humanitarian traditions. This is why we work together with all people of good will who share our ideal and have the courage to stand up for peace. We are supported by a wide group of involved citizens, social organizations and churches.

Mission

PAX works with committed civilians and partners in fragile and conflict-affected situations to protect human security, to prevent and end armed violence, and to build peace with justice.

The decision to protect civilians against war violence does not mean that we take war for granted. On the contrary, we think that reducing armed violence, humanitarian disarmament and banishing war are the best protection against war violence and the first conditions for human security, which ensures the protection of civilians and their safety.

Objectives

Themes

To achieve our mission we work on five themes in 15 countries in the Middle East, North-east and Central Africa, Europe and Latin America and at the international level. An organization-wide theory of change has been developed for each of these themes. The five themes are:

1. Community-based Security & Citizens' Rights (CBSCR)
2. Dealing with the Past (DwtP)
3. Protection of Civilians (PoC)
4. Natural Resources, Conflict & Human Rights (NRC&HR)
5. Humanitarian Disarmament (HumDis)

Transformative processes

Our projects and programmes in the five thematic areas contribute to five transformative processes that we consider essential to achieving the change we envisage in the countries where we work.

These five transformative processes are:

1. Organising and mobilising civil activism
2. Strengthening social cohesion within society and between and among hostile groups
3. Promoting government reforms to create responsive and legitimate public institutions
4. Mobilising support from the international community
5. Mitigating external stress factors

Interventions

PAX uses different interventions and instruments to achieve results on the five main themes and to contribute to transformative change. The *how* of our work depends on the context in the countries where we operate our programmes. To increase effectiveness, our interventions are often linked and interrelated. We focus on the following five interventions:

1. Capacity building
2. Research and monitoring
3. Building bridges between (antagonistic) groups
4. Facilitation of dialogue
5. Lobbying
6. Public campaigns

1.2 Risks and uncertainties

PAX has formalised its risk analysis. The risks are re-assessed every year according to actual and anticipated changes in the five categories below. Based on the updated risk assessment the required level of the continuity reserve has been calculated within a range of €3.4 to €4 million. The recent update has led to a number of shifts and has slightly increased the total amount. No new risks have been identified. The updated risk analysis has been presented to and approved by the supervisory board.

The following breakdown of risk and shifts sheds light on the risks that PAX encounters.

- The **financial risk (by far No. 1 risk)**, particularly with regard to the ability to absorb financial shocks in the financing of our work, has decreased slightly because our dependence on our largest source of funding will gradually decrease over the coming years.
Mitigation: It is now accepted policy to transfer budget underscores from 2017 on to 2020 to reduce the drop in funding in 2020. Our strategy towards funds diversification limits the dependency to MoFa-SP.
- **Political and social risks (2nd)** are assessed as being higher as a result of political and social developments in the Netherlands and abroad.
Mitigation: Continuous networking and advocacy efforts from PAX programme leaders and management.
- The **risk with regard to Personnel and Organization (3rd)** is calculated as being lower because a double count of the financial risk has been removed.
Mitigation: HR strategy towards flexible contracts following the PAX funding pattern 2016-2020.
- The **risk regarding data privacy and data protection (4th)** is estimated to be considerably higher than before, based on the increase in incidents in this area in the Netherlands and worldwide.
Mitigation: PAX hired a Security manager (active as of January 2018) who is also responsible for data-security.

- The **risk of fraud and corruption (5th)** has been reduced following the introduction of better project control and monitoring capacities.
Mitigation: Continuous appeal from management (General director through intranet) for integrity. Improved project control mitigates risk of fraud (as evidenced by the fraud-discovery in Congo).

1.3 Achieving goals

Monitoring

Building on the five themes PAX has defined a Strategic Framework 2016 – 2020. Monitoring and evaluation of results at the project level takes place by means of theories of change. Indeed, each project has a project-specific theory of change with strategic goals, actors and interventions and underlying assumptions. Results are measured and analysed every year at the project and programme level, after which the focus may be adjusted accordingly.

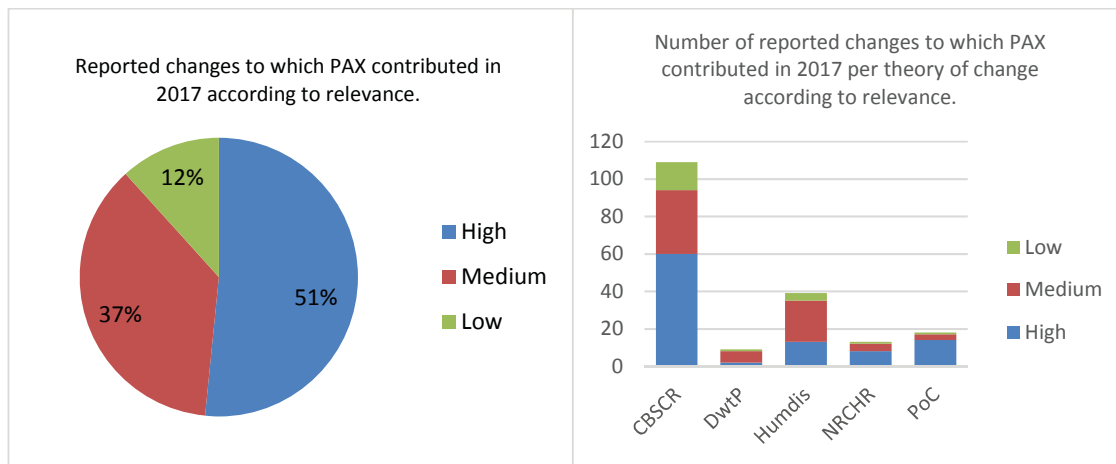
To measure results, PAX uses the outcome harvesting method, which looks at relevant changes in a project and the extent to which PAX has contributed to these changes. In addition, PAX analyses the progress of projects on an annual basis, analysing the extent to which a project is on track.

Selection of programmes/projects

The current themes and programmes were chosen during an organization-wide consultation (Future Search) in 2014. Based on a constant analysis of the context in which a programme takes place, PAX develops new projects and secures funding for them.

Results

In 2017, the programme leaders reported 188 relevant positive changes (outcomes) in projects that PAX and its partners contributed to. Below is the distribution according to the relevance of these changes with regard to the objective of the projects.



For abbreviations see 1.1 under Themes

Progress

The overview below shows the progress PAX projects made in relation to the objectives and phase of the project. The left-hand graph shows that 70% of PAX's projects are 'on track'. The graph on the right shows that 76% of the 2017 project expenses were made in projects that are on track.



Below are some examples of the progress made in PAX's five thematic areas.

Community-based Security and Citizen's Rights

Conflict and violence are common in the areas in which PAX works. Despite this PAX was able to bring together local leaders to work with ordinary citizens and former rivals, such as tribal chiefs and commissioners, to jointly speak out against violence. Peace committees established by PAX and its partners have proven particularly effective as a mechanism to mitigate violence and discuss security issues with local authorities. In spite of the violent context and oppression, young activists have bravely addressed tensions and emerging conflicts in their own communities and created space for interaction.

More specifically, in Syria our partners are running schools and youth centres as a peaceful alternative to the abnormality of civil war and extremism. In Kosovo PAX is supporting municipalities in developing citizens participation plans to enhance the integration of all members of society, given that certain parts of it have been excluded from political participation. In Ukraine six municipalities engaged conflict-affected groups (e.g. war veterans, internally displaced people and people with disabilities) in constructive dialogue, and youth leaders actively spread the message of dialogue.

Dealing with the Past

PAX has increased the number of DwtP programmes, frequently in partnership with Impunity Watch. In DR Congo, PAX laid the basis for a programme in Haut-Uele to deal with the atrocities committed by the Lords' Resistance Army. In Iraq PAX was able to prepare the ground for a DwtP project in former ISIS areas. And in South Sudan, PAX partners explored opportunities for cooperation and joint action with academia, and the first results of that partnership are already visible. In Kosovo, PAX and Impunity Watch participated in discussions and lobbying efforts on transitional justice in what was a highly sensitive political context.

Humanitarian Disarmament

Regarding the international regulation of controversial weapons, PAX sees several positive developments, though humans are continuing to suffer as a result of the use of weapons in countries such as Syria and Yemen. PAX contributed significantly to the adoption of the Treaty to Prohibit Nuclear Weapons. PAX also made progress regarding the regulation of the use of explosive weapons in populated areas, armed drones and killer robots. As a result of international pressure by organizations such as PAX on financial institutions, nine more financial institutions have drafted policies to ban or limit dealings with producers of nuclear weapons. Several banks changed their financial policies on investing in arms production. Talks with insurers and pension funds are ongoing.

Natural Resources, Conflict and Human Rights

PAX contributed to the development and adoption of international standards for business and compliance with human rights. Prodeco and Glencore, two coal mining companies accused of human rights violations in Colombia, attended a commemoration event organised by victims of a massacre in their sphere of influence. They made a public statement offering their solidarity and commitment to ensure truth and reparation for this community. Energy companies (such as Vattenfall and ENEL) increased the pressure on mining companies by taking significant steps with regard to their human rights due diligence in the coal supply chain. ENEL suspended its imports of coal from Colombia.

Protection of Civilians

The United Nations Mission in South Sudan and the United Nations Department of Peacekeeping Operations is increasingly willing to use a civilian perspective when planning and evaluating missions as a result of our advocacy work. PAX contributed to the adaption by NATO of a Protection of Civilians (PoC) Action Plan and PoC Military Concept. The Dutch Ministry of Foreign Affairs and Ministry of Defence are increasingly interested in using PoC and human security approaches in their policies and agenda for the United Nations Security Council 2018.

1.4 Financial policy and financial results

Analysis of the 2017 sum of income and expenses

The consolidated financial statements present a financially sound year for PAX. PAX achieved growth in terms of both income and activities/expenditures.

PAX set ambitious objectives for growth for 2017. The implementation was not able to completely live up to the projected growth objectives, which is why the 2017 income levels were slightly behind our ambitious 2017 budget. The available income in 2017 for objectives amounted to €19.6 million. This is €1.4 million or 7% more than in 2016. However this is €3 million below budget.

The main deviations were in the following areas:

Funding the 'Dialogue and Dissent' Strategic Partnership for lobbying and advocacy (SP)

This deviation is partially due to underspending in the Strategic Partnership Framework. PAX grew considerably in 2016 and 2017 but our expectations were even higher. The difficulty of working in unstable, conflict countries made it challenging to increase our budget to the planned level. The budgeted 140% growth proved to be overly ambitious, but managed to chart an impressive growth of €2.7 million or 125% under the Strategic Partnership nonetheless.

Dutch government funding (non-SP)

We also underspent regarding other funds from the Dutch Ministry of Foreign Affairs (non-SP). A major project that was supposed to be funded by a Dutch embassy was postponed until 2018, and the Dutch MoFA-funded project 'Engendering the Transition to Peace and Security in Iraq' was a little slower to get off the ground than expected, which led to underspending in 2017. These developments account for the €800,000 difference in expenditures that needed to be postponed to 2018.

Foreign government funding

The €300,000 difference in expenditures from foreign governments is mainly attributable to an extension of the 'The Day After for Ninewa' project, which shifted funding to 2018 as well. There was also underspending in the 'Culture of Dialogue' project in the Ukraine.

Lottery organizations

The funding granted to PAX by the Dutch National Postcode Lottery exceeded expectations thanks to the funding received for the 'Story of a Refugee' project in 2017. Indeed, this windfall accounts for

the substantial increase in income. The Story of a Refugee project aims to bring refugee experiences to schools in the Netherlands.

Fundraising diversification

In line with PAX's fundraising strategy we slightly reduced the dominance of grants from governments from 88% to 86%. The PAX fundraising strategy aims to further diversify funds.

Expenditures

The expenditure on objectives amounted to €16 million for PAX and €1 million for our alliance partner Amnesty International, in the Freedom for Fear programme. The total expenditures came to €17.2 million, which represent a € 1.15 million or 7% increase compared to 2016. The expenditures on objectives remain €4 million below budget. We have been using a programme structure based on the five themes since 2016. The fact that expenditures were below budget can be mainly attributed to cost of two programmes, namely Community-based Security and Citizens' Rights and Natural Resources and Conflict.

Sum income and expenditure

The positive sum of income and expenditure in 2017 amounts €289,270. This positive balance is being used to strengthen PAX's continuity reserve.

Continuity of income

All of PAX's income is considered temporary. A few funding streams are guaranteed for five-year periods, thereby assuring continuity of income for PAX to a certain extent. Of course, the most important of these is the Strategic Partnership with the Dutch Ministry of Foreign Affairs (2016-2020) and the annual contribution from the Dutch National Postcode Lottery (2016-2020). The likelihood of renewal of the latter is high, but it is not guaranteed.

Key ratios

Within the Dutch charity branch there are three key ratios for 1) expenditure on objectives, 2) fundraising costs and 3) management & administration costs.

The KPI for expenditure on objectives (related to income) indicates how much PAX spends on objectives related to every EUR income. The KPI decreased slightly from 88.2% in 2016 to 87.9% in 2017.

The other 2 KPIs lost their significance for historical comparison. This was the result of a change in allocation introduced in 2017. The modified Dutch reporting Guideline RJ650, in addition to a new guideline from Goede Doelen Nederland, were the reason for changing the allocation. The modified allocation limits comparison to last year and to the budget. The fundraising KPI grew from 2.1% to 2.9%. And the KPI for management & administration increased from 5.4% to 7.8%.

Due to the changed allocation, PAX management was not yet able to state new desired levels for the ratios. However management will define adjusted desired levels for the ratios after careful analysis and discussions in our Boards in 2018.

Continuity reserve

The size of the continuity reserve actually amounted to €3.2 million. This is below the required bandwidth of €3.4 to €4 million. The aim is to further increase this reserve to the required level, if and when financial results will allow. According to the 2018 budget the required minimum level will be achieved that year.

Investments

PAX applies a restrictive investment policy. The only financial investment in some years is in Oikocredit (which promotes micro-financing as tool for development aid in developing countries).

1.5 Governance

Legal structure

PAX is the result of a partnership with a unique structure. It originated from a long tradition of peace activism and was founded in 2006 as a joint work organization of PAX Christi Netherlands Peace Movement Association (PAX Christi) and the Interchurch Peace Council (Interkerkelijk Vredesberaad Foundation, IKV). PAX Christi Netherlands was founded in 1948 as an independent sector of the international PAX Christi movement. It emerged during the aftermath of World War Two from the impassioned hope: War never again. IKV was founded in 1966 by churches in the Netherlands and PAX Christi with the aim of promoting an ecumenical peace dialogue and finding political solutions for the arms race and war situations.

PAX Christi and IKV are PAX's primary patrons. PAX Christi represents the voice of the constituents of the peace movement and the thousands of members of our grassroots network in the Netherlands. IKV represents the voice of the churches on issues about war and peace. PAX runs all of the peace programmes, manages all financial resources and employs all of the staff.

STIKAV (Stichting Katholieke Vredesbeweging: Catholic Peace Movement Foundation) was founded by PAX Christi. Its role is to manage the location at Godebaldkwartier 74 in Utrecht, including the Stiltecentrum (Silence Centre) at Hoog Catharijne. STIKAV manages this building on behalf and with the mandate of its owners, the Sisters of the Eucharist congregation.

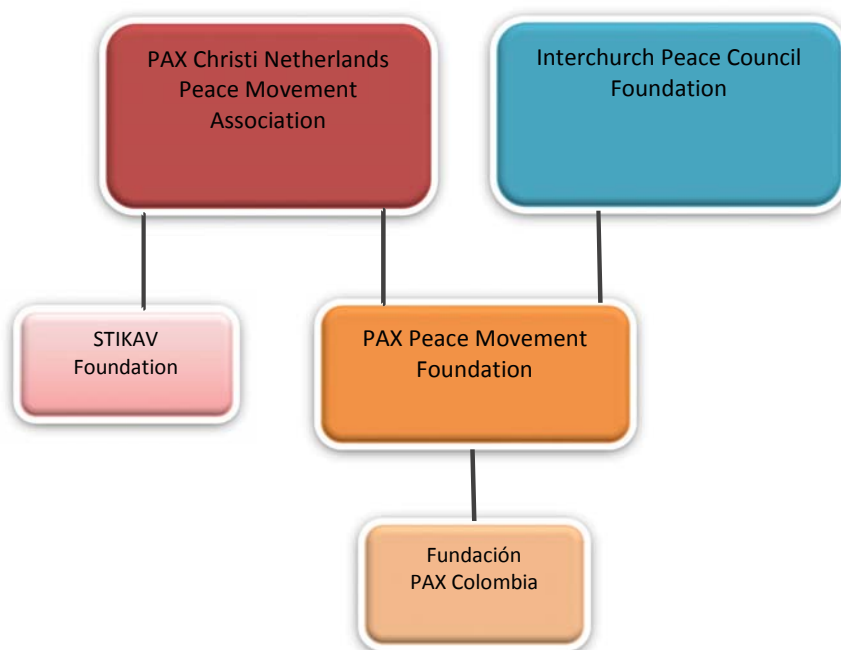


Figure 1 Overview diagram of legal structure

IKV, PAX Christi and PAX

The unity between the different legal entities is carefully organized. IKV's highest body is formed by the executive board that is primarily nominated by the six participating churches: the Roman Catholic Church, the Protestant Church in the Netherlands, the Remonstrant Brotherhood, the Mennonite Church in the Netherlands, the Old Catholic Church and the Moravian Church. PAX's general director is also the IKV director and one of the members of IKV's executive board. PAX

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Christi's highest body is the council of members. PAX Christi's statutory board of directors is also PAX's statutory board of directors. IKV and PAX Christi each nominate half of the members of PAX's supervisory board and approve PAX's strategic multiannual plans. PAX's board of directors is also STIKAV's board.

PAX Colombia Foundation

The Fundación PAX Colombia (PAX Colombia Foundation, FPC) is a non-profit entity founded in 2012. It is dedicated to the promotion of a peace culture, peaceful conflict resolution and peace in Colombia. It is headquartered in the city of Bogota, Colombia. The FPC has an executive committee with unpaid board members, including an executive director acting as a legal representative, a secretary and a treasurer. The secretary is a Dutch PAX employee. The other two board members are Colombians.

Above the executive committee is a committee of founders, consisting of two Dutch PAX employees. The participation of three Dutch PAX employees in the two administrative layers guarantees a substantial influence on the course of affairs within FPC.

Executive board

PAX's executive board is formed by a statutory board of directors tasked with managing the organization, for which it has full administrative responsibility. The board of directors generally makes its decisions based on consensus. The general director has the deciding vote if the votes cast by the board are a tie. The board of directors is accountable to the supervisory board.

Until 1 May 2017 the board of directors consisted of a general director, who focuses primarily on the organization's strategy, and one director tasked with operational implementation. However, after a tenure of 15 years, the director operations Freek Landmeter decided to leave the organization and pursue a future outside of PAX.

In April 2017, after consulting the works council, the board decided to appoint two interim directors, one for the programs and another for the organization.

Since then, and following lengthy research and consultation, PAX has opted to formally change to a three-person board of directors consisting of a general director, a director of programmes and a director organization. The works council granted its approval for this structure in late 2017.

On 31 December 2017 the board of directors consisted of the following people:

Name	Position/ancillary positions
Jan Gruiters	<ul style="list-style-type: none"> • General director and chairman of PAX's board of directors • General director and chairman of PAX Christi's executive board • Director of IKV and member of IKV's executive board • Member of STIKAV's executive board
Radboud van Delft	<ul style="list-style-type: none"> • Interim director organization and member of PAX's board of directors • Member of the board of the Dutch section of Amnesty International
Miriam Struyk	<ul style="list-style-type: none"> • Interim program director and member of PAX's board of directors

Table 1 Composition of board of directors

In order to prevent any conflict of interest, it has been contractually stipulated that the acting director organization has no involvement whatsoever in decisions related to the financial relationship between PAX and Amnesty International and vice versa.

Remuneration of senior management

The supervisory board has enacted, on the advice of the remuneration committee, the remuneration policy, the level of management remuneration and the level of other remuneration components. The policy is updated periodically. The last review was in 2016.

The general director and interim program director are employed by PAX and receive a salary. Work done for the benefit of the other legal entities is not paid separately or extra. The supervisory board has determined the remuneration policy and level of remuneration according to the guidelines and qualification system of Goede Doelen Nederland and the collective labour agreement (CAO) of the Protestant Church in the Netherlands. A consultancy agreement has been concluded with the interim organization director.

In determining the remuneration policy and level of remuneration, PAX follows the guidelines for the remuneration of directors by Goede Doelen Nederland (see www.goededoelennederland.nl).

The scheme indicates, on the basis of weightings, a maximum norm for the annual income. The weighting of the situation at PAX was executed by the remuneration committee. This led to a so-called BSD score of 475 points corresponding with a maximum annual income for respectively the general director 87% - 413 points J. Gruiters €110,000 per FTE/12 months; and for the operations director 80% - 380 points F.J.T. Landmeter €98,000 per FTE/12 months.

The outcomes of the review against the applicable limits of the relevant annual income of the directors amounted (2016 in €) for J. Gruiters to € 94,394 per FTE/12 months and for F.J.T. Landmeter to € 87,903 per FTE/12 months). These rewards were within the applicable limits. In 2017, the relevant annual income of the directors amounted (2017 in €) for J. Gruiters to € 97,735 per FTE/12 months (max. 114,000 1 FTE/12 months) and for F.J.T. Landmeter to €35,020 per FTE/4 months (max. 102,000 1 FTE/12 months) and still remained within these limits.

In 2017 the annual income, the taxable disbursements, employer's pension contribution and other (future) benefits for respectively general director J. Gruiters €109,698 per FTE/12 months, for director F.J.T. Landmeter € 38,606 per FTE/4 months and for director M. Struyk €68,801 per FTE/9 months, remain well below the maximum of €181,000 per year stated in the guideline. Moreover, the taxable disbursements, employer's pension contribution and other (future) benefits were in reasonable proportion to the annual income.

Since the assignment of M. Struyk is temporary, her income has not been reviewed against the policy. The total paid compensation for R. T. J. van Delft amounts to €120,000 excl. VAT and is in line with the market. R. T. J. van Delft is compliant with the conditions for interim directors (not employed) that are part of the guidelines

Governance and supervision

Governance and supervision are strictly separate processes at PAX, which has been documented in the statutes. The supervisory board's first task is to assess whether PAX is fulfilling its mission well according to the values of the peace movement. The board of directors is responsible for achieving the strategic objectives in an efficient and effective way. In doing so, the supervisory board monitors the risks and degree of risk management in the organization and whether there is a safe and healthy social environment. The supervisory board receives support from two advisory committees. The audit committee goes over the financial interim audit report and annual account in detail with the director, controller and the external accountant, after which the committee advises the supervisory board on this. The remuneration committee makes an annual evaluation of the performance of the statutory members of the board of directors and advises the supervisory board in its role as employer of the board.

Integrity

PAX has an integrity policy and an arrangement for whistle-blowers in order to ensure that employees can identify misunderstandings without risk to their careers or jobs. Any kind of conflict of interest among members of the supervisory board or board of directors is forbidden, to which

end they have signed a written agreement. Members of the board of directors and supervisory board are forbidden to engage in any business relations or relations in the family sphere with the organization in order to preclude any potential conflict of interest.

PAX also pursues a safe and trusted environment that provides protection to partners, staff members, volunteers and other people we engage with. Our integrity policy is published on our intranet and on our website: <https://www.PAXforpeace.nl/about-us/integrity-policy>

In 2017 there was one integrity issue at PAX. It concerned the suspected fraud of \$2,500 at our field office in DR Congo. Careful investigation did not provide a conclusive alternative explanation, as a result of which the employee concerned was dismissed. Because DR Congo has no functioning rule of law, PAX decided not to file a report with the police. PAX accepted the loss in its accounts.

PAX's complaints procedure

PAX has a complaints procedure. A complaint is defined as any statement that has come to the organizations' attention that expresses dissatisfaction with its mode of operation, its message or any of its employees. PAX handles these complaints with the utmost care and follows the company's complaints procedure. Our complaints procedure is published on our website: <https://www.PAXforpeace.nl/contact/complaints-procedure>

	No of complaints	(of which on political opinions)
2015	18	7
2016	10	1
2017	12	2

Table 2 Complaints 2015-2017

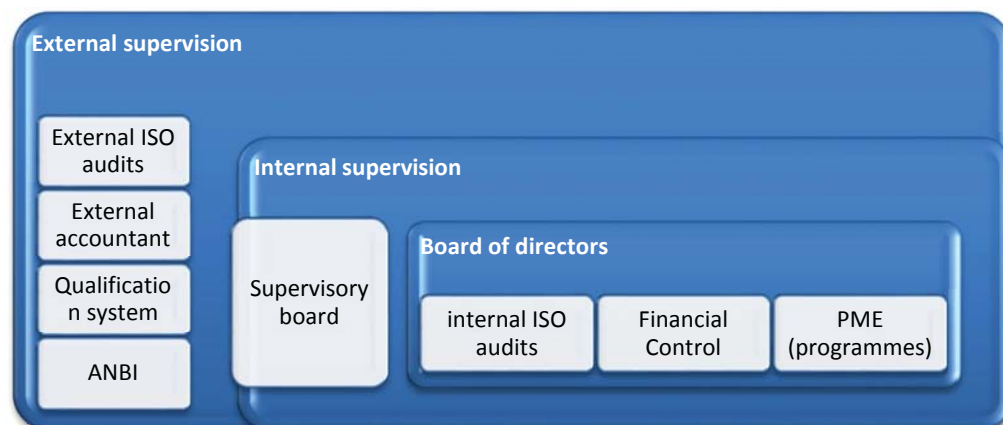
In 2017, PAX received a total of 12 complaints. Three complaints concerned donation requests. Two complaints were about how PAX approached the complainant and five complaints were about an administrative issue. All these complaints were handled by the private fundraising team according to procedure.

The remaining two complaints concerned recent media statements about the Potocari Memorial Centre in Srebrenica. These complaints have been dealt with by the board of directors and a programme leader from PAX respectively.

Compliance with external supervision codes

In addition to internal supervision, PAX is also subject to external supervision, which helps to ensure quality assurance.

The diagram below shows the relationship between internal and external supervision at PAX.



ISO Certificate 9001:2008

PAX has been granted the ISO certificate 9001:2008. External audits in the framework of ISO certification are conducted on an annual basis by an independent and accredited agency.

External accountant

The accountant audit is carried out in accordance with the guideline for annual reporting RJ650 for 'Charity organizations' of the Dutch Accounting Standards Board, including the Dutch control protocol WNT by independent registered accountants KPMG Accountants N.V.

Codes and guidelines

PAX is a member of the Association of Fundraising Institutions (Goede Doelen Nederland) and complies with all of this association's codes of conduct, including:

- The recognition system for good causes: <https://www.cbf.nl/>. The Dutch Central Bureau on Fundraising periodically reviews whether PAX is meeting all of its quality requirements. The CBF monitors compliance.
- Guidelines for the Reserves of Charitable Organizations.
- The Guideline for Remuneration for Directors of Charitable Institutions WNT2.
- The ENP-Goede Doelen Nederland Directive on the Settlement of Estates.
- The Goede Doelen Nederland recommendation on cost allocation management and administration.
- Practical guide to responsible asset management.

PAX is member of Partos, the Dutch association for NGOs working in international development, and adheres to this association's code of conduct (www.partos.nl). This code covers the fields of:

1. Sustainable development of society
2. Professional organization
3. Communication and fundraising

General Public Advancement (ANBI)

PAX is a public benefit organization. Changes to its statutes have to be presented to the State Inspector of the Tax Authorities, who monitors the risks of whether the public benefit organization's requirements are being met or not.

1.6 Communication with stakeholders

PAX's main stakeholders are our partners in the areas where we work, the supporters in the Netherlands, donors and employees. Our communication strategy is as follows.

Partners

Programme leaders are contact persons for the partners and often go on field visits. Management also periodically goes on field trips to personally monitor the progress of the peace work and the circumstances in which this is being carried out.

Supporters

As a peace movement rooted in Dutch society, PAX has intensive contact with its supporters and facilitates 75 peace ambassadors to organise hundreds of meetings per year. PAX employees, the board of directors and members of the supervisory board regularly attend events such as the peace ambassadors' day and other activities, particularly during PAX's main annual event, the 'peace week'.

We maintain contact with our supporters (and donors) through the PAX magazine that appears four times a year and with interested parties via newsletters, social media and the website.

PAX works together with the Dutch public on peace. Knowing who wants to take action is essential for our work. We therefore commissioned Motivaction to conduct a target group survey in early

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2017. In addition, we involve groups such as artists and students in the development of our campaigns.

Donors

Employees and management maintain regular personal contact with major donors such as the Ministry of Foreign Affairs, strategic partners and institutional funds.

Employees

In addition to daily operational contact, there is also regular consultation through various channels. In addition, management holds consultative meetings with the works council.

1.7 Expected state of affairs

In the regions in which PAX operates, we are confronted with three trends:

1. Militarization and growing violence, simultaneously with
2. A steady erosion of international norms, and
3. The continual limitation of political space within which civil society organizations can operate.

Against the background of these developments PAX and its partners are looking for ways to strengthen the political power of citizens by adapting programme strategies and increasing the capacity and resilience of our partners.

2018 is halfway through the 2016-2020 planning period. We will hold a midterm review and programme scan that focuses on a number of key questions. We will compare the strategic added value of programmes with PAX's mission and proposition and assess the synergy with other programmes. We want to understand the appeal of our programmes for society, for donors and for stakeholders. We will look at the uniqueness and competitive strength of each programme. We will also perform an efficiency scan of our organization.

In 2018 we will develop a programmatic approach for peace activism in the Netherlands, in accordance with our communications policy and strategic framework, in order to increase our outreach and the synergy between activities in the Netherlands, internationally and in conflict-affected countries.

In 2017 three working groups were set up to come up with proposals to tackle obstacles in the following areas: organization, quality & learning and planning & control. In 2018 the working groups will complete their proposals and implement various improvements in these areas.

An important spearhead in 2018 is going to be strategic personnel planning. The aim is to get the right people in the right place at the right time, taking into account the planned reduction of the number of FTEs between 2018 and 2020. Policies and instruments will be developed to achieve the required flexibility in a socially responsible manner.

The budget 2018 as stated below is approved by the supervisory board.

STATEMENT OF INCOME AND EXPENDITURE	Consolidated PAX	
	Actual	Budget
	2017	2018
	€	€
INCOME		
Income from Individuals	848.002	831.934
Income from Companies	15.377	-
Income from Lottery organizations	1.268.314	1.809.155
Grants from Governments	16.789.071	19.486.830
Funding from other non profit organizations	685.047	653.363
Total income	19.605.811	22.781.282
EXPENDITURE		
Spent on behalf of the objective		
Community-Based Security and Citizens Rights	9.096.192	11.665.963
Dealing with the Past	2.168.308	2.226.099
Humanitarian Disarmament	1.984.138	2.277.158
Natural Resources and Conflict.	1.846.590	2.367.037
Protection of Civillians	1.169.330	1.414.448
Networks for peace building	63.986	-
Freedom from Fear Alliance partner SP	908.277	1.255.911
	17.236.821	21.206.616
Cost of fundraising	565.097	540.760
Cost of management and administration	1.538.110	839.941
Total Expenditures	19.340.028	22.587.317
Balance before financial income and expenses	265.783	193.965
Financial income and expenses	23.487	-
Sum income and expenses	289.270	193.965
Appropriation of Result		
Addition to Continuity reserve	289.270	193.965
Addition to Earmarked reserve	-	-
	289.270	193.965
Note that a futher growth in activities is budgetted in 2018.		

1.8 Corporate social responsibility

Closely linked to our mission and objectives, corporate social responsibility plays an important role in our organization. The PAX principle is: practice what you preach.

We confront companies, financial institutions and government bodies about their behaviour, particularly when it comes to the exploitation of natural resources and responsible investment.

We consciously choose our suppliers and hired services. As one of the forces behind the Fair Money Guide <https://eerlijkegeldwijzer.nl/> we make use of responsible bankers whenever possible. Our procurement policy takes into account environmental concerns, for example when we purchase computers, printers and other office supplies. Energy is supplied by Greenchoice, a local energy supplier that provides our office with 100% green energy. We also use products with a Fair Trade Mark, such as coffee and tea.

We recognise that besides pursuing a sustainable procurement policy, we also need to make sure that the products we purchase are used in a sustainable way. That is why all PAX employees need a code to print documents, as this limits the amount of paper that is printed. And of course we try to keep our energy consumption to a minimum, and we sort and recycle our waste.

In 2017 PAX moved the offices to a new location in Utrecht. In choosing our office equipment, we opted for the more sustainable LED lamps with sensors so they switch of automatically when nobody is in the area. Also PAX purchased second-hand furniture and when PAX purchased 60 new computers and renewed all screens, energy efficiency was an important criterion. To ensure that we maintain a low environmental footprint, the new location is easily accessible by public transport. As in previous years, PAX will continue to adhere to the principle that 100% of its employees should commute by public transport to the greatest possible extent.

The fact remains, however, that our staff is forced to travel regularly by aeroplane in order to implement projects and work closely with our partners and civilians in (post)conflict areas. In 2017 PAX used 3.4 million travel kilometres generating 689 tons of CO₂ emissions. We have chosen to compensate for these CO₂ emissions through the Climate Neutral Group and opted for the Gold Standard's Energy Efficient Cook Stove Project in Kenya, which has developed a special cook stove to replace traditional cooking over an open fire. This wood oven uses less fuel and produces little or no smoke, which reduces CO₂ emissions.

2. Report from the supervisory board

The supervisory board reflected at length in 2017 about the challenges facing PAX and what they mean for the executive board and its supervision. These challenges are:

- The unpredictability, complexity and interconnectedness of geopolitical, European and Dutch developments sets high requirements on PAX's vision and ensuing strategic positioning. PAX's relevance is not a given but requires strategic flexibility. That is a challenge, both at the programme and the organizational levels.
- Achieving tangible and politically relevant results in this tough context of violent conflict and a divided international community makes great demands on the peace network. Not only on the quality of the programmes but also on the organizational preconditions under which these are carried out.
- The uncertainty regarding the funding of the peace network and the growing accountability requirements by an increasing number of donors is making increasingly great demands PAX's risk management and financial accountability.
- Persistent polarisation is underscoring the importance of becoming socially embedded in Dutch society and meeting the different expectations of PAX stakeholders.

In light of these challenges, the supervisory board, in consultation with the general director, has looked at the different essential components of governance at PAX and subsequently linked them to the requirements that must be satisfied by the executive board. These components include the structure and composition of the executive board, administrative operation and effectiveness,

[Document waarop het KPMG-rapport \(1368085/18X00157929UTR\) d.d. 30 april 2018 \(mede\) betrekking heeft.](#)

strategy, planning and monitoring, transparency and accountability, social legitimacy, and risk management and compliance.

These requirements were then translated into criteria for setting up the executive board. This was especially important in 2017 because of the departure of one of the members of the board of directors. The supervisory board has determined the following requirements for the definitive structure of the board of directors:

- The tasks of vision & strategy, programmes & fundraising, organization & funding are anchored at the management level.
- All teams and departments have direct access to a member of the board of directors.
- The necessary experience, knowledge and expertise is available at the management level to develop a vision for the future (positioning) and a strategy (prioritisation and profile), and to implement programmes and safeguard the preconditions, also in conjunction with one another.
- The necessary experience, knowledge and expertise is available at the management level for relationship management and representation in the Netherlands and abroad, respectively, and active high-level commitment in lobbying, fundraising and media initiatives.
- The members of the board of directors have sufficient experience, knowledge and expertise in the area of risk management and quality improvement.
- The members of the board of directors have sufficient flexibility with an eye to the future: the members of the board of directors complement each other, where necessary, in terms of leadership competencies.

Based on these criteria, a decision was made to have a three-person board of directors: a general director, a director of programmes & fundraising, and a director organization. The rationale for this is that PAX operates in an environment that is unpredictable and financially speaking uncertain. The sweeping changes in the political landscape and perhaps in the funding of our work as well will require that we pay (additional) attention at the management level to strategic flexibility, programmatic innovation and risk management. A three-person board of directors enables PAX to employ different qualities and capacities at the management level for strategy development, programme implementation & fundraising and organizational development. This clearly guarantees cohesion of the aim (strategy), the performance (programme) and the arrangement (organization) at the management level. The extra capacity will be important for organizational change, for supporting staff with the inevitable challenges that present themselves in these turbulent times, as well as for PAX's representation in the Netherlands and internationally, for high-level deployment in lobbying and media initiatives, for contact with our supporters and for institutional fundraising. The checks and balances are more effective in a three-person board as well. A three-person board, after all, provides more stability and continuity when one of the members leaves.

This decision was not only discussed with the supervisory board and the general director. The supervisory board also deliberated directly with the works council, which gave a positive assessment.

Given these challenges, the supervisory board has formulated requirements for effective supervision, which it can use as tools to carry out effective supervision:

Governance components from the perspective of supervision	Requirements for supervision	Tools
Social impact of the organization	Supervising social legitimacy and extent to which stakeholders' expectations are met, with focus on diversity in society	<ul style="list-style-type: none"> - Annual plans and reports - Regular talks with relevant actors (e.g. board of directors of Amnesty, Foreign Affairs, external experts)

Governance components from the perspective of supervision	Requirements for supervision	Tools
Achieving the organization's goals	Supervising political and social relevance	<ul style="list-style-type: none"> - Annual plans and reports - Midterm review, programme scan and effectiveness scan 2018
Achieving the goals set based on strategy and policy	Supervising strategy and extent to which goals are reached	<ul style="list-style-type: none"> - Regularly discuss and advise on strategy on the road to 2021 - Advisory talks about strategic issues - Regular guests who contribute to view of strategic positioning
Policy and board management with a focus on results and risks	Supervising quality (cohesion), results and risks of aim, performance and arrangement Supervision of preconditions: increase strategic flexibility; decrease unilateral financial dependence; develop strategic human resources policy; safeguard quality of administrative organization	<ul style="list-style-type: none"> - Regular reporting and agenda setting in strategic policy areas: organizational transition; business operations; fundraising; human resources policy - Regular talks with the supervisory board - Presentations, including by external experts
Honouring laws and legislation	Supervising whether legitimate legislation is being honoured and whether internal and external work meet valid Dutch and international standards	<ul style="list-style-type: none"> - Annual report
Completing financial reporting	Supervising multi-year estimate, annual budgets, interim reports and annual account	<ul style="list-style-type: none"> - Control report accountant - talk external accountant – audit committee
Safeguarding control and risk management	Supervising quality of administrative organization and risk management (management letter; talk with accountant)	<ul style="list-style-type: none"> - Management letter - Control report accountant - talk external accountant – audit committee
Safeguarding quality aspects	Supervising quality policy (e.g. ISO)	<ul style="list-style-type: none"> - Report findings external auditor ISO - Annual report
Checking effectiveness and efficiency	Monitor effectiveness and efficiency (core figures)	<ul style="list-style-type: none"> - Substantive, financial and public report - Midterm review, programme scan effectiveness scan 2018
Safeguarding integrity, safety and privacy	Supervising handling of complaints, registration of safety incidents and (any) reports of violations of the integrity policy	<ul style="list-style-type: none"> - Complaints registry - Regular talks about safety policy and report of safety incidents in the framework of the annual report - Regular talks about integrity policy and report of notifications in the framework of the annual report
Safeguarding identity	Supervision of safeguarding of PAX's mission, identity and values	<ul style="list-style-type: none"> - Annual talk with supervisory board, IKV board of directors and PAX Christi council of members
Acting as employer	Supervising the functioning and remuneration of the board of directors	<ul style="list-style-type: none"> - Remuneration of committee assessment talks of board of directors

Table 3 Demands for Good Supervision

Based on these governance components and the formulated requirements, the supervisory board will draft an annual supervision schedule. In addition, the supervisory board will conduct an annual self-evaluation that will specifically reflect on the critical supervision that has been carried out and the question of whether the board had the required expertise and experience in the area of PAX's work (peace and security issues), organization and business operations and financial management. To answer this last question, the requirements established in 2017 are being monitored. In 2018 the second term of two board members came to an end, which means that they cannot be legally re-elected. The supervisory board therefore to be refreshed. To prepare for this, profiles of potential new members have been drawn up. The conclusion, partly based on the 2017 self-evaluation, was that any attempt to refresh the supervisory board must initially focus on:

- Reinforce the board with a member with a financial background
- Reinforce the board with a member with an international legal background.

In addition to implementing the principles of good governance and supervision and determining the final structure of the board of directors, the supervisory board also devoted particular attention to the following in 2017:

- The appointment of interim directors;
- The 2016 financial statements and the audit report. The audit committee discussed this report in detail with the auditing accountant and monitors the implementation of the actions that were taken from the audit recommendations;
- The 2017 annual reports of PAX and the Freedom from Fear Alliance
- The 2018 annual plan and budget
- Improvement processes initiated by the board of directors in the areas of organizational development, planning & control and quality & learning; and
- A method to improve the development of risk analyses and to establish a continuity reserve

On 31 December 2017 the supervisory board consisted of the following members:

Name	Position/ancillary positions
Marieke de Wal	<ul style="list-style-type: none"> • Managing director of the Partnerships Resource Centre, Rotterdam School of Management, Erasmus University Rotterdam • Director of operations of the Partnership Brokers Association (PBA)
Carla Kuijpers-Groensmit	<ul style="list-style-type: none"> • Former director of the Students Service at the Utrecht University
Wieger Bakker	<ul style="list-style-type: none"> • Professor at the Utrecht University School of Governance in the faculty of Law, Economics and Governance • Director of studies of the bachelor programme on public administration and organization science, Utrecht School of Governance, Faculty of law, economics and governance. • Chairman of the board of the Moving Culemborg Foundation • Member of the executive committee of Inter University Centre in Dubrovnik, Croatia
Peter van der Veer	<ul style="list-style-type: none"> • Director of operations of the Municipality of Veenendaal
Marina van Notten	<ul style="list-style-type: none"> • Partner in Profonte, consultants in philanthropy
Sander Smits van Oyen	<ul style="list-style-type: none"> • Founder/ director of SOVEC Management BV • Board member of various SMEs in Ghana • Board member of Ebankse Venture Fund Ltd Ghana • Member of the advisory board of AC Europe Holding BV • Founder / director of Bonte Paard Beheer BV • Founder/ director of GoedWerkt Foundation

Table 4 Composition of supervisory board

Name	Date appointed	End of first term	End of second term
Marieke de Wal	02-07-2010	02-07-2014	02-07-2018
Carla Kuijpers-Groensmit	10-05-2010	10-05-2014	02-07-2018
Wieger Bakker	01-03-2012	01-03-2016	01-03-2020
Peter van der Veer	01-03-2012	01-03-2016	01-03-2020
Marina van Notten	01-03-2012	01-03-2016	01-03-2020
Sander Smits van Oyen	29-05-2013	29-05-2018	

Table 5 Rotation schedule

Remuneration

The members of IKV's executive board, the PAX Christi council of members and the PAX supervisory board carry out their tasks on a voluntary basis and do not receive any reward, leave or attendance fee. Expenses, such as travel expenses, are the only expenses that are remunerated, based on actually incurred expenses.

3. Consolidated Financial Statements 2017

3. Consolidated
Financial Statements 2017
Stichting Vredesbeweging Pax Nederland

3.1 The consolidated balance sheet as at 31 December 2017

Consolidated PAX

3.1 BALANCE SHEET 2017

(after appropriation of result)

		31 December 2017	31 December 2016
		€	€
ASSETS			
Intangible fixed assets	1	42.525	52.632
Tangible fixed assets	2	995.814	122.781
Financial fixed assets	3	28.570	28.137
Total fixed assets		1.066.909	203.550
Receivables and accrued amounts	4	2.471.143	1.162.436
Cash and Cash Equivalents	5	7.897.876	5.883.286
Total assets		11.435.928	7.249.272

Consolidated PAX

BALANCE SHEET

(after appropriation of result)

		31 December 2017	31 December 2016
		€	€
LIABILITIES			
Reserves and funds			
Continuity reserve	6	3.158.105	2.868.835
Earmarked reserve	7	<u>100.000</u>	<u>100.000</u>
		3.258.105	2.968.835
Provisions			
	8	40.000	40.000
Current Liabilities			
Subsidy commitments	9	6.510.223	3.233.145
Other accounts payable	10	679.021	347.860
Other liabilities	11	<u>948.579</u>	<u>659.433</u>
		8.137.823	4.240.438
Total liabilities		<u><u>11.435.928</u></u>	<u><u>7.249.273</u></u>

3.2 The consolidated statement of income and expenditures 2017

Consolidated PAX

3.2 STATEMENT OF INCOME AND EXPENDITURE 2017

		Actual	Budget	Actual
		2017	2017	2016
		€	€	€
INCOME				
Income from Individuals	12	848.002	824.687	831.569
Income from Companies	13	15.377	25.000	24.103
Income from Lottery organizations	14	1.268.314	881.795	789.893
Grants from Governments	15	16.789.071	19.819.330	15.986.418
Funding from other non profit organizations	16	685.047	1.089.642	606.800
Total income		19.605.811	22.640.454	18.238.783
EXPENDITURE				
Spent on behalf of the objective	17			
Community-Based Security and Citizens Rights		9.096.192	10.298.744	9.860.602
Dealing with the Past		2.168.308	1.614.641	1.438.067
Humanitarian Disarmament		1.984.138	2.891.393	1.735.848
Natural Resources and Conflict.		1.846.590	3.629.441	1.475.688
Protection of Civillians		1.169.330	1.656.879	691.678
Networks for peace building		63.986	66.600	53.832
Freedom from Fear Alliance partner SP		908.277	1.094.356	827.975
		17.236.821	21.252.054	16.083.690
Cost of fundraising	18	565.097	401.400	391.841
Cost of management and administration	19	1.538.110	742.000	979.193
Total Expenditures		19.340.028	22.395.454	17.454.724
Sum before financial income and expenses		265.783	245.000	784.059
Financial income and expenses	20	23.487	5.000	50.615
Sum income and expenses		289.270	250.000	834.674
Appropriation of Result				
Addition to Continuity reserve		289.270	250.000	734.674
Addition to Earmarked reserve		-	-	100.000
		289.270	250.000	834.674

3.3 The notes comprising a summary of the accounting policies and other explanatory information (including the foundation's financial statement PAX)

3.3 NOTES to the 2017 Financial Statements

General

Peace Movement PAX Netherlands Foundation (hereinafter referred to as: PAX) is located and has its registered office in Utrecht, Godebaldkwartier 74. On 1 April 2017 we moved to St. Jacobsstraat 12.

PAX works together with involved civilians and partners in areas of war to protect human security, to prevent and end armed violence and to build peace with justice.

Going Concern

These financial statements have been prepared on the basis of the going concern assumption.

Reporting Period

The statements are based on a reporting period of one year. The fiscal year coincides with the calendar year.

Principles for the Translation of Foreign Currencies

The currency used throughout this report is the euro (€).

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Translation gains and losses are taken to the statement of income and expenditure as expenditure.

Reporting Directive for Fundraising Institutions

The 2017 Financial Statements have been prepared in accordance with Guideline RJ650 for Fundraising Organisations. RJ650 imposes a mandatory model for the financial statements. In 2016 the guideline is altered and PAX applies to the alteration as of 2017. Main change is on a modified specification of income, where a modified classification is applied.

Consolidation

The consolidated annual report contains the following entities:

- Stichting Vredesbeweging Pax Nederland (PAX)
- Stichting Interkerkelijk Vredesberaad (IKV);
- Vereniging Vredesbeweging Pax Christi Nederland (Pax Christi);
- Stichting Katholieke Vredesbeweging (Stikav);
- Fundacion Pax Colombia (FPC).

The consolidation is based on the full consolidation method.

In the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. Also, the results on transactions between group members are eliminated to the extent that the results are not realised through transactions with third parties outside the group.

Reclassifications in accordance with RJ650 and guidelines Goede Doelen Nederland (GDN)

Reclassification income RJ650

Income in 2017 is reported according to the RJ650 required classification. The income items of 2016 have been reclassified accordingly (for comparison reasons).

Reclassification spent on behalf of the objective

In 2017 the cost categories were adjusted upon the guidelines Goede Doelen Nederland. This change resulted in adjusted cost categories which is reflected in the adaptation of the breakdown table (Table Itemisation of expenses). The direct labour costs and hired experts were numbered among the Purchases and acquisitions of the last years. These costs are in 2017 directly categorised under the item Personnel.

The outcome for the 2016 is restated for comparison reasons.

Reclassification of cost in the breakdown table

In accordance with directive RJ650, the secretary cost of alliances is not permitted as a separate section in the breakdown table. This was presented under management and administration. However, it concerns costs for the correct application and justification of the SP (and MSF) funding. Think of the additional accountant costs, the reporting system costs and the additional costs to take the evaluation to a higher level also with our alliance partners. In addition, cooperation within the alliance with Amnesty and formerly Press Now and GPACC resulted from the MoFa requirement to qualify for MFS/SP. Thus, additional costs are primarily aimed at obtaining and maintaining government subsidies. The 2016 figures have been reclassified accordingly.

Principles for the Valuation of Assets, Liabilities and Financial Results

General

The principles applied in evaluating assets and liabilities and determining financial results are based on nominal values. Revenue and expenses are matched to the period in which they occurred (according to the matching principle). Revenue from legacy is recorded in the year that their size can be reliably established.

Recognise assets and liabilities

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party.

A financial asset or a financial liability is recognised in the balance sheet when the contractual rights or obligations with respect to that instrument arise. A financial instrument is no longer recognised in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position. A purchase or sale according to standard market conventions is, by class of financial assets and financial liabilities, systematically recognised or derecognised in the balance sheet on the trade date (date of entering into binding agreement) / the settlement date (date of transfer).

Recognise statement of income and expenditure

Income is recognised in the statement of income and expenditure when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be reliably measured. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability. Revenues and expenses are allocated to the period to which they relate. Revenues are recognised when the foundation has transferred the significant risks and rewards of ownership of the goods to the buyer.

Recognise currency, price, credit, liquidity and cash flow risks

The currency risk for PAX largely consists of positions and future transactions in US dollars or currencies closely related to US dollars. Management has determined that the cost of hedging these currency risks does not outweigh the benefits.

PAX has no assets that are specifically sensitive to changes in price levels. Surplus cash is conservatively secured in deposits with low interest risk.

PAX has no significant credit risks. Receivables mainly relate to grants from solid governments or multilateral institutions.

Given this low risk cash positioning PAX has secured a sound liquidity balance.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

The following accounting policies are in the opinion of management the most critical for the purpose of presenting the financial position and require estimates and assumptions.

- Donor commitments at contracted value
- Work in progress partners on the basis of estimated progress %
- Partner commitments on the basis of progress % and status of control capacity
- Exchange rate fluctuations are partly mitigated by matching donor and partner contracts. For the remaining exposure the currency rates of donor and partner commitments are assumed to remain stable in the relevant contract periods.

Financial Instruments

Financial Instruments include receivables, cash and cash equivalents, cash and accounts receivables, current liabilities and other liabilities. Financial instruments are initially recognised at fair value. After initial recognition the financial instruments are measured at amortised costs on the basis of the effective interest method. The amortised costs equal the fair value. The fair value is based on the estimated present value of the future net cash flows. Purchased loans and other receivables are measured at amortised costs on the basis of the effective interest method, less impairment losses. Financial commitments that are not held for trading are carried at amortised cost on the basis of the effective interest rate method.

The foundation has no derivative financial instruments embedded in contracts.

Intangible Fixed Assets

Intangible fixed assets (software and licences) are valued at purchase price. Amortisation is calculated according to the straight-line method in 5 years.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included in the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the statement of income and expenditure.

Tangible Fixed Assets

Tangible fixed assets are valued at acquisition price minus depreciation using their estimated economic life time. Any residual value is taken into account.

The annual depreciation is set as a basis for the following structure:

- Installations: According to the straight-line method in 10 years
- Other fixed operating assets:
 - IT equipment: First year 40%, second year 30%, third year 20%, fourth year 10%
 - Furniture and other equipment: According to the straight-line method in 5 years
- Renovation (general): According to the straight-line method in 10 years
- Renovation Jacobstraat (due to rental period) According to the straight-line method in 5 years

Assets with a long life should be tested for impairment in the case of changes or circumstances arising that lead to an indication that the carrying amount of the asset will not be recovered. The recoverability of assets in use is determined by comparing the carrying amount of an asset with the estimated present value of the future net cash flows which the asset is expected to generate.

If the carrying amount of an asset exceeds the estimated present value of the future cash flows, impairment is charged to the difference between the carrying amount and the recoverable amount.

Future modification costs concerning restructuring can be covered through the formation of earmarked reserves.

Scheduled maintenance can be included in a provision.

Financial Fixed Assets

Financial fixed assets relate to certificates of Oikocredit shares which are valued at their nominal value. Every year dividend less management fee is added in certificates.

Receivables

The accounting policies applied for the valuation of other receivables are described under the heading 'Financial instruments'

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the Principles for the Translation of Foreign Currencies.

Continuity reserve

The continuity reserve is in place to secure PAX to meet its obligations in the long term, in case of stagnated income or after an incident with a major impact on expenditures. The target level is determined by the supervisory board. The PAX policy on continuity reserve meets the requirements of the CBF.

Earmarked reserve

The earmarked reserves are related to funds earmarked by the Supervisory Board to be spent on a designated purpose. The earmarked reserves do not reflect an obligation towards any third party and the Supervisory Board has the authority to reverse this reserve.

Provisions

Provision for roof terrace is measured at the nominal value of the best estimate of the expenditures expected to be required to settle the obligations and losses.

A provision is recognised if the following applies:

- the foundation has a legal or constructive obligation, arising from a past event; and
- the amount can be reliably estimated; and
- it is probable that an outflow of economic benefits will be required to settle the obligation

Long-Term Debts and Current Liabilities

The valuation of the long-term debts and current liabilities are described under the paragraph financial instruments.

Balance positions for current projects consist of grants yet to be received and costs yet to be paid for these projects.

Distinction between operating and finance leases

A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form. All lease contracts are operational leases.

Lease of buildings

If the foundation acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expenses over the lease term. Lease payments and benefits regarding operating leases are recognised in the statement of income and expenditure on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Foreign currency cash flows are translated into euros using the weighted average exchange rates for the respective periods.

Income from Individuals

Income from Individuals consists of private fundraising, income from endowment funds and legacies.

Except legacies the income from individuals items are accounted for in the earliest period in which they are received or committed to.

As of 2006, the IKV Foundation's ruling body and Pax Christi's Membership Council decided to book the two organizations' incomes from individuals and institutional funding as the partnership's income. This was done after deducting the resources that the two entities require for their own activities and organisational expenses. Legacies to PAX entities are serviced by Bureau Nalatenschappen of the charity branch organization Goede Doeklen Nederland.

Income from Companies

Donations from companies are accounted for as income in the earliest period that they were received or committed to.

Income from Lottery organizations

Income from lottery organizations is accounted for in the earliest period as received or committed to.

Grants from governments

Grants and subsidies are recognised in the statement of income and expenditure in the year in which the subsidised expenditures were incurred. The grants are recognised where it is probable that they will be received and PAX will comply with all attached conditions.

Funding from other non profit organisations.

Income from endowment funds and from churches and NGO- organisations, is recognised in the statement of income and expenditure in the year in which they are received or committed to (according conditions).

Financial income and expenses

The line item interest income and income from investments contains the interest, dividends and Interest income that is realised in the reported year.

Cost allocation

Method of allocation of cost on the basis of hourrates

The costs are allocated -based on hours spent- as direct cost to the target (spent on objectives). Allocation of indirect follows the same pattern of hours spent to the categories of Fundraising and/or Management and Administration.

The method of cost allocation through the calculation of hourly rates is applied in line with the internal and external calculation, tendering and reporting on tariffs.

The indirect expenses are allocated on the basis of actual cost of the number of hours actually worked, to

- a. Objectives
- b. Cost of fundraising
- c. Management and administration costs

The allocation is specified in the table explaining expense distribution (Itemisation of expenses).

Employee benefits during employment

Employee benefits are charged to the statement of income and expenditure in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the foundation.

The liability for benefits during employment is measured at nominal value of the expenditure expected to be required to settle the obligation.

Salary senior executives

Senior executives require explicit reporting according the Dutch WNT guidelines and the Reporting Directive for Fundraising Institutions guidelines (following an additional format).

Personell

Salaries and labor conditions of PAX employees are based on the specific employment conditions of the Protestant Church Netherlands (CAO PKN).

Pensions

Pensions are part of the employees' benefits. The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

The employees of PAX in the Netherlands have a pension scheme which is administered by pension fund Zorg en Welzijn. This pension scheme is a conditionally indexed average-salary scheme. Entitlements and rights granted are only indexed (adjusted in line with increase in prices) if and to the extent that the pension provider has sufficient resources and has decided accordingly.

The coverage of the sector pension as at December 31, 2017 is stated at 101.1%.

Consolidated PAX

CASH FLOW STATEMENT

		2017	2016
		€	€
Sum of income and expenses 2017		289.270	834.674
Adjusted for:			
Depreciations	1,2	260.529	93.390
Net interest income	20	5.990-	30.455-
Changes in Receivables and accrued amounts	4	1.308.707-	1.067.104
Changes in Current liabilities	9,10,11	3.897.386	4.965.801-
Operating cash flow		3.132.488	3.001.088-
Interest received	20	6.265	30.455
Interest paid	20	275-	-
Cash flow from operating activities		3.138.478	2.970.633-
Investment/disinvestment in intangible fixed assets	1	27.569-	31.967-
Investment/disinvestment in tangible fixed assets	2	1.095.886-	46.416-
Investment/disinvestment in financial fixed assets	3	433-	426-
Cash flow from investing activities		1.123.888-	78.809-
Changes in financing		-	-
Cash flow from financing activities		-	-
Changes in Cash and Cash Equivalents		2.014.590	3.049.442-

Consolidated PAX

Explanation of the balance sheet

	31 December	31 December	
	2017	2016	
	€	€	
1. Intangible fixed assets			
Balance as at 31/12 *			
Software	19.708	36.879	
Licences	22.817	15.753	
	42.525	52.632	
*) Software and licences are regular enterprise software and licenses.			
Movement in intangible fixed assets:			
	Software	Licences	Total
Balance as at January 1			
Purchase value	341.764	99.742	441.506
Accumulated depreciation	304.885	83.989	388.874
Book value	36.879	15.753	52.632
Changes in book value			
Purchases	6.704	20.865	27.569
Desinvestments	-	-	-
Depreciations	23.875	13.801	37.676
Balance	17.171-	7.064	10.107-
Balance as at December 31			
Purchase value	348.468	120.607	469.075
Accumulated depreciation	328.760	97.790	426.550
Book value	19.708	22.817	42.525
2. Tangible fixed assets			
	31 December	31 December	
	2017	2016	
Balance as at 31/12			
Installations	8.544	11.342	
Other fixed operating assets	158.487	95.863	
Renovation	828.783	15.576	
	995.814	122.781	
Movement in tangible fixed assets:			
	Installations	Other fixed operating assets	Renovation
Balance as at January 1			
Purchase value	27.976	886.750	298.064
Accumulated depreciation	16.634	790.887	282.488
Book value	11.342	95.863	15.576
Changes in book value			
Investments *	-	139.103	956.783
Desinvestments	-	-	-
Depreciations	2.798	76.479	143.576
Balance	2.798-	62.624	813.207
Balance as at December 31			
Purchase value	27.976	1.025.853	1.254.847
Accumulated depreciation	19.432	867.366	426.064
Book value	8.544	158.487	828.783

*) Investments in office equipment, workstations and laptops, renewal and enlargement of server capacity.

Both intangible and tangible fixed assets held for business operations.

Consolidated PAX

Explanation of the balance sheet (cont.)

	31 December 2017	31 December 2016
	€	€
3. Financial Fixed Assets		
Oiko credit certificates *	28.570	28.137
Movement in financial fixed assets:		
Balance as at January 1		
Book value	28.137	27.711
Received dividend	433	426
Book value as at December 31	28.570	28.137
<p>*) Oiko credit is an organisation that offers capital with favourable conditions for the start-up of a self-owned enterprise to underprivileged. Besides social revenue Oiko certificates generate an honest financial revenue for investors. The investment is considered a mission-related investment.</p>		
4. Receivables and accrued amounts		
Ministry of Foreign Affairs final settlement funds 2017	20.887	-
Cordaid Gender Fund	27.607	27.988
Other donors	1.265.557	639.622
Currents accounts alliance partners	-	6.598
Prepaid salaries and pension contributions	-	384
Income taxes and social security contribution	-	550
Prepaid amounts and guarantees	1.122.292	433.082
Payments in progress	30.224	46.472
Other receivables	4.576	7.740
	2.471.143	1.162.436
<p>No receivables due after more than one year.</p> <p>The increase of receivables is mainly due to the expiry of contract terms with the final installment.</p>		
5. Cash and Cash equivalents		
Deposits (term under 3 months)	6.703.952	4.976.851
Credit balances on Dutch bank accounts	999.293	792.877
Credit balances on foreign bank accounts *)	161.189	68.760
Cash balances *)	33.442	44.798
	7.897.876	5.883.286

*) The cash and cash equivalents on foreign bank accounts and banks include liquidity of our field offices.

The cash and cash equivalents balance includes an amount of € 113,460 that is not immediately accessible. This relates to funds that are in a blocked account because of guarantees issued by the bank.

Consolidated PAX

Explanation of the balance sheet (cont.)

	31 December 2017 €	31 December 2016 €
6. Continuity reserve		
Continuity reserve *)	3.158.105	2.868.835
<u>Movement in continuity reserve</u>		
Balance as at January 1	2.868.835	2.034.161
Allocation of the result	289.270	834.674
Balance as at December 31 *)	3.158.105	2.868.835
*) Specification at December 31		
PAX	1.778.875	1.491.779
Pax Christi	2.479	2.479
IKV	1.369.424	1.369.424
STIKAV	6.202	5.153
PAX Colombia	1.125	-
	3.158.105	2.868.835
*) The required continuity reserve amounts € 3.4 to 4 million according to the yearly update of the PAX risk assessment (see management report).		
Goede Doelen Nederland states a maximum for the branch of 1.5 times the annual 'working cost'. For PAX this maximum is calculated at € 17 million.		
7. Earmarked reserve		
Earmarked reserve	100.000	100.000
<u>Movement in earmarked reserve</u>		
Balance as at January 1	100.000	100.000
Allocation of the result	-	-
Balance as at December 31 *	100.000	100.000
*) Planning costs for rehousing, part of expected modification costs concerning restructuring Hoog Catharijne. This restructuring however has been delayed due to restructuring of the centre. The earmarked reserve as at December 31 is part of STIKAV.		
8. Provisions		
Provisions *)	40.000	40.000
<u>Movement in provisions</u>		
Balance as at January 1	40.000	40.000
Provisions used during the year	-	-
Dotation	-	-
Withdrawal due to expenses	-	-
Balance as at December 31	40.000	40.000
*) Major maintenance has been deferred. This provision of a short-term nature is part of STIKAV.		
9 Subsidy commitments		
Ministry of Foreign Affairs Strat. Partn. Dialogue and Dissent *)	2.064.607	834.246
Ministry of Foreign Affairs Strat. Partn. Dialogue and Dissent Alliance partner Amnesty International	444.773	294.225
Ministry of Foreign Affairs Fund not spent in 2017 to be used in 2018	774.656	847.612
Payment obligation allotted grants	2.807.940	863.643
Other expenses to be paid	418.247	393.418
Other prepaid grants by donors	-	-
	6.510.223	3.233.144
*) This amount is the difference between the collected amounts and the spendings.		
10 Other accounts payable	679.021	347.860

Consolidated PAX

Explanation of the balance sheet (cont.)

	31 December 2017	31 December 2016
	€	€
11 Other liabilities *)		
Income taxes and social security contribution	76.058	-
Sales tax	25.018	25.018
Reservation for leave days and holiday allowance	612.747	510.979
Payable salaries and pension contributions	22.171	-
Other debts, accruals and deferred income	212.584	123.436
	948.578	659.433

*) No other liabilities due after more than one year.

11B Off-Balance Sheet Assets and Liabilities

Guarantees

PAX has provided a blocked bank guarantee deposit of € 113,460 to Hajofi, lessor of the new office location Jacobstraat, Utrecht, per 01.04.2017.

Commitments

	<1 year	1– 5 year	>5 year
Partners & consultants	€ 2.430.787	€ 950.000	
Lease of equipment	€ 24.552	€ 30.690	
Office rent *	€ 396.834	€ 1.467.526	
Service contracts	€ 161.570	€ 485.244	

*) The office rent contract includes a rent-free period of 183,000 EUR, that will be realized during the 5 year contract-period.

12 Events after the balance sheet date

Hoog Catharijne location

PAX is discussing with the owner of Hoog Catharijne Centre, Kléppiere, the consequences of restructuring Hoog Catharijne on the physical accessibility and visibility of the Stiltecentrum managed by PAX. Among other things, PAX is negotiating Kléppiere's contribution to the cost of renovation and refurbishment.

Collaboration

PAX has not initiated any partnerships, such as collaborative agreements or merger processes, in 2018 that would require financial obligations.

Guarantees, warranties

In 2018, PAX has not entered into any new guarantees or large-scale guarantees (>€ 50,000).

Contract management

In 2018, PAX has not entered into any new business operations for large scale contracts.

The financial institution GWK has indicated that erroneous exchange rates are likely to have been used in 2017. GWK noted

Substantial tenders and subsidy grants

In 2018 there have been no substantial tenders or subsidies.

Factual situation of peace & security

Pax management does not anticipate, in any of the below contexts, risks that would lead to a substantial impact on the Effects of specific PAX activities in South Sudan, Syria, Iraq, Ukraine and the blood coal campaign in Colombia.

Substantial tax claims

There have been no significant tax claims in 2018.

Appointments

The supervisory board unanimously has decided to appoint Miriam Struyk as programme Director as of May 1st.

Consolidated PAX

Explanation of the Income and Expenditure account

Actual 2017	Budget 2017	Actual 2016
€	€	€

The income items are reclassified according RJ650. See the notes.

The sources of income relate to projects with statutory regular destinations. In the terms of the providers of these sources of income no other than statutory regular destinations are included.

12 Income from Individuals

Contributions	69.244	75.000	73.609
Donations	587.764	639.687	691.682
Collection	137.509	60.000	64.028
Legacies	53.485	50.000	2.250
	<u>848.002</u>	<u>824.687</u>	<u>831.569</u>

13 Income from Companies

Donations and Charity discounts	15.377	25.000	24.103
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14 Income from Lottery organizations

National Postcode Lottery: regular contribution	500.000	500.000	500.000
National Postcode Lottery: project Lessons in Peace	130.634	150.000	289.893
National Postcode Lottery: project Story of the Refugee	637.680	231.795	-
	<u>1.268.314</u>	<u>881.795</u>	<u>789.893</u>

15 Grants from Governments

Direct

Ministry of Foreign Affairs SP	12.561.992	14.192.592	9.952.828
Freedom from Fear Alliance partners	908.277	1.094.356	827.975
Other direct Dutch government	1.202.469	2.039.074	2.842.545
Other direct foreign governments	1.126.061	1.433.258	1.272.939
	<u>15.798.799</u>	<u>18.759.280</u>	<u>14.896.287</u>

Indirect

Other indirect	990.272	1.060.050	1.090.131
	<u>990.272</u>	<u>1.060.050</u>	<u>1.090.131</u>

Total grants from governments	16.789.071	19.819.330	15.986.418
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*) The Ministry of Foreign Affairs' Subsidy Strategic Partnership on Dialogue and Dissent (SP D&D) funded an amount totalling €59,500,000 for the Freedom from Fear Alliance for the period 2016 through 2020.

16 Funding from other non profit organizations

Funding Churches	13.563	500	-
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Endowment funds:

Domestic donors	203.113	437.540	328.028
Joseph Rowntree Charitable Trust	50.349	50.350	50.348
The Sigrid Rausing Trust	45.969	45.970	49.142
Open Society Institute	116.826	116.830	119.754
Other foreign donors	-		11.515
	<u>416.257</u>	<u>650.690</u>	<u>558.787</u>

Other NGO organizations	255.227	438.452	48.013
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Total Funding from other non profit organizations	<u>685.047</u>	<u>1.089.642</u>	<u>606.800</u>
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Explanation of the income and expenditure account (cont.)

	Actual 2017 €	Budget 2017 €	Actual 2016 €
17 Spent on behalf of the objective			
Expenditures on the objective were subdivided by project over six categories. All costs were assigned to the programmes.			
	Actual direct costs 2017	Actual indirect costs 2017	Total actual 2017
Programme costs(x €1,000)			Total budget 2017
Community-based security and citizens rights	4.419	4.677	9.096
Dealing with the Past	1.115	1.054	2.168
Humanitarian Disarmament	493	1.491	1.984
Natural resources and conflict.	612	1.235	1.847
Protection of Civilians	345	824	1.169
Networks for Peace building (of IKV and Pax Christi)	64	-	64
	7.048	9.281	16.328
			20.158
			15.256
The Freedom from Fear Alliance partie' MFS SP liabilities			908
			1.094
			828
			17.236
			21.252
			16.084
Allocation is based on logbook results. Details are shown in Table Itemisation of expenses.			
Percentages spent *)			
Income on behalf of the objective (x €1,000)			19.606
Percentage spent on objective in relation to income.			87,9%
			22.640
			93,9%
			88,2%
18 Cost of Fundraising *)			
Cost of fundraising, as percentage of total income			2,9%
			1,8%
			2,1%
19 Management & administration *)			
Management and administration costs, as percentage of total income			7,8%
			3,3%
			5,4%

*) Distorted year comparison due to change in Income classification (RJ650) and due to change in allocation (new guideline Goed Doelen Nederland).

	Actual 2017 €	Budget 2017 €	Actual 2016 €
20 Financial income and expenses			
Interest income	6.265	3.850	30.455
Interest expenses	-275	-	-
Dividend	558	500	550
Withholdings on dividend	-125	-150	-124
Payment charges	-32.558	-24.200	-8.743
Exchange differences	49.622	25.000	28.477
	23.487	5.000	50.615

Explanation of the income and expenditure account (cont.)

	2017	2016
	€ x 1,000	€ x 1,000
Specification of personnel cost		
Gross salaries *)	6.115	4.755
Social security contributions	910	778
Pension	586	480
	7.611	6.013
Other personnel cost **)	1.708	1.296
Total personnel cost	9.319	7.309
Explanation of changes		
Change in employed personnel cost	1.599	
Change in other personnel cost	411	
Total change in personnel cost	2.010	
	2017	2016
Employees (in FTE)		
Average # in the Netherlands	113,5	95,4
Number on balance sheet date in the Netherlands	119,6	107,4
Average # of FTEs foreign	15,8	17,7
Number of FTEs on balance sheet date foreign	14,3	23,5
Average # of FTEs Total	129,3	113,1
Number of FTEs on balance sheet date Total	133,9	130,9
Change in number of FTEs on balance sheet date in the Netherlands	12,2	
Change in number of FTEs on balance sheet date foreign	-9,2	
Total change FTEs on balance sheet	3,0	

* The growth in FTEs (especially in the Netherlands) largely explains the growth of employed personnel cost anticipating the growth 2016 till 2020,

** The level of **other** personnel cost is mainly due to hiring of interim staff for the investments in organisational improvements, strengthening of administration and control as well as monitoring and reporting systems to the end of increased accountability and transparency for the period 2016 till 2020.

RENUMERATION Senior Executives (format WNT)

According Dutch reporting standards, the remuneration of senior executives for NGO organisations, has to be drawn up following the legislation WNT. For PAX additionally the branche guidelines GoedeDoelen are applicable. Remuneration of PAX senior executives meet both the WNT legislation as the guidelines Goede Doelen Nederland.

The WNT remuneration maximum in 2017 for PAX is € 168,000. This applies in proportion to the duration and / or extent of the employment. As of 1 January 2016, interim senior executives will apply a different standard for the first 12 calendar months, both for the duration of the assignment and for the hourly rate.

1a. Senior executives employed on a labor contract, plus executives contracted on interim-basis (as of 13 month of service).

Amounts x € 1	J. Gruiters	F.J.T. Landmeter	M. Struyk
Position	General Director	Director	Director
Duration of position in 2017	01.01-31.12	01.01-30.04	01.04-31.12
Size of employment (in FTE)	1,0	1,0	1,0
Former executive?	No	No	No
(Fictitious) contracted employment?	Yes	Yes	Yes
Remuneration 2017			
Remuneration plus (taxable) expenses	€ 97.735	€ 35.020	€ 62.549
Rewards (pension) affordable over time	€ 11.963	€ 3.586	€ 6.252
<i>Subtotal</i>	<i>€ 109.698</i>	<i>€ 38.606</i>	<i>€ 68.801</i>
Applicable maximum	€ 168.000	€ 55.233	€ 126.575
- / - Unpaid amounts	n.a.	n.a.	n.a.
Total remuneration	€ 109.698	€ 38.606	€ 68.801
Exceeding applicable maximum	No	No	No
Remuneration 2016			
Duration of position in 2016	01.01-31.12	01.01-31.12	n.a.
Size of employment (in FTE) 2016	1,0	1,0	n.a.
Remuneration plus (taxable) expenses 2016	€ 96.394	€ 87.903	n.a.
Rewards (pension) affordable over time 2016	€ 11.742	€ 10.562	n.a.
Total remuneration 2016	€ 108.136	€ 98.465	n.a.

1b. Senior executive without employancy contract (on consultancy basis) for the 12 month's period 2017

Position	R. T. J. van Delft, Interim Director Organization	
Calendar year	2017	2016
Duration of position in 2016	05.04 - 31.12	nvt
Number of months in 2017	9	nvt
Applicable maximum: (excluding VAT)		
Maximum hour rate	€ 176	€ 175
Applicable maximum on 12 months basis	€ 202.500	
Applicable maximum actual worked period	€ 195.557	
Remuneration (excluding VAT)		
Actual hour rate below maximum rate?	Yes	
Remuneration for the period	€ 120.000	0
Total remuneration on 12 month's basis	€ 120.000	
- / - Unpaid amounts	n.a.	
Total remuneration	€ 120.000	
Exceeding applicable maximum	No	

1d. Senior supervising and former executives with remuneration of € 1.700 or less.

Supervisory board members do not receive remuneration.

In the Report from the Supervisory Board (chapter 2) the members of the Supervisory Board are stated.

Table: Itemisation of expenses
in €

Expenditures	Spent on behalf of the objective						Fundraising	Management & Administration	Total *) 2017	Total **) 2016
	Community-Based Security and Citizens Rights	Dealing with the Past	Humanitarian Disarmament	Natural Resources and Conflict.	Protection of Civilians	Networks for Peacebuilding				
a Grants and contributions	2.469.837	671.284	46.099	298.062	70.684	-	-	-	3.555.966	3.892.643
b Payments to affiliated parties						63.986			63.986	53.832
c Purchases and acquisitions	1.104.938	201.429	215.614	146.300	169.208		59.602	-	1.897.091	2.632.318
d Contracted work	475.869	145.442	122.678	44.366	23.918		-		812.273	744.482
e Publicity and promotion	368.191	96.429	108.943	122.862	81.551	-	-	354	778.330	492.406
f Personnel cost	3.868.733	870.604	1.233.073	1.021.492	681.521	-	418.105	1.225.406	9.318.934	7.309.143
g Accommodations	293.471	66.522	93.537	77.488	51.698	-	31.716	142.384	756.816	512.701
h Office and general expenses	408.147	92.518	130.088	107.766	71.900	-	44.110	133.297	987.826	895.834
i Depreciation	107.006	24.080	34.106	28.254	18.850	-	11.564	36.669	260.529	93.390
Total	9.096.192	2.168.308	1.984.138	1.846.590	1.169.330	63.986	565.097	1.538.110	18.431.751	16.626.749
	49,4%	11,8%	10,8%	10,0%	6,3%	0,3%	3,1%	8,3%		
Freedom from Fear Alliance partner									908.277	827.975
									19.340.028	17.454.724

*) PAX has not budgeted on cost category (row in the table above), since we budgeted per objective-theme (as per columns above). For the latter see the Statement of Income and Expenditures.

**) Restated for comparison reasons.

Explanation to expenses and distribution:

- a Payments to partner organisations with whom we work when carrying out projects.
- b Payments to consolidated entities.
- c Direct programme costs, i.e. purchasing, travel and accommodation expenses.
- d Hiring specialists for research and reporting
- e Direct programme costs for communication.
- f-i The total cost of the organisation is based on the actually realised hourly rates 2017, allocated to the above mentioned TOCs (direct) and cost types (indirect).

Note: Largest increase at Personnel cost, + € 2 million . This is due to an increased number of employees, contracted on payroll as wel as hired (on interim basis). This reflects the growth in income and activities realised in 2017.
The relocation to the new location caused the increase in Accommodations and Depreciation.



Financial Statements 2017
PAX Foundation

BALANCE SHEET

(after appropriation of result)

		31 December 2017	31 December 2016
		€	€
ASSETS			
Intangible fixed assets	1	42.525	52.632
Tangible fixed assets	2	975.109	111.439
Financial fixed assets	3	204.384	143.437
Total fixed assets		1.222.018	307.508
Receivables and accrued amounts	4	2.466.567	1.154.696
Cash and Cash Equivalents	5	6.215.071	4.269.778
Total assets		9.903.656	5.731.982

PAX foundation

BALANCE SHEET

(after appropriation of result)

		31 December		31 December	
		2017		2016	
		€		€	
LIABILITIES					
Reserves and funds					
Continuity reserve	6	1.778.876		1.491.779	
Earmarked reserve	7	-		-	
			1.778.876		1.491.779
Current Liabilities					
Subsidy commitments	8	6.510.223		3.233.143	
Other accounts payable	9	675.427		347.860	
Other liabilities	10	939.130		659.200	
			8.124.780		4.240.203
Total liabilities			9.903.656		5.731.982

STATEMENT OF INCOME AND EXPENDITURE

		Actual	Budget	Actual
		2017	2017	2016
		€	€	€
INCOME				
Income from Individuals	11	728.419	824.687	771.312
Income from Companies	12	15.377	25.000	24.103
Income from Lottery organizations	13	1.268.314	881.795	789.893
Grants from Governments	14	16.789.071	19.819.329	15.986.418
Funding from other non profit organizations	15	648.042	1.089.642	604.542
Total income		19.449.223	22.640.453	18.176.268
EXPENDITURE				
Spent on behalf of the objective	16			
Community-Based Security and Citizens Rights		9.096.193	10.298.744	9.860.602
Dealing with the Past		2.135.627	1.614.641	1.438.067
Humanitarian Disarmament		1.984.138	2.891.393	1.735.848
Natural Resources and Conflict.		1.846.590	3.629.441	1.475.688
Protection of Civillians		1.169.330	1.656.879	691.678
Freedom from Fear Alliance partner SP		908.277	1.094.356	827.975
		17.140.155	21.185.454	16.029.858
Cost of fundraising	17	565.097	401.400	391.841
Cost of management and administration	18	1.480.561	926.972	967.206
Total Expenditures		19.185.813	22.513.826	17.388.905
Sum before financial income and expenses		263.410	126.627	787.363
Financial income and expenses	19	23.687	5.000	43.447
Sum income and expenses		287.097	131.627	830.810
Appropriation of Result				
Addition to Continuity reserve		287.097	131.627	830.810
Addition to Earmarked reserve		-	-	-
		287.097	131.627	830.810

CASH FLOW STATEMENT

		<u>2017</u>	<u>2016</u>
		€	€
Sum of income and expenses 2017		287.097	830.810
Adjusted for:			
Depreciations	1,2	257.731	90.592
Net interest income	19	3.403-	22.716-
Changes in Receivables and accrued amounts	4	1.311.871-	1.060.388
Changes in Current liabilities	8,9,10	3.884.577	4.925.213-
Operating cash flow		<u>3.114.131</u>	<u>2.966.139-</u>
Interest received	19	3.678	22.716
Interest paid	19	<u>275-</u>	<u>-</u>
Cash flow from operating activities		3.117.534	2.943.423-
Investment/disinvestment in intangible fixed assets	1	27.569-	31.967-
Investment/disinvestment in tangible fixed assets	2	1.083.725-	46.416-
Investment/disinvestment in financial fixed assets	3	60.947-	133.235
Cash flow from investing activities		<u>1.172.241-</u>	<u>54.852</u>
Changes in financing		-	-
Cash flow from financing activities		-	-
Changes in Cash and Cash Equivalents		<u><u>1.945.293</u></u>	<u><u>2.888.571-</u></u>

PAX foundation

Notes to the 2017 Financial Statements

General

PAX defined one set of notes applicable to all the entities of the consolidated group. The notes are included in de Consolidated Financial Statements.

PAX Foundation

- Stichting Vredesbeweging Pax Nederland (PAX)
- Stichting Interkerkelijk Vredesberaad (IKV);
- Vereniging Vredesbeweging Pax Christi Nederland (Pax Christi);
- Stichting Katholieke Vredesbeweging (Stikav);
- Fundacion Pax Colombia (FPC)

Explanation of the balance sheet

	31 December 2017 €	31 December 2016 €
Intangible fixed assets		
Balance as at 31/12 *		
Software	19.708	36.879
Licences	22.817	15.753
	<u>42.525</u>	<u>52.632</u>

*) Software and licences are regular enterprise software and licences.

Movement in intangible fixed assets:	Software	Licences	Total
Balance as at January 1			
Purchase value	341.764	99.742	441.506
Accumulated depreciation	304.885	83.989	388.874
Book value	<u>36.879</u>	<u>15.753</u>	<u>52.632</u>
Changes in book value			
Purchases	6.704	20.865	27.569
Desinvestments	-	-	-
Depreciations	23.875	13.801	37.676
Balance	<u>-17.171</u>	<u>7.064</u>	<u>-10.107</u>
Balance as at December 31			
Purchase value	348.468	120.607	469.075
Accumulated depreciation	328.760	97.790	426.550
Book value	<u>19.708</u>	<u>22.817</u>	<u>42.525</u>

	31 December 2017	31 December 2016
2. Tangible fixed assets		
Balance as at 31/12		
Other fixed operating assets	146.326	95.863
Renovation	828.783	15.576
	<u>975.109</u>	<u>111.439</u>

Movement in tangible fixed assets	Other fixed operating assets	Renovation	Total
Balance as at January 1			
Purchase value	886.750	298.064	1.184.814
Accumulated depreciation	790.887	282.488	1.073.375
Book value	<u>95.863</u>	<u>15.576</u>	<u>111.439</u>
Changes in book value			
Investments *	126.942	956.783	1.083.725
Desinvestments	-	-	-
Depreciations	76.479	143.576	220.055
Balance	<u>50.463</u>	<u>813.207</u>	<u>863.670</u>
Balance as at December 31			
Purchase value	1.013.692	1.254.847	2.268.539
Accumulated depreciation	867.366	426.064	1.293.430
Book value	<u>146.326</u>	<u>828.783</u>	<u>975.109</u>

*) Investments in office equipment, workstations and laptops, renewal and enlargement of server capacity.

Both, intangible and tangible fixed assets held for business operations.

Explanation of the balance sheet (cont.)

	31 December 2017 €	31 December 2016 €
Financial fixed assets		
Stichting Katholieke Vredesbeweging	73.117	81.684
Stichting IKV	61.166	46.813
Vereniging Pax Christi	19.377	14.940
Fundation Pax Colombia (FPC)	50.724	-
	<u>204.384</u>	<u>143.437</u>
4. Receivables and accrued amounts		
Ministry of Foreign Affairs final settlement funds 2017	20.887	-
Cordaid Gender Fund	27.607	27.988
Other donors	1.265.557	639.622
Currents accountants alliance partners	-	6.598
Prepaid salaries and pension contributions	-	384
Income taxes and social security contribution	-	550
Payments in progress	30.224	46.472
Prepayments and receivables and guarantees	1.122.292	433.082
	<u>2.466.567</u>	<u>1.154.696</u>
No receivables due after more than one year.		
The increase of receivables is mainly due to the expiry of contract terms with the final installment.		
5. Cash and Cash equivalents		
Deposits (term under 3 months)	5.173.951	3.458.557
Credit balances on Dutch bank accounts	903.552	697.663
Credit balances on foreign bank accounts	104.126	68.760
Cash balances	33.442	44.798
	<u>6.215.071</u>	<u>4.269.778</u>
The cash and cash equivalents balance includes an amount of € 113,460 that is not immediately accessible. This relates to funds that are in a blocked account because of guarantees issued by the bank.		
6. Continuity reserve	1.778.875	1.491.777
<u>Movement in continuity reserve</u>		
Balance as at January 1	1.491.777	660.967
Allocation of the result	287.097	830.810
Balance as at December 31	<u>1.778.874</u>	<u>1.491.777</u>
7. Earmarked reserve	0	0

PAX foundation

Explanation of the balance sheet (cont.)

	31 December 2017 €	31 December 2016 €
Subsidy commitments		
Ministry of Foreign Affairs advance Strat. Partn. Dialogue and Dissent *	2.064.607	834.246
Ministry of Foreign Affairs Strat. Partn. Dialogue and Dissent Alliance partner Amnesty International	444.773	294.225
Ministry of Foreign Affairs other Funds not spent in 2016 to use in 2017	774.656	847.612
Cordaid Gender Fund	-	-
Payment obligation allotted grants	2.807.939	863.643
Other expenses to be paid	418.247	393.418
Other prepaid grants by donors	-	-
	<u>6.510.222</u>	<u>3.233.144</u>
*) The advance Strat. Partn. Dialogue and Dissent comprises the commitment of alliance partner Amnesty International, PAX being the lead of the alliance.		
9 Other accounts payable	675.427	347.860
10 Other liabilities *)		
Income taxes and social security contribution	76.058	-
Sales tax	25.018	25.018
Reservation for leave days and holiday allowance	612.747	510.979
Payable salaries and pension contributions	22.171	-
Other debts, accruals and deferred income	203.136	123.203
	<u>939.130</u>	<u>659.200</u>

*) No other liabilities due after more than one year.

10B Off-Balance Sheet Assets and Liabilities

Guarantees

PAX has provided a blocked bank guarantee of € 113,460 to Hajofi, lessor of the new office location Jacobstraat, Utrecht, per 01.04.2017.

Commitments

	<1 year	1– 5 year	>5 year
Partners & consultants	€ 2.430.787	€ 950.000	
Lease of equipment	€ 24.552	€ 30.690	
Office rent *	€ 396.834	€ 1.467.526	
Service contracts	€ 161.570	€ 485.244	

*) The office rent contract includes a rent-free period of 183,000 EUR, that will be realized during the 5 year contract-period.

Explanation of the income and expenditure account

	Actual 2017	Budget 2017	Actual 2016
	€	€	€

The income items are reclassified according RJ650. See the notes in the Consolidated Financial Statement.

The sources of income relate to projects with statutory regular destinations. In the terms of the providers of these sources of income no other than statutory regular destinations are included.

11 Income from Individuals

Contributions private fundraising Vereniging Pax Christi	14.087	19.500	27.489
Contribution private fundraising Stichting IKV	60.241	64.500	78.760
Contribution private fundraising STIKAV	110.000	136.000	150.000
Collections	77.509	-	57.881
Donations	413.869	554.687	457.182
Legacies	52.713	50.000	-
	<u>728.419</u>	<u>824.687</u>	<u>771.312</u>

12 Income from Companies

Donations and charity discounts	15.377	25.000	24.103
	<u>15.377</u>	<u>25.000</u>	<u>24.103</u>

13 Income from Lottery organizations

National Postcode Lottery: regular contribution	500.000	500.000	500.000
National Postcode Lottery: project Lessons in Peace	130.634	150.000	289.893
National Postcode Lottery: project Story of the Refugee	637.680	231.795	
	<u>1.268.314</u>	<u>881.795</u>	<u>789.893</u>

14 Grants from Governments

Direct

Ministry of Foreign Affairs SP	12.561.992	14.192.592	9.952.828
Freedom from Fear Alliance partners	908.277	1.094.356	827.975
Other direct Dutch Government	1.202.469	2.039.073	2.842.545
Other direct Foreign Governments	1.126.061	1.433.258	1.272.939
	<u>15.798.799</u>	<u>18.759.279</u>	<u>14.896.287</u>

Indirect

Other indirect	990.272	1.060.050	1.090.131
	<u>990.272</u>	<u>1.060.050</u>	<u>1.090.131</u>

Total grants from governments	16.789.071	19.819.329	15.986.418
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*) The Ministry of Foreign Affairs' Subsidy Strategic Partnership on Dialogue and Dissent (SP D&D) allocated an amount totalling €59,500,000 for the Freedom from Fear Alliance for the period 2016 through 2020.

16 Funding from other non profit organizations

Funding Churches	13.563	-	-
Endowment funds	416.257	650.690	558.787
Other NGO organisations	218.222	438.952	45.755
	<u>648.042</u>	<u>1.089.642</u>	<u>604.542</u>

Explanation of the income and expenditure account (cont.)

	Actual 2017 €	Budget 2017 €	Actual 2016 €		
16 Spent on behalf of the objective					
Expenditures on the objective were subdivided by project over five categories. All costs were assigned to the programmes.					
	Actual direct costs	Actual indirect costs	Total actual	Total budget	Total actual
Programme costs(x €1,000)	2017	2017	2017	2017	2016
Community-based security and citizens rights	4.419	4.677	9.096	10.299	9.861
Dealing with the Past	1.083	1.053	2.136	1.615	1.438
Humanitarian Disarmament	493	1.491	1.984	2.891	1.736
Natural resources and conflict.	612	1.235	1.847	3.629	1.476
Protection of Civilians	345	824	1.169	1.657	692
	6.952	9.280	16.232	20.091	15.202
The Freedom from Fear Alliance parties' MFS SP liabilities			908	1.094	828
			17.140	21.185	16.030
Allocation is based on logbook results.					
Details are shown in Table Itemisation of expenses.					
Percentages spent *)					
Income on behalf of the objective (x €1,000)			19.449	22.640	18.176
Percentage spent on objective in relation to income.			88,1%	93,6%	88,2%
17 Cost of Fundraising *)					
Cost of fundraising, as percentage of total income			2,9%	1,8%	2,2%
18 Management & administration *)					
Management and administration costs, as percentage of total income			7,6%	4,1%	5,3%

*) Distorted year comparison due to change in Income classification (RJ650) and due to change in allocation (new guideline Goed Doelen Nederland).

	Actual 2017	Budget 2017	Actual 2016
19 Financial income and expenses			
Interest income	3.678,00	5.000,00	22.716,00
Interest expenses	-275,00	-	-
Payment charges	-29.338,00		-7.746,00
Exchange differences	49.622,00		28.477,00
	23.687,00	5.000,00	43.447,00

Explanation of the income and expenditure account (cont.)

	2017	2016
	€ x 1,000	€ x 1,000
Specification of personnel cost		
Gross salaries *)	6.115	4.755
Social security contributions	910	778
Pension	586	480
	7.611	6.013
Other personnel cost **)	1.707	1.296
Total personnel cost	9.318	7.309
Explanation of changes		
Change in employed personnel cost	1.599	
Change in other personnel cost	410	
Total change in personnel cost	2.009	
	2017	2016
Employees (in FTE)		
Average # in the Netherlands	113,5	95,4
Number on balance sheet date in the Netherlands	119,6	107,4
Average # of FTEs foreign	15,8	17,7
Number of FTEs on balance sheet date foreign	14,3	23,5
Average # of FTEs Total	129,3	113,1
Number of FTEs on balance sheet date Total	133,9	130,9
Change in number of FTEs on balance sheet date in the Netherlands	12,2	
Change in number of FTEs on balance sheet date foreign	-9,2	
Total change FTEs on balance sheet	3,0	

* The growth in FTEs (in the Netherlands) largely explains the growth of employed personnel cost anticipating the growth of budget 2016 till 2020.

** The level of **other** personnel cost is mainly due to the investments in organisational improvements, strengthening of administration and control as well as monitoring and reporting systems to the end of increased accountability and transparency for the period 2016 till 2020, through hiring of interim staff.

Remuneration Senior Executives

See the Consolidated Financial Statements

Table: Itemisation of expenses
in €

Expenditures	Spent on behalf of the objective				Cost of Fundraising *)	M & A cost	Total *) 2017	Total **) 2016
	Community-Based Security and Citizens Rights	Dealing with the Past	Humanitarian Disarmament	Natural Resources and Conflict	Protection of Civilians			
a Grants and contributions	2.469.837	671.284	46.099	298.062	70.684		3.555.966	3.892.642
b Purchases and acquisitions	1.104.938	188.308	215.614	146.300	169.208	59.602	1.883.970	2.632.319
c Contracted work	475.869	127.032	122.678	44.366	23.918		793.863	744.482
d Publicity and promotion	368.191	96.429	108.943	122.862	81.551		777.976	492.406
e Personnel cost	3.868.733	870.604	1.233.073	1.021.492	681.521	418.105	9.318.129	7.309.143
f Accommodations	293.471	66.042	93.537	77.488	51.698	31.716	706.847	505.319
g Office and general expenses	408.147	91.848	130.088	107.766	71.900	44.110	983.053	894.027
h Depreciation	107.006	24.080	34.106	28.254	18.850	11.564	257.731	90.592
Total	9.096.192 49,8%	2.135.627 11,7%	1.984.138 10,9%	1.846.590 10,1%	1.169.330 6,4%	565.097 3,1%	18.277.535 8,1%	16.560.930
Freedom from Fear Alliance partner							908.277	827.975
							19.185.812	17.388.905

*) PAX has not budgeted on cost category (row in the table above), since we budgeted per objective-theme (as per columns above). For the latter see the Statement of Income and Expenditures.

**) Restated for comparison reasons.

Explanation to expenses and distribution:

- a Payments to partner organisations with whom we work when carrying out projects.
- b Direct programme costs, i.e. purchasing, hiring, travel and accommodation expenses.
- c Hiring specialists for research and reporting
- d Direct programme costs for communication.
- e-h The total cost of the organisation is based on the actually realised hourly rates 2017, allocated to the above mentioned TOCs (direct) and cost types (indirect).

Note: Largest increase at Personnel cost, + € 2 milion . This is due to an increased number of employees, contracted on payroll as well as hired (on interim basis). This reflects the growth in income and activities realised in 2017. The relocation to the new location caused the increase in Accommodations and Depreciation.

Approval Financial report and Appropriation of result

Date: 30 april 2018

Supervisory board

Marieke de Wal
Carla Kuijpers-Groensmit
Wieger Bakker
Peter van der Veer
Marina van Notten
Sander Smits van Oyen

Board of directors

Jan Gruiters
Miriam Struyk
Radboud van Delft

4. Other

4.1 Independent auditors report

Independent auditor's report

To: the Executive Board and the Supervisory Board of Stichting Vredesbeweging PAX Nederland

Report on the accompanying consolidated financial statements in the consolidated financial report

Our opinion

We have audited the consolidated financial statements 2017 of Stichting Vredesbeweging PAX Nederland, based in Utrecht.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Stichting Vredesbeweging PAX Nederland as at 31 December 2017, and of its result 2017 in accordance with the Guideline for annual reporting 650 'Fundraising organisations' of the Dutch Accounting Standards Board and the requirements of the Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT).

The consolidated financial statements comprise:

- 1 the consolidated and foundation's balance sheet as at 31 December 2017;
- 2 the consolidated and foundation's statement of income and expenditures 2017; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Controleprotocol WNT. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of Stichting Vredesbeweging PAX Nederland in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the consolidated financial report

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

- the management report;
- report from the supervisory board;
- other information.

Based on the following procedures performed, we conclude that the other information is consistent with the consolidated financial statements and does not contain material misstatements.

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

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

The Executive Board is responsible for the preparation of the other information.

Description of the responsibilities for the consolidated financial statements

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

The Executive Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Guideline for annual reporting 650 'Fundraising organisations' of the Dutch Accounting Standards Board and the requirements of the WNT . Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the consolidated financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

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

Our responsibilities for the audit of the consolidated financial statements

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

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

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

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

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

Utrecht, 30 April 2018

KPMG Accountants N.V.

J.L.C. van Sabben RA



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