



Financial Statements 2017

Vereniging Artsen zonder Grenzen

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* The information in the Annex is not audited



1 Financial Statements 2017 Vereniging Artsen zonder Grenzen

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**“I feel like I have no choice.
Sometimes I feared for my life
when I went out to help the
wounded. But then I took a
moment for myself and thought:
If I don’t go, someone will die.
And that will be my fault,
because I didn’t help. I am a
doctor. This is my duty.”**

Wassim (not his real name)

Doctor in Iraq

The Financial Statements 2017 include the financial information of the Association Artsen zonder Grenzen (MSF-Holland) and the activities carried out under its direct responsibility. The Vereniging Artsen zonder Grenzen/Médecins Sans Frontières Nederland was founded September 7, 1984 and has its registered office and actual address at Plantage Middenlaan 14-16, 1018 DD Amsterdam, The Netherlands.

Our mission

The organising of practical medical aid to people in disaster areas and crises worldwide, in accordance with the principles expressed in the Charter. Providing medical humanitarian aid to people in emergency situations, whether caused by conflict, social conflict or natural disaster is the core of what we do. Based on our medical work, we will also make every effort towards effective advocacy on behalf of the population that we assist.

The Charter and more comprehensive information about the organisation are published on our website www.artsenzongrenzen.nl and in the Annual Report of MSF-Holland. The Annual Report is published on the website (www.artsenzongrenzen.nl/jaarverslag) and includes the Board Accountability Statement for the year.

MSF-Holland

The Association MSF-Holland is registered with the Amsterdam Chamber of Commerce under number 41215974 and has the ANBI status with RSIN number 006790264. The Association MSF-Holland is a member of Goede Doelen Nederland and is a CBF recognised charity in the Netherlands (CBF-erkend goed doel).

▲ On a nightmarish day on the Mediterranean, 99 survivors from a sinking rubber boat were rescued by the Aquarius, a search and rescue vessel run by Médecins Sans Frontières and SOS MEDITERRANEE. January, 2017

Artsen zonder Grenzen/Médecins Sans Frontières Nederland uses the trade names "Artsen zonder Grenzen"; "Médecins Sans Frontières The Netherlands"; "MSF-Holland" and "Operational Centre Amsterdam (MSF-OCA)".

MSF-Holland in the international movement Médecins Sans Frontières

MSF-Holland is part of the international network of Médecins Sans Frontières which in 2017 counted 24 institutional members (MSF-sections) worldwide. MSF-Holland works in particular together with the MSF-sections in Germany and the United Kingdom; together we take responsibility for the Operational Centre Amsterdam (MSF-OCA). In addition to MSF-OCA four other MSF operational centres carry out projects independently and under the responsibility of their respective Boards.

Each of the MSF-sections is an independent economic and legal entity. The MSF-sections are united in the Swiss-based association Médecins Sans Frontières International. As the MSF-sections have become increasingly interdependent, these Financial Statements include a chapter Partnerships that further describes the international financial cooperation, the mutual agreements made, the governance between the MSF-sections and the risks resulting from their interdependencies.

In 2013 MSF-Holland established an office in New Delhi, India, MSF-India, in which it participates with 8% of the issued share capital.

Reporting guidelines

These Financial Statements have been prepared in accordance with Dutch GAAP (Generally Accepted Accounting Principles) and in particular with Guideline 650 for the Reporting of Fundraising Institutions (revised 2016) as published by the Dutch Accounting Standards Board (RJ 650, Raad voor de Jaarverslaggeving) in October 2016. The specific aim of the Guideline 650 is to provide insight into the acquisition of income, the realised expenditure, and the reserves and funds held by the organisation. The Guideline 650 emphasises that the Financial Statements should provide a transparent insight into the organisation's activities and the outcomes of its activities.

MSF-Holland further complies with established guidelines for fundraising organisations in The Netherlands including the governance code for fundraising organisations, the guidelines on the holding of financial reserves, and the guideline on remuneration for the director and the management. Furthermore, the MSF-sections apply

commonly agreed principles of interpretation and cost allocation that are consistent with the accounting policies applied in these Financial Statements.

Presentation of the Financial Statements

Because we consider our activities and the related expenditures on the Association's goals to be our principle objective, we deviate from the prescribed model for the presentation of income and expenditure. These Financial Statements show our expenditures before our income. In addition, the Statement of Expenditure and Income is shown before the Balance Sheet.

The Accounting Policies and the basis used for the valuation of the expenditure and the assets are explained in chapter 4 of these Financial Statements. It is recommended that this be read before viewing the Statement of Expenditure and Income and the Balance Sheet. In 2017 accounting policies for the fixed assets category Land and buildings have been further detailed and the header Provisions has been added. There were no other changes to accounting policies or accounting estimates. Where applicable, comparative figures of the previous year have been adjusted to the headers concerned in the Balance Sheet. In these Financial Statements no significant events occurred after the reporting period which should be included.

In applying the principles and policies for drawing up these Financial Statements, management makes various estimates and judgments that may be essential to the amounts disclosed in the Financial Statements. The nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item in order to provide the transparency required under the Dutch Civil Code, article 362:1, Book 2.

Financial Risks and Forward Statement

Our medical emergency aid operations and financial health could be adversely effected by certain risks. The Board Accountability Statement elaborates our approach to risk management, internal controls and the extent of the exposure to certain risks. Financial risks are included in chapter 5 of these Financial Statements.

In Annex 1 Forward Statement on expenditure and income the development of main reporting indicators is included. The forward-looking statements are linked to our strategic medical operational ambitions. By their nature, forward-looking statements relate to future events and circumstances and therefore contain uncertainty. Whereas for a part this is anticipated, actual results may differ materially from those presented in the forward-looking statements.

MAIN FINANCIAL TRENDS 2017

Increased expenditure on operations

In 2017 our expenditure increased by 7.6% to € 297.0 million. The majority of this increase was caused by the increase of expenditure on our medical emergency aid operations by € 16.9 million to € 252.4 million. In 2017 the amount spent on association goals was 94.7% of the total expenditure (2016: 94.5%) and 100.3% of total income (2016: 92.2%).

In 2017 we employed 10,965 full time staff (2016: 9,887 full time staff) working in 111 emergency aid projects in 32 countries (2016: 104 projects in 34 countries) and at the head office.

Impact of exchange rate developments

As in the prior year, in 2017 exchange rate developments impacted our expenditure on emergency aid as well as our income. Early in 2017 we estimated that maintaining the same emergency aid volume as in 2016 would be at equal euro value cost. However, due to the overall devaluation of the US dollar and other currencies used in our project countries, the euro value of our operations expenditure we pay in US dollar and US dollar related currencies ended up lower than anticipated. With stable exchange rates our expenditure on emergency aid would have been approximately € 11.5 million higher. On the income side, grants and donations in foreign currency were somewhat tempered (estimated at € 4.6 million less income) mainly due to devaluation of the US dollar (€ 2.5 million) and the continued volatility of the British pound (€ 1.0 million).

Income

While our total expenditure increased to € 297.0 million as planned, our total income slightly decreased by 1.0% to € 280.3 million. Although in 2017 we continued to deliver essential emergency aid in some of the world's major humanitarian crises, including Yemen, Syria and the Mediterranean Sea, and were at the forefront of responding to emergency needs in Uganda and to the Rohingya population in Bangladesh, overall, the visibility of our action was lower than in previous years. Therefore the high growth of income from private donors experienced in recent years slowed down in 2017. In addition, the devaluation of the US dollar and British pound reduced our income from MSF-USA and MSF-United Kingdom.

As planned, due to the Board decision in 2016 to suspend acceptance of institutional funding from the EU and EU-member states, our institutional income further decreased from € 9.7 million to € 7.0 million bringing it

down from a relative share of income of around 10% in 2015 to 2.5% in 2017. The decision was a principled reaction to our analysis of the humanitarian impact of the agreements made between the EU and Turkey with regards to Syrian refugees fleeing the war in their country.

Financial position at year end

The overall operational developments for the year resulted in a financial deficit of € 18.5 million as was planned based on the relatively high level of reserves in prior years. The result has been withdrawn from the other reserves. After the withdrawal of the result from 2017, MSF-Holland's overall reserves decreased to a level of 6.6 months (2016: 7.9 months) in relation to the average total expenditure over the past two years (2016 and 2017) and the budget for the current year (2018).

As part of the financial agreement concluded between the MSF-sections in 2015, € 237.5 million of the combined total in reserves held between the MSF-sections was set aside to initiate new activities and initiatives to improve and expand our emergency aid operations for the period 2016-2019. A proposal to further invest in TB diagnostics and treatment was brought forward by MSF-OCA. This initiative is pending an additional funding agreement with the other MSF-sections and is therefore not recognised in these Financial Statements and not part of the current budget as explained in the Forward Statement.

For the period 2015-2019 we have outlined an ambitious medical and operations plan that involves investing in our emergency response capacity and expanding our medical and public health services. After two years of accelerated growth of our emergency aid and the associated programme support in 2015 and 2016, the growth has slowed down in 2017 and also the approved budget for 2018 includes only a moderate planned increase in emergency aid expenditure (see note 2.1 and Annex 1, Forward Statement). As in 2017, deficit spending is also projected for the years 2018 and 2019. Board and management have agreed to ensure overall reserves will not fall below 4.5 months of total expenditure and to manage expenditure and income accordingly.

Reserves and current balance sheet positions

Closing 2017, the realised deficit of € 18.5 million decreased the overall reserves position (see note 3.10). A transfer of € 8.5 million to the continuity reserves was made in order to adjust the continuity reserves to the desired level of 4.5 months of operational expenditure.

The continuity reserves include a buffer capital of € 55.0 million to cover for the potential adverse financial impact of certain risks in our medical and operational activities or financial conditions. With an overall reserves position of 6.6 months of total expenditure we maintained a robust financial position.

While assets remained on the same level as in the prior year inventory and receivables decreased by € 9.8 million and provisions and liabilities increased by € 3.5 million, reducing the liquidity position at year end. With substantial cash outflows planned in 2018 due to necessary renovations of the office building and further investments in IT systems along with the deficit spending foreseen for the coming years a more detailed cash flow planning was introduced in 2017 to ensure sufficient liquidity for the organisation.

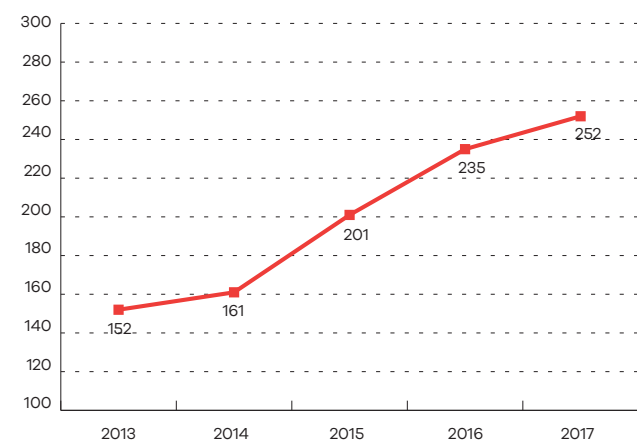
Main financial indicators

The financial indicators presented below give an overview of the main expenditure and income figures for the year 2017 and the perspective of a five year trend. Our main financial reporting indicators concern the development of our operational expenditure and reserves:

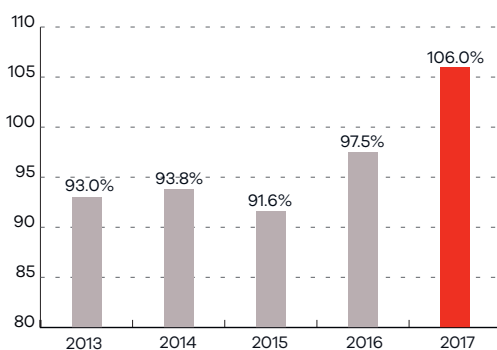
- the growth of our emergency aid expenditure in euro;
- the total expenditure as a percentage of the total income;

- the delivery of emergency aid plus the direct support needed to realise it (association objectives) as percentage of total expenditure;
- the cost of acquiring income as a percentage of the total income realised relative to the internal benchmark;
- the development of our reserves relative to the internal benchmark;
- the cost of management and administration as a percentage of the total expenditure; and
- the composition of income for the year 2017.

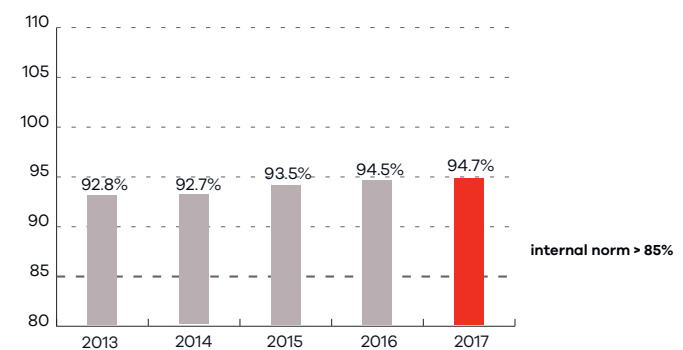
EMERGENCY AID in euro millions



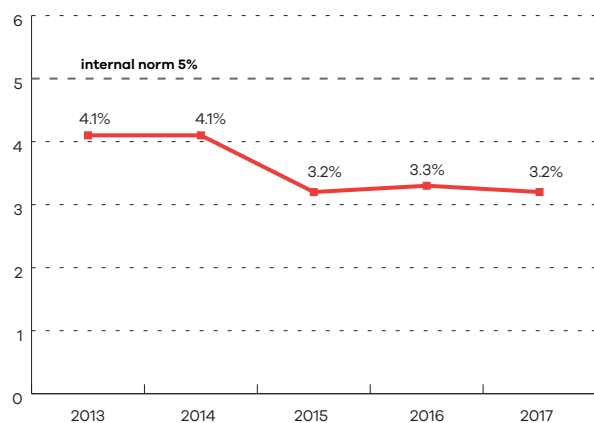
TOTAL EXPENDITURE as percentage of total income



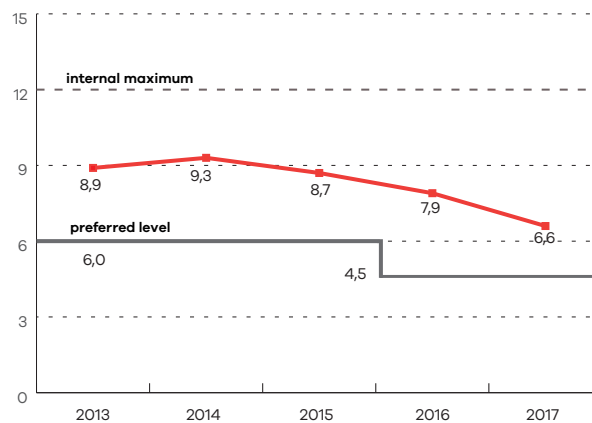
EXPENDITURE ON ASSOCIATION OBJECTIVES as percentage of total expenditure



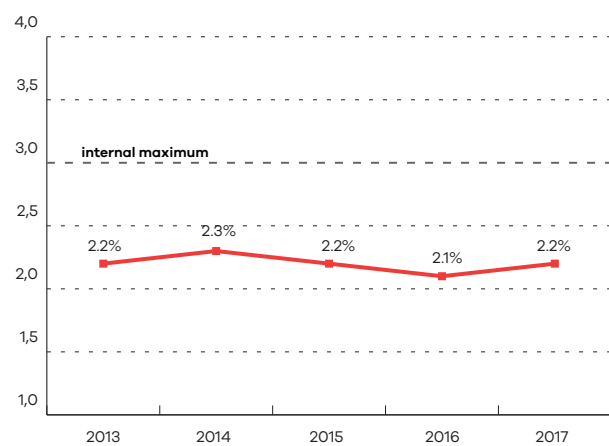
COST OF ACQUIRING INCOME as percentage of total income



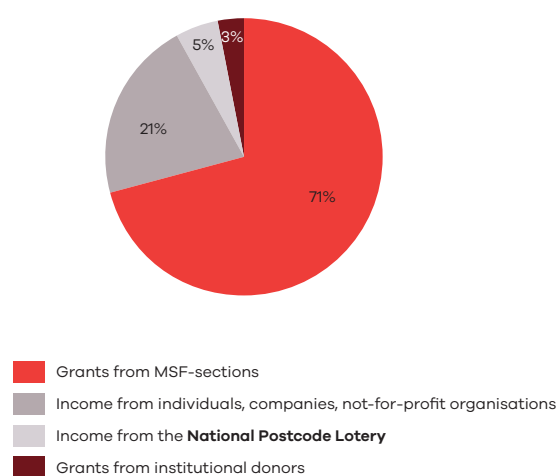
MONTHS OF RESERVES related to total expenditure



COST OF MANAGEMENT AND ADMINISTRATION as percentage of total expenditure



ORIGIN OF INCOME 2017



Statement of Expenditure and Income for 2017 in euro thousands

EXPENDITURE	Explanatory notes	2017	budget 2017	2016
Spent on Association goals				
Emergency aid	2.1	252,411	260,000	235,465
Grants provided to third parties	2.2	2,784	3,230	2,705
Programme support	2.3	23,182	22,739	20,172
Information and awareness raising	2.4	2,856	3,087	2,621
Total spent on Association goals		281,233	289,056	260,963
Cost of acquiring income	2.5	9,079	10,096	9,239
Management and administration	2.6	6,671	7,446	5,806
Total expenditure	2.7	296,983	306,598	276,008
INCOME				
Income from individuals	2.8	54,182	53,210	54,481
Income from companies	2.8	1,823	2,081	1,816
Income from not-for-profit organisations	2.8	2,394	2,045	3,252
Income from the National Postcode Lottery	2.9	15,339	15,314	16,033
Grants from MSF-sections	2.10	199,167	212,400	197,595
Grants from institutional donors	2.11	6,997	5,000	9,709
Other income	2.12	376	0	276
Total income		280,278	290,050	283,162
Result operational activities		-16,705	-16,548	7,154
Net financial income and expenses	2.13	-1,780	150	1,984
RESULT EXPENDITURE AND INCOME		-18,485	-16,398	9,138
ALLOCATION OF THE RESULT				
Additions to and withdrawals from the reserves	3.10			
Continuity reserves		0	0	0
Other free reserves		-19,448	-16,398	8,994
Appropriated funds		963	0	144
Total		-18,485	-16,398	9,138

Balance Sheet as at 31 December 2017 in euro thousands

ASSETS	<i>Explanatory notes</i>	31 December 2017	31 December 2016
Intangible assets	3.1	2,885	2,181
Tangible fixed assets			
Operating assets	3.2 a	16,051	16,491
Assets held for sale	3.2 b	450	450
Financial assets			
Loans and receivables	3.3	285	285
		19,671	19,407
Inventory			
Stocks for emergency aid	3.4	10,944	11,263
Receivables and accrued income			
Grants receivable from MSF-sections	3.5	26,164	33,270
Grants receivable from institutional donors	3.6	5,615	8,450
Receivables from inheritances	3.7	12,335	13,785
Other receivables and accrued income	3.8	7,631	6,053
		51,745	61,558
Cash at bank and in hand	3.9	108,523	113,606
Total assets		190,883	205,834
LIABILITIES			
Reserves and funds	3.10		
Reserves			
Continuity reserves	3.10 a	110,000	101,500
Other reserves	3.10 b	48,169	76,117
		158,169	177,617
Funds			
Restricted funds	3.10 c	1,261	298
		159,430	177,915
Provisions	3.11	3,517	1,076
Long-term liabilities	3.12	0	80
Short-term liabilities	3.13	27,936	26,763
Total liabilities		190,883	205,834

Cash Flow Statement for 2017 in euro thousands

CASH FLOW RECEIPTS FROM OPERATING ACTIVITIES	2017	2016
Receipts from individuals, companies and not-for-profit organisations		
Donations	40,684	39,843
Inheritances	14,969	9,425
Companies	1,823	1,801
Not-for-profit organisations	2,393	3,275
Total receipts from individuals, companies and not-for-profit organisations	59,869	54,344
Receipts from the National Postcode Lottery	13,525	13,500
Receipts from MSF-sections (concerning project grants)		
MSF-Germany	89,213	69,389
MSF-USA	44,191	40,500
MSF-United Kingdom	34,418	27,225
MSF-Hong Kong	12,315	11,695
MSF-Sweden	11,789	10,355
MSF-Canada	12,668	9,681
Other MSF-sections	2,731	2,886
Total received from MSF-sections	207,325	171,731
Receipts from institutional donors	7,179	9,738
Other receipts		
Interest received	326	533
Received tax net and VAT	503	620
Received from MSF-sections for monies advanced	4,374	3,737
Other receipts	51	319
Total other receipts	5,254	5,209
Total receipts	293,152	254,522

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CASH FLOW PAYMENTS FROM OPERATING ACTIVITIES	2017	2016
Payments made in project countries	134,055	126,721
Grants provided to third parties	3,218	2,788
Payments to MSF-sections		
MSF-Belgium	7,313	15,452
MSF-USA	3,065	4,327
MSF-Germany	3,520	3,240
MSF-Canada	3,375	3,070
MSF-United Kingdom	3,311	2,786
MSF-International (including contributions)	1,267	1,884
Other MSF-sections	7,787	6,558
MSF-Supply and MSF-Logistique	15,151	16,734
Total payments to MSF-sections	44,789	54,051
Payments at head office		
Suppliers of goods and services	74,962	72,018
Expatriate and head office personnel	36,469	31,255
Total payments at head office	111,431	103,273
Total payments	293,493	286,833
Total cash flow from operating activities	-341	-32,311
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in intangible assets and tangible fixed assets	1,237	16,938
Receipts from disinvestments	0	0
Total cash flow from investment activities (deduct)	1,237	16,938
Total cash flow from financing activities	0	0
Total cash flow	-1,578	-49,249
Adjustment to exchange rates at end of the financial year	-3,505	83
MOVEMENT IN LIQUIDITY POSITION	-5,083	-49,166
MOVEMENT IN LIQUIDITY POSITION		
Liquidity position at the end of the financial year	108,523	113,606
Liquidity position at the beginning of the financial year	113,606	162,772
Movement in liquidity position	-5,083	-49,166

Explanatory notes to the cash flow statement

Cash flow from operating activities

The Cash Flow Statement has been prepared according to the direct method in order to provide a clearer view of the different flows of funds in the organisation and in particular the cash flows between MSF-Holland and the other MSF-sections.

At the end of 2017 the relative part of payables, receivables and liquidity remained comparable to the 2016 end of year position. The Movement in liquidity position and the Result expenditure and income are mostly explained by the decrease in receivables of € 9.8 million and the increase in provisions and liabilities of € 3.5 million with inventories and operating asset largely unchanging. Overall, with a spending of 106% of operational income the year ended at a negative cash flow from operating activities.

Receipts

Receipts from the MSF-sections concern mainly project grants. Receipts from project grants (from MSF-sections and institutional donors) are explained in more detail in note 3.5 and note 3.6 of these Financial Statements.

The item Received from MSF-sections for monies advanced consists of receipts referring to employees of MSF-Holland who are seconded to another MSF-section and advances to other MSF-sections for emergency aid projects.

Payments

In 2017 payments made in the countries in which emergency aid programmes are being carried out totalled €134.1 million (2016: €126.7 million). Given the current organisation and location of the programmes, in recent years approximately 55% of the payments is made in the programme countries. In order of volume, payments to local personnel, locally purchased medical items and transport are the largest items.

The payments to MSF-International concern contributions to the MSF-International office and internationally coordinated activities and projects such as the campaign Access to Essential Medicines.

The payments to the MSF-sections concern mainly remuneration for hired-in employees posted to and working in the programme countries and payments for joint projects. Furthermore, the cash flow to our emergency aid project in Afghanistan of € 6.7 million in 2017 (2016: € 14.5 million) is entirely through MSF-Belgium.

The payments to the purchasing organisations MSF-Supply (Belgium) and MSF-Logistique (France) are included as payments to MSF-sections. Mainly medicines, specialised medical supplies and vehicles are purchased through these procurement centres/depots of MSF-Belgium and MSF-France. Major advantages of scale are obtained through joint procurement, and stocks of aid supplies are more efficiently maintained within the international organisation. In 2017, a total of €14.8 million (2016: €15.8 million) was ordered from these purchasing organisations.

Cash flow from investment activities

Payments for the investment in a Health Information System of € 762,162, the replacement of the ERP-software investments of € 355,818 and purchase of hardware of € 119,146 mostly explain the cash flow concerning investments.



2 Notes to the Statement of Expenditure and Income for 2017

“It’s difficult to move patients whose condition is critical. Some are transported on stretchers by our health workers who then have to spend hours navigating through difficult territory to get to the nearest hospital.”

Kate White

Nurse in Bangladesh

▲ A girl is waiting for treatment in the clinic of MSF in Kutapalong. In response to the influx of refugees from Myanmar MSF has significantly increased water, sanitation and medical activities for the refugee population. Bangladesh, 2017.

In 2017, our total expenditure increased by 7.6% to € 297.0 million. This was primarily caused by the increase of expenditure on our medical emergency aid by € 16.9 million to € 252.4 million. The increase in euro was tempered by approximately € 11.5 million due to exchange rate devaluations of mainly the US Dollar, Uzbekistan so’m, Yemeni rial and Ethiopian birr. The expenditure on emergency aid increased in line with the budget of € 260.0 million as approved by the Board. The overall expenditure concerning preparation and programme support, information and awareness raising, fundraising and management and administration increased by 10.4% to € 41.8 million. The share of expenditure spent on management and administration in 2017 was 2.2% of the total expenditure (2016: 2.1%).

Income decreased slightly by 1.0% to € 280.3 million, while compared to 2016 an increase by 2.4% was planned. Income in euro from private donors in MSF-Holland and the MSF-sections remained stable at € 257.7 million (2016: € 257.1 million). An increase of income from MSF-UK and MSF-USA was lessened by the devaluation of the US dollar and the pound sterling. Income from institutional donors decreased from € 9.7 in 2016 to € 7.0 million, ending above the planned € 5.0 million. The total cost of acquiring income remained stable and ended at 3.2% of the total income (2016: 3.3%), remaining steadily under the internal norm of 5% as set by the Board.

In 2017 the amount spent on Association goals was 94.7% of the total expenditure (2016: 94.5%) and 100.3% of the total income (2016: 92.2%). The total expenditure was 106.0% of the total income (2016: 97.5%). As anticipated by the Board the growth of emergency aid expenditure realised in 2015 and 2016 of 24.5% and 17.3% respectively slowed down to 7.2% in 2017 and will remain around this level.

EXPENDITURE

2.1 Emergency aid in euro thousands

The year 2017 was marked by our response to expanding humanitarian crises and several acute emergencies assisting people fleeing violence in their home countries. In parallel to our emergency aid responses, we consolidated our humanitarian medical activities in large scale missions. While we were able to commit to our "People in Flight" priority we also handed over and closed some projects and missions in accordance with the strategic orientations highlighted in our Strategic Plan 2015-2019.

Responding to new acute crises

To address the humanitarian medical needs of over one million South Sudanese who fled into Uganda, we opened emergency aid projects in the camps of Rhino and Palorinya in March 2017. Our projects had a large water and sanitation component: in Palorinya, our teams produced an average of two million liters per day from the River Nile, supporting over 100,000 people. The projects were fully handed over in December 2017. In total we spent € 6.8 million in Uganda during the year.

In the first semester of 2017 we ran an emergency response in the Somali region of Ethiopia to respond to severe malnutrition, a measles outbreak and an acute watery diarrhea outbreak. In the first three months of 2017 alone, our teams in Doolo zone treated 2,352 patients for severe acute malnutrition in MSF supported centres, compared to 1,230 in the whole of 2016. The numbers of young children with severe acute malnutrition in Doolo zone are reportedly the highest ever seen in this area by our teams in the ten years we have worked in the region. This emergency response added up to € 4.5 million pushing up the total expenses of the Ethiopia mission to reach € 19.5 million for the year.

In May 2017, as malnutrition soared in the Horn of Africa, we treated our first patients at the Mudug hospital in Somalia – three years after our abrupt withdrawal from the country. In November 2017 we launched emergency projects in South Central and Doloow to respond to the nutritional crisis. We also carried out exploratory missions, namely in Baidoa. The mission, which started up with a logic of "feasibility over needs", ended at overall expenses of € 4.1 million in 2017.

Since 25 August over 671,000* Rohingyas have fled targeted violence in Myanmar and sought safety across the border in Bangladesh. In response MSF massively scaled up its humanitarian medical activities in Cox Bazaar where we have been present for years with a much smaller basic health care program. The Kutupalong health facility that was opened in 2009 had to expand to cope with the influx and the increasing numbers of patients. We also opened an inpatient facility (IPD), three health posts and an outpatient facility in the settlement of Balukhali. This emergency aid response – in which we spent € 10.1 million in 2017 – will continue in 2018 and is expected to continue to be of large scale.

Consolidating our major missions

In South Sudan, in early 2017, MSF teams encountered extremely high levels of malnutrition in Mayendit and Leer counties. In January 2017, 25% of children under-five had global acute malnutrition and up to 8.1% of children under-five had severe acute malnutrition. Later in the year, there was also an upsurge of violence in Lankien, forcing the population to flee into the bush and our teams to evacuate. Throughout the year we kept delivering much needed care in the former Unity State – in rural areas of southern Unity and the Bentiu where over 120,000 persons are trapped in the Protection of Civilian site of the UN (PoC). We also continued our relentless efforts to get and keep access to Mundri in order to reach the violence affected population in the Equatoria region. As like in previous years, South Sudan remained one of our largest missions in 2017 with an expenditure of € 18.0 million (2016: € 21.1 million).

In the Central African Republic (CAR), despite the prevailing insecurity, we continued providing lifesaving care in Bossangoa and Bambari. We successfully handed over our HIV program in Zemio according to plan in the midst of violence raging across the south eastern part of the country. In 2017, MSF (all five operational sections) suffered an average of three attacks per month against our medical facilities, vehicles and staff. These attacks, and the numerous other incidents against civilians and aid organisations in other locations, made CAR one of the world's most dangerous countries for humanitarian aid workers in 2017. What marked the violence in CAR during 2017 was its effect on people's access to medical care,

*Source: International Organisation for Migration, 15 February, 2018

especially when they needed it most. The 2017 costs of the CAR mission summed up to € 12.1 million, an increase of € 2.2 million compared to 2016.

Six years into the devastating Syrian conflict, we continued supporting a network of hospitals in the Southern part of the country (Dara Governorate) and we continued delivering comprehensive health care in the northern part of the country (Raqqqa governorate). MSF teams provided surgical care in Raqqqa, after fighting subsided and former residents returned to find their city littered with unexploded remnants of war. In just ten days from 19 to 28 November 2017, 49 patients with blast injuries arrived at the MSF clinic in the east of Raqqqa city. The North Syria mission faced severe logistical and (border) access challenges in 2017, inflating its yearly costs to a total of € 13.9 million. Including our activities in neighboring countries the expenditure of our humanitarian medical programmes in the larger context of Syria amounted to € 35.0 million, a substantial increase from the 28.9 million of expenditure in 2016.

In Yemen, where the war and blockade are taking a heavy toll on civilians, we continued providing much needed care in the enclave of Taiz and Ad Dhale. We also opened a new project in Houdayda and responded to the widespread cholera outbreak that was causing the deaths of thousands in the country. The 2017 expenses of the Yemen mission added up to € 20.9 million (2016: € 19.1 million).

Confirming our commitment to “People in Flight”

Despite the numerous challenges encountered in 2017, we continued to provide assistance to refugees and migrants along the Central Mediterranean route. Over the summer 2017, a campaign cut loose against NGOs that were conducting Search and Rescue (SAR) operations in the Central Mediterranean Sea. MV Aquarius, the vessel jointly operated by SOS Méditerranée and MSF, was not spared and faced several blockades (such as the unilaterally imposed Code of Conduct by Italy, the creation of the Libyan Search and Rescue zone and the interception of boats by the Libyan coast guards returning them to unacceptable containment in Libya). Although our capacity to rescue people at sea was hindered, we rescued 15,078 persons in 2017 (6,665 in 2016).

In Libya, MSF teams provided medical assistance to refugees and migrants arbitrarily held in detention centers in Tripoli. In the already overpopulated and horrific detention centres, there was a huge increase in the number of people detained in October and November

2017, resulting in extreme overcrowding and a dramatic deterioration of conditions inside the detention centers. Even so, more than 6,500 medical consultations were carried out from September to December 2017 alone. In those months, most medical complaints were related to the horrific conditions of detention.

We spoke out vocally about containment policy of the EU in Libya and about the difficult journeys of migrants and refugees along the Central Mediterranean route. We published a powerful photo essay *Human Suffering: Inside Libya’s Migrant Detention Centers* (August 2017) and an open letter denouncing the restrictive migration policies of the European Governments on Libya: *European governments are feeding the business of suffering* (September 2017). Overall we spent € 3.2 million on SAR activities and € 2.4 million on humanitarian medical activities in Libya in 2017 for the full year compared to € 2.9 million in 2016 from April onward.

Handing over projects and missions

In accordance with the strategic orientations highlighted in our Strategic Plan 2015–2019, we handed over and withdrew from a few mainly medical emergency aid programs in 2017.

In Swaziland, as planned, we handed over our activities in the Mankayana hospital to the Ministry of Health in order to prepare for the closure of our mission in 2018. In Zimbabwe, after a thorough process, we successfully handed over our Harare psychiatry and HIV/TB Project and the Epworth HIV/TB project in December 2017 to the Ministry of Health. For more details on the patients treated in our emergency aid projects in Zimbabwe, please see: <https://www.msf.org.za/about-us/publications/reports/what-makes-mission>.

Finally, after 17 years of presence in Chechnya, Russia, in March 2017, we closed our mental health project and in December 2017 we handed over our tuberculosis treatment activities to the Ministry of Health. Over the years the programme covered different aspects of tuberculosis diagnostics, treatment, laboratory services and health education, as well as adherence counselling and psychosocial support for patients and their families. At the time of the project closure, tuberculosis treatments yielded promising results and patients received adequate care.

In 2018 we are preparing to withdraw from some of our programmes. Costs related to the severance pay obligation for our national staff are provided for in these Financial Statements.

In our 2017 budget € 32.3 million was reserved for unplanned emergency aid. During the year, € 24.7 million of this budget was allocated to existing and new emergency aid programmes.

In the period 2013-2017, our tuberculosis breakthrough project has been funded by a grant of € 6,791,000 from the **National Postcode Lottery Dream Fund**. After successfully developing the innovative treatment methods, we will continue to implement and evaluate these methods in our projects in Uzbekistan, South Africa and Belarus in the coming years. The contribution of the **National Postcode Lottery Dream Fund** has been pivotal in engaging in this long-term project.

More information on our emergency aid is published on our website www.artsenzondergrenzen.nl

Costs emergency aid per country	Costs emergency aid 2016	Budget 2017	Costs emergency aid 2017	Budget 2018*
Afghanistan	11,104	13,500	11,599	15,114
Bangladesh	4,353	4,373	10,069	11,123
Belarus	1,371	1,426	1,611	2,273
Central African Republic	9,885	10,234	12,105	10,611
Chad	12,389	5,634	6,966	4,368
Congo, Democratic Republic	27,695	23,595	22,667	22,570
Ethiopia	15,223	16,264	19,488	13,740
Germany	53	199	175	0
Haiti	10,551	11,535	11,614	8,356
India	4,981	5,741	4,624	4,908
Iraq	6,363	8,422	8,451	4,663
Jordan	12,262	7,412	9,377	4,817
Kenya	762	832	941	897
Libya	753	1,896	2,438	1,915
Malaysia	462	732	786	1,503
Mediterranean Sea	2,107	2,716	3,150	2,972
Myanmar	16,069	17,220	14,393	15,016
Nigeria	7,958	6,275	8,157	6,149
Pakistan	7,411	7,860	7,420	7,205
Papua New Guinea	696	0	0	0
Russia	3,280	3,932	3,525	2,578
Sierra Leone	4,743	4,595	4,078	4,000
Somalia	639	2,125	4,096	6,975
South Africa	0	700	743	1,251
South Sudan	21,079	20,871	18,868	21,703
Swaziland	4,024	3,272	3,374	1,019
Syria	7,142	8,427	13,914	18,840
Tajikistan	1,988	2,190	2,251	2,275
Tanzania	1,922	0	0	0
Turkey	3,086	2,415	3,241	749
Uganda	5	0	6,831	100
Uzbekistan	9,943	9,218	9,091	8,225
Yemen	19,132	19,839	20,911	18,344
Zimbabwe	5,509	3,944	3,899	194
Various exploratory projects	42	0	0	0
Reserved in the budget for unplanned emergency aid		32,256		33,621
	234,982	259,650	250,853	258,074
Other costs and movements in provisions for emergency aid	190	0	1,265	1,193
Depreciation costs	293	350	293	733
Total emergency aid expenditure	235,465	260,000	252,411	260,000

*Budget 2018 is not audited

The composition of the expenditure for emergency aid in main categories is as follows:

Emergency aid per category	Costs emergency aid 2016	Budget 2017	Costs emergency aid 2017	Budget 2018*
Purchase of medical items	42,454	45,035	44,739	40,611
Purchase of non-medical items	17,533	16,530	17,981	16,250
Subcontracted services	18,263	25,463	21,019	25,244
Transport	27,848	27,252	28,089	26,524
General and running costs	9,924	13,301	12,020	15,131
Miscellaneous and other costs	503	0	904	0
Personnel costs				
Total costs expatriate staff posted in projects	46,527	46,868	47,051	50,900
Total costs national staff	72,413	85,551	80,608	85,340
Total emergency aid expenditure	235,465	260,000	252,411	260,000

*Budget 2018 is not audited

Purchase of medical and non-medical items increased because of the emergency aid responses in Uganda and Bangladesh and the expansion of our projects in Syria. Included in the item Subcontracted services are the payments of incentives to staff working in emergency aid programmes but employed by the Ministry of Health of the project country of € 9,844,060 (2016: € 7,387,546) and payments for referral of patients and external laboratory

testing of € 3,754,550 (2016 € 3,937,994). The increased costs of transport can be largely attributed to our re-engagement in Somalia. General and running costs increased in amongst others, South Sudan and Afghanistan mostly due to the increasing cost of rent of offices, warehouses and housing. Personnel costs are further explained in the notes below.

2.1a Personnel costs and personnel emergency aid

in euro and full time equivalents

In 2017 we employed 10,965 staff in full time equivalents (2016: 9,887) working in 111 emergency aid programmes in 32 countries (2016: 104 emergency aid programmes in 34 countries) and at the head office. In this note 2.1a, personnel costs and information on personnel in emergency aid projects are explained. In note 2.7a and 2.7b the personnel at head office is further explained.

Costs of personnel posted in emergency aid programmes are charged directly to the emergency aid expenditure. Costs included in the Costs expatriate staff posted in

projects include personnel costs related to salaries, per diem allowances, housing, international travel, training and preparation for departure and posting. Included are costs of personnel to whom the provisions of Dutch labour law apply as well as costs of personnel posted from other MSF-sections. For the staff employed under Dutch contract terms, the components of salaries, social security and pension costs included in the Costs expatriate staff posted in projects (Emergency aid) are as follows:

Expatriate staff on Dutch contract terms	2017	Budget 2017	2016
Salaries	11,159,881	10,801,039	10,777,189
Social security contribution	528,641	500,188	573,254
Pension contributions	1,286,917	1,332,153	1,317,506

Expatriate staff hired from other MSF-sections	2017	Budget 2017	2016
Payroll costs expatriate staff hired from MSF-sections	15,622,351	14,914,423	14,912,129

In 2017 the number of expatriate staff positions showed a growth of 2% compared to 2016 and ended at 780 staff in full time equivalents. This is below the originally planned budget of 810 FTE. The growth in FTE is mainly visible in the category expatriate staff on Dutch contract terms which increased to 352 FTE (2016: 336 FTE). The total

number of departures increased from 1,363 in 2016 to 1,443 in 2017. Emergency aid programmes in Uganda and Bangladesh with a significant focus on water and sanitation activities contributed to a higher share of paramedical staff departures.

Expatriate staff (in FTE)	2017	Budget 2017	2016
Emergency aid - expatriate staff on Dutch contract terms	352	374	336
Emergency aid - expatriate staff hired from MSF-sections	389	391	392
Emergency aid - (Amsterdam) office staff seconded to project countries	24	34	19
Total expatriate staff	765	799	747
Emergency aid - Non allocated FTE (paid in-between-mission leave, sick leave, etc.)	15	11	18
Total expatriate staff	780	810	765

Expatriate staff departures	2017	Budget 2017	2016
Medical	240	287	246
Paramedical	508	565	485
Logistics, administrative & other support	695	736	632
Number of departures of expatriate staff	1,443	1,588	1,363

Gender (women - men)	47% - 53%	n/a	48% - 52%
Gender heads of mission (women - men)	47% - 53%	n/a	41% - 59%
Nationality (Dutch - other)	9% - 91%	n/a	12% - 88%
Average age	41	n/a	41

Remuneration policy expatriate personnel

The remuneration policies for expatriate staff are fully aligned between the MSF-sections. The remuneration for expatriate staff is based on two layers: a principled indemnity for the first 12 months of volunteer employment and a modest salary after 12 months of employment. There are two components that determine the salary. The salary is benchmarked to the cost of living of the resident country of the expatriate and takes into account local labour market conditions. In addition, the remuneration grid for expatriate staff is composed of six main categories of responsibility. During their posting expatriate staff receive a basic per diem allowance that is based on the indexed cost of living of the country to which they are posted.

Pension contributions expatriate staff

As of 1 January 2013 a pension scheme for all (expatriate) staff on a Dutch contract was entered into with the Premium Pension Institution Brand New Day. The pension premium is fully paid by MSF-Holland to the statutory maximum of 1.875% savings. The costs of the pension scheme remained in line with the budget 2017. For more information on the pension scheme for staff see note 2.7b and the chapter 4 Accounting Policies.

National staff employed in the project countries	2017	Budget 2017	2016
Medical	437	455	423
Paramedical	4,074	4,255	3,480
Non-medical project staff	663	683	703
Logistics, administrative & other support	4,705	4,723	4,254
Total national staff employed in the project countries	9,879	10,116	8,860

National staff salaries

Salary costs national staff (including payroll taxes and social security costs)	66,564,546	64,366,000	61,602,672
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Remuneration policy national staff

National staff employed in the project countries are remunerated in accordance with MSF's international reference function grid and according to benchmark evaluations performed to ensure a fair and competitive pay in the country in which they are employed. In addition, the MSF-Holland standardised terms and conditions of employment adjusted to the local law and custom apply. MSF-Holland does not have any obligations from foreign pension plans for national staff other than mandatory social security contributions. The

average cost per national employee decreased due to a change in composition of the total workforce and due to the effect of devaluation of the US dollar and other currencies.

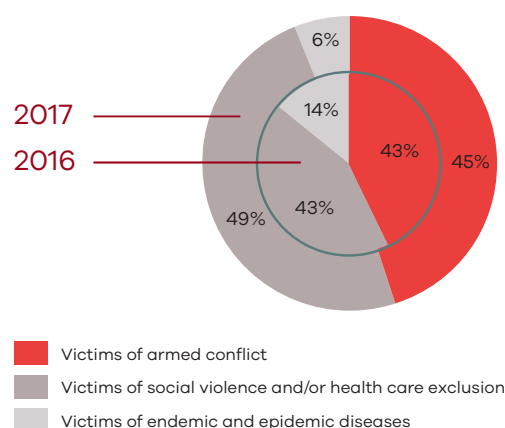
2.1b Typology of expenditure and funding of projects

In the Strategic Plan 2015-2019 that is established by the Board we envisage the majority of our portfolio consisting of programmes responding to situations of conflict and other types of humanitarian crises, in which we address unmet medical needs. The objectives set out in the Strategic Plan can be related to the expenditure on emergency aid, the typology of our expenditure on emergency aid and the source of financing of our operational expenditures. In 2017 70.2% (2016: 67.8%) of our projects were situated in contexts of armed conflict or internal instability. In addition, the graphics indicate which groups of beneficiaries were impacted by our programmes.

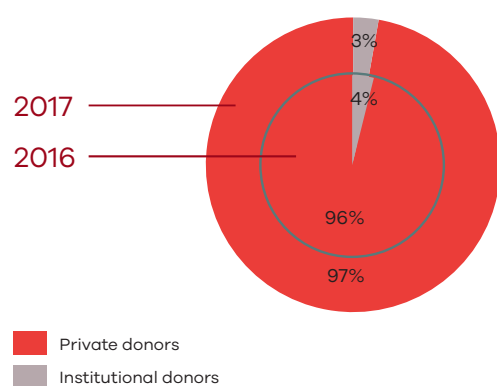
Compared to 2016, the share of funding of emergency aid by private donations increased by 1% to 97% in 2017.

Within the expenditure on emergency aid we aim at a share of about 15% to be spent on the costs for medical, logistical and administrative coordination. In 2017 coordination costs amounted to 17.2% of the total spent on emergency aid (2016: 17.2%).

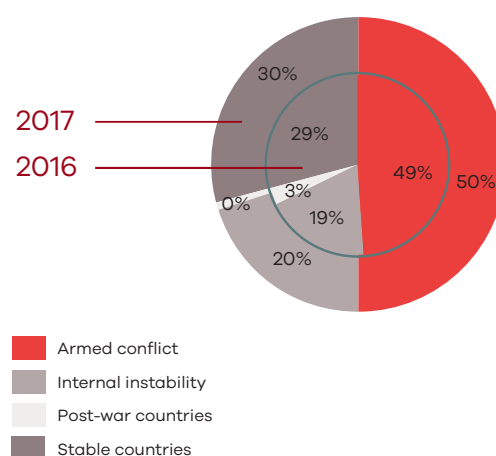
WHO DID WE REACH? as percentage of emergency aid



EMERGENCY AID FUNDING



WHERE DID WE WORK? as percentage of emergency aid



2.2 Grants provided to third parties in euro thousands

	2017	Budget 2017	2016
Contribution to MSF-India	2,415	3,000	2,396
Contribution to Drugs for Neglected Diseases initiative (DNDi) paid through MSF-International	221	230	229
Grant to the International Union against Tuberculosis and Lung Disease	148	0	0
Grant to Dutch Association for Tropical Medicine (NVTG)	0	0	80
Total grants provided to third parties	2,784	3,230	2,705

Grants and contributions to third parties concern general funding of initiatives supporting the Association's goals. In 2013 MSF-Holland established an office in India, MSF-India, in order to promote and support the Association's objectives in India. MSF-Holland maintains an interest of 8% of the issued share capital in MSF-India. The contribution to MSF-India is based on their annual plan budget and in line with their long term strategic planning.

2.3 Programme support in euro thousands

	<i>explanatory notes</i>	2017	Budget 2017	2016
Direct costs	<i>note 2.7</i>	2,999	3,127	2,578
Costs joint projects with MSF-sections	<i>note 2.7</i>	1,722	2,049	1,018
Costs personnel head office	<i>note 2.7</i>	13,644	12,855	12,313
Attributed overhead costs	<i>note 2.7</i>	4,817	4,708	4,263
Total Programme support		23,182	22,739	20,172

The increase in the expenditure for Programme support is explained by the addition of 25 FTE employed in this category. Of the total increase in FTE in this category 5 FTE are in temporary improvement projects. The personnel department increased by 7 FTE, stepping up the support to growing personnel base in our emergency aid projects. Due to the continued increased emergency aid activities another 4 FTE were added to the logistics support that were not planned for. For more detailed information on personnel developments see note 2.7a as well. Included in Costs for joint projects with other MSF-sections are expenditures amounting to € 583,779

(2016: € 442,421) related to the Tuberculosis breakthrough project which is coordinated by MSF-United Kingdom. Included are also the costs of support to the programmes' administration software managed from MSF-Switzerland (€ 476,664), innovation initiatives through MSF-United Kingdom (€ 190,614) and the Health Information System project that is carried out from MSF-Germany (€ 471,437). The direct costs increased due to an increase of inventory held for emergency aid inducing higher costs for warehousing and handling and an increase in travel supporting the emergency aid programmes.

2.4 Information and awareness raising in euro thousands

	<i>explanatory notes</i>	2017	Budget 2017	2016
Direct costs				
Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies)		635	506	646
Contributions to the MSF-International campaign Access to Essential Medicines		299	322	292
General communications and information activities		853	1,101	759
Total direct costs		1,787	1,929	1,697
Attributable costs				
Costs personnel head office	<i>note 2.7</i>	790	848	686
Attributed overhead costs	<i>note 2.7</i>	279	310	238
Total information and awareness raising		2,856	3,087	2,621

The cost of general communications and information activities increased due to expansion in donor management and information services.

The 2017 budget was not fully used as the activation roll-out strategy was postponed to early 2018 and cost savings were realized on the production of the annual report.

2.5 Cost of acquiring income in euro thousands

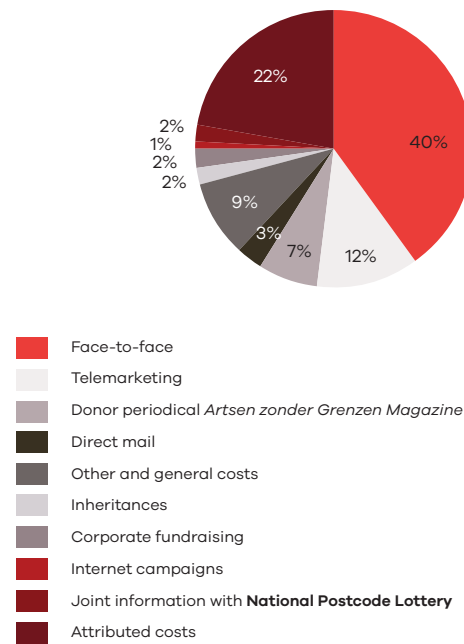
	<i>explanatory notes</i>	2017	Budget 2017	2016
Direct costs				
Face-to-face		3,678	3,907	3,776
Telemarketing		1,067	953	857
Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies)		635	506	646
Direct mail		255	1,069	765
Inheritances		164	193	201
Corporate fundraising		147	174	91
Internet campaigns		103	148	111
Joint information activities in television broadcasts of the National Postcode Lottery		180	257	214
Other and general costs of fundraising		810	694	568
Total direct costs		7,039	7,901	7,229
Attributable costs				
Costs personnel head office	<i>note 2.7</i>	1,508	1,607	1,493
Attributed overhead costs	<i>note 2.7</i>	532	588	517
Total cost of acquiring income		9,079	10,096	9,239

In 2017, 21 staff members (in FTE) worked on activities related to acquiring income (2016: 20 FTE). With some minor changes between the fundraising channels, the overall cost of acquiring income ended 1.7% below the 2016 expenses.

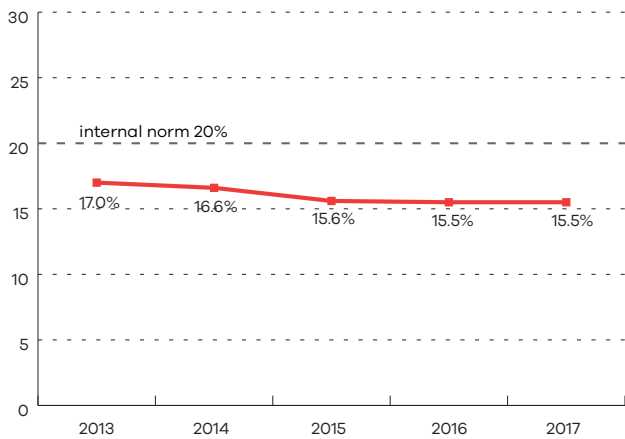
The costs for direct mail ended substantially lower compared to 2016 as well as the budget. After a testing of so-called cold mailing it was decided not to carry out this investment.

Compared to the previous year the same level of total cost of acquiring income from individuals, companies and not-for-profit organisations of 15.5% of the income raised was achieved. MSF-Holland strives to keep this percentage below 20%. The weight of the various components of the cost of acquiring income and the overall cost effectiveness of the cost of acquiring income are shown below.

COST OF ACQUIRING INCOME
as percentage of total cost of acquiring income



COST OF ACQUIRING INCOME
as a percentage of total income from individuals, companies and not-for-profit organisations



2.6 Management and administration in euro thousands

	<i>explanatory notes</i>	2017	Budget 2017	2016
Direct costs	<i>note 2.7</i>	1,368	1,842	1,547
Contributions to MSF-International	<i>chapter 6</i>	1,110	1,220	847
Costs personnel head office	<i>note 2.7</i>	3,099	3,209	2,535
Attributed overhead costs	<i>note 2.7</i>	1,094	1,175	877
Total management and administration		6,671	7,446	5,806

The costs of management and administration amounted to 2.2% of the total expenditures in 2017 (2016: 2.1%) and are explained in more detail in note 2.7. In 2017, 8 FTE were added to management and administration in the personnel department and due to temporary staff in IT implementation projects. The decrease in the

direct costs of management and administration can be explained by less advice costs incurred. A table showing the composition of the direct costs and personnel costs of management and administration can be found in chapter 4, Accounting Policies.

2.7 Total expenditure: specification of cost allocation and personnel costs in euro thousands

The total of all costs and the cost allocations over the six principal expenditure destinations reported upon plus the category Overhead are explained on the following pages. In the table on the next page the overhead costs are also specified as a separate expenditure destination: To be attributed overhead. The total costs of the expenditure destinations include the direct costs of the destination, the allocated personnel costs and the attributed overhead costs. First the costs of head office employees are allocated to the six expenditure

destinations and to the category Overhead in proportion of the number of full time equivalents (FTE) employed at head office in those destinations and in the activities included in the category Overhead. Thereafter the total overhead costs are attributed, again according to the proportion of FTE. The principles and policies applied to the allocation of costs per destination are explained further in chapter 4, Accounting Policies.

The total of all costs and the breakdown of the costs is as follows:

Expenditure destination	Spent on Association goals							Total 2017	Budget 2017	Total 2016
	Emergency aid	Grants provided to third parties	Programme support	Information and awareness-raising	Cost of acquiring income	Management and administration	To be attributed Overhead			
Direct costs										
Emergency aid	252,118							252,118	260,000	235,172
Costs joint projects with MSF-sections			1,722					1,722	2,049	1,018
Grants and contributions		2,784		299		1,110		4,193	4,772	3,844
Publicity and communications			9	867	6,282			7,158	7,387	7,083
Housing							459	459	1,350	1,308
Office and general costs			263	498	644	237	237	1,879	2,855	2,234
ICT			100	64		43	1,671	1,878	2,198	1,686
Cost of inventory			740					740	765	749
Travel and accommodation			1,022	59	113	232	131	1,557	1,599	1,496
Advice			150			648	390	1,188	1,278	1,178
Evaluations, assessments and research			312					312		
Head office projects			403				1,406	1,809	963	925
Board and Association						208		208	199	122
Depreciation and interest	293						685	978	600	623
Subtotal direct costs	252,411	2,784	4,721	1,787	7,039	2,478	4,979	276,199	286,015	257,438
Allocated employee costs for head office personnel										
Salaries and social security			11,304	654	1,249	2,568	1,444	17,219	17,212	14,797
Pension contributions			1,270	74	141	288	162	1,935	2,038	1,716
Other personnel costs			1,070	62	118	243	137	1,630	1,333	1,591
Pension settlement contract Zwitserleven								0	0	466
Subtotal all costs	252,411	2,784	18,365	2,577	8,547	5,577	6,722	296,983	306,598	276,008
Allocation of overhead			4,817	279	532	1,094	-6,722			
Total all costs head office and emergency aid	252,411	2,784	23,182	2,856	9,079	6,671	0	296,983	306,598	276,008

Overhead

The costs of overhead amounted to 2.3% of the total expenditure in 2017 (2016: 2.1%). The costs of overhead increased from € 5,894,722 in 2016 to € 6,722,010 in 2017. The increase in overhead costs can be explained by head office (IT) projects that started in 2016 and the related increase by 3 FTE (see note 2.7a below) that were envisaged in the OCA Strategic Plan 2015-2019.

With the purchase of the office at the end of 2016, the overall housing costs decreased by 39.0% as planned in 2017 taking into account the increase in depreciation costs of the building. The ICT costs further increased by 11.4% as result of the expansion of the activities and the implementation of ICT improvements as set out in the Strategic Plan.

2.7a Personnel head office in full time equivalents

In 2017 we employed 10,965 staff in full time equivalents (2016: 9,887) working in emergency aid programmes and at the head office. Personnel posted in emergency aid programmes are charged directly to the emergency aid expenditures. The associated personnel costs and other personnel information are explained in note 2.1. In this note 2.7 Personnel at head office is explained.

In 2017 the total number of designated FTE employed in the head office increased by 16.4% to 306. This increase

occurred mostly in Programme support to which 25 FTE were added. The increased volume of emergency aid projects has lead to an FTE increase in mainly the logistics, personnel and medical departments directly supporting our emergency aid projects. In 2017 the illness percentage increased by 0.2% to 3.9% and remained above the target of 3.0%. The 3.9% is in line with the average in the Netherlands.

Personnel head office	2017	Budget 2017	2016
Programme support	214	216	189
Information and awareness raising	11	12	10
Fundraising	21	23	20
Management and administration	43	46	35
Overhead	24	29	21
Programme support staff charged from London and Berlin Offices	17	19	6
Emergency aid - (Amsterdam) office staff seconded to emergency aid programmes	-24	-34	-19
Total personnel at head office	306	311	262
Volunteers working at the head office in Amsterdam (# persons)	29	6	38
Volunteers working at the head office in Amsterdam (FTE)	4	2	3
Gender (women - men)	60% - 40%	n/a	57% - 43%
Gender senior management (women - men)	47% - 53%	n/a	50% - 50%
Nationality (Dutch - other)	56% - 44%	n/a	55% - 45%
Average age	43	n/a	43
Employment (full time - part time)	60% - 40%	n/a	57% - 43%
Sickness rates	3.9%	< 3.0%	3.7%

2.7b Remuneration, social security and personnel costs head office

Remuneration policy

Our remuneration policy for the Amsterdam head office personnel is benchmarked with the remuneration of the public sector and the not-for profit sector in the Netherlands combined. The remuneration reference is the 1st quartile, implying that 75% of staff with a comparable position in the reference sector earn more than staff employed by MSF-Holland. Scaling of employees is based on a function grid. The function-remuneration grid applied by MSF-Holland has 12 scales and features a decreasing growth for management positions, including the Management Team.

Personnel cost head office staff

Under the header Allocated employee costs for head office personnel, the item Salaries and social security of head office personnel exclusively consists of the gross salaries, taxed reimbursement of expenses and associated social security costs in 2017, € 2,363,930 (2016: € 2,118,234). The total personnel costs per full time equivalent increased from € 64,530 in 2016 to € 66,114 in 2017. The cost of recruitment and development of head office personnel, canteen costs and the costs of temporary staff are included in the item Other personnel costs.

Pension contributions

As of 1 January 2013 a pension scheme for all head office employees was entered into with the Premium Pension Institution Brand New Day and to which the provisions of the Dutch Pension Act apply. The pension scheme is based on the 3% rate (staffel) model. The pension premium is fully paid by MSF-Holland to the statutory maximum of 1.875% savings and is calculated over 12x the monthly salary plus the holiday allowance. The pension premium is calculated using the minimum allowable deductible for both the retirement and the survivors pension scheme. MSF-Holland does not pay any pension premium above the fiscal maximum. Included in the pension scheme is a survivors pension insurance that is indexed at 2%. Pension premiums are recognised in personnel costs when they are due. No future liabilities are expected to arise from these pension schemes.

Personnel contracted on behalf of MSF-sections

During 2017 35.5 staff in full time equivalents (FTE) (2016: 27.9) were employed on Dutch contract terms but fully expensed to other MSF-sections, of which 18.9 staff in FTE were working abroad. The other 16.6 staff in FTE were mainly working from the Amsterdam office in MSF-International positions. While our remuneration policies apply, costs and FTE are fully reported in the financial statements of the MSF-section the staff is hired to.

2.7c Employment and remuneration of the Directors in euro

General Director

MSF-Holland has a titular General Director. Until 27 September 2017 Arjan Hehenkamp occupied this position. His employment contract ended 15 November 2017. Nelke Manders whose assignment as General Director started on 1 August 2017 succeeded him. The contract of Nelke Manders started at 4 May 2017 allowing her to visit a variety of our emergency aid programmes, which was followed by an unpaid leave of two months from 29 May 2017 until 31 July 2017. A management team of four directors supports the General Director.

Directors' remuneration

MSF-Holland applies the Advisory Scheme for the Remuneration of Directors of the Dutch charity branch organisation Goede Doelen Nederland as published 1

January 2017. The Advisory Scheme sets criteria for determining the level of responsibility required for executive positions and sets maximum annual income standards, as well as standards for severance payments to directors.

The Board has assessed the remuneration of the General Director and the Management Team based on the criteria described in the Advisory Scheme, arriving at a total of 585 points out of the total possible of 600. In the management model of MSF-Holland the General Director is rated at 92% (538 points) while each member of the Management Team is rated 80% (468 points), with € 146,000 and € 129,559 maximum salaries respectively for 2017. Pension and employer's costs are not included in these salary figures. The function-remuneration grid of MSF-Holland results in

all of its directors' salaries under the maximum allowable in the advisory scheme. MSF-Holland does not pay any pension premium above the fiscal maximum of € 103,317 (2017).

In 2017 1.5 FTE was used for the position of General Director (2016: 1 FTE). In 2017 a total of € 802,436 was spent on the directors' and management team remuneration (see table below) for 5.3 FTE. In 2016 this was € 659,694 for 5 FTE. No

loans or guarantees and no advance payments were provided to any of the directors. The annual, full year, gross salary agreed with Nelke Manders is € 113,180 (2017).

In the table below the employment, contracts and the remuneration of the General Director and the Management Team are specified:

	General Director		Management Team			
	Arjan Hehenkamp	Nelke Manders	Marcel Langenbach	Els Niehaus	Sidney Wong	Katrien Coppens
Function			Director Operations	Director Resources	Medical Director	Delegate Director
Employment details						
Type of contract	indefinite	fixed term	indefinite	fixed term	indefinite	indefinite
End of current assignment	27-09-17	31-07-20	15-11-18	31-01-18	31-03-19	31-08-18
Hours	40	40	40	40	40	40
Labour percentage	100%	100%	100%	100%	100%	100%
Employment period in 2017	01/01-15/11	04/05-31/12	01/01 - 31/12	01/01-31/12	01/01-31/12	01/01- 31/12
Remuneration						
Gross per year excluding holiday allowance	92,493	50,491	104,796	104,796	107,648	81,372
Holiday allowance	7,400	4,039	8,384	8,384	5,869	6,510
Other taxable allowances	0	0	0	0	0	0
Variable income	0	0	0	0	0	0
Salary according to advisory scheme	99,893	54,530	113,180	113,180	113,517	87,882
Other costs						
Pension contributions	15,811	11,194	23,682	17,097	9,954	16,619
Pension compensation	0	0	0	0	0	0
Social security costs	8,318	4,579	9,500	9,500	9,500	9,500
Taxable disbursements	0	0	0	0	0	0
Other (future) benefits	0	0	0	0	0	0
Severance pay	75,000	0	0	0	0	0
Total salary costs directors 2017	199,022	70,303	146,362	139,777	132,971	114,001

Other information directors

The MSF-Holland policy applying to all directors' positions is that the director is appointed to her or his position for an initial period of three years, with the option of a three years extension. At the end of September 2017, Arjan Hehenkamp ended his 6.5-year term as General Director.

As there was no other suitable position available, his 25-year employment with MSF-Holland was ended. A severance pay of € 75,000 was paid to him in accordance with the Advisory Scheme for the Remuneration of Directors.

Els Niehaus left her position at 31 December with her contract formally ending at 31 January 2018. As of mid November 2017 Huub Haverhals took over a number of her responsibilities in the position of interim management consultant.

Expatriate tax regulations (30% ruling) have been applied to the salary of the Medical Director Sidney Wong.

The Delegate Director, Katrien Coppens, is a non-voting board member of MSF-Hong Kong Limited, the Executive Director of the MSF-Holland India Trust (New Delhi, India) and CEO of the Private Limited Company Doctors Without Borders India. All occupations were for the full year 2017 and none were remunerated. The other directors did not have secondary occupations.

2.7d Board costs and expenses paid to board members

in euro thousands

The Board of the Association MSF-Holland supervises the organizational policies as carried out by the General Director who has been appointed by the Board. With the exception of the president the board members receive no remuneration for their supervisory function. The General

Assembly is the highest supervisory body of the Association and is held once per year at a minimum.

The Board and Association costs shown here concern the following:

	2017	Budget 2017	2016
Costs MSF-OCA Council (see chapter 6.2)	110	143	67
Costs of the Association and General Assembly	91	43	62
Costs carrying out supervisory responsibilities	45	60	30
Costs of International representation within the network MSF	11	11	24
Remuneration president Wilna van Aartsen	25	51	15
Volunteer allowances board members	7	7	6
Total Board costs and expenses paid to board members	289	315	204

In accordance with the memorandum of understanding governing the MSF-OCA partnership (see chapter 6.2) the chair of the OCA Council receives a monthly supervisory board remuneration for the essentially full time occupation. In Costs MSF-OCA Council an amount of € 72,600 is included for the full year of 2017. In addition costs were made for the development of the governance of the partnership.

For the time spent in fulfilling the duties concerned with international governance the MSF-Holland president, Wilna van Aartsen, received an amount of € 25,000 (2016: € 15,000) in compensation. The time spent on these specific governance activities is comparable to 0.37 FTE (2016: 0.37 FTE). The remuneration paid is in accordance with the maximum remuneration approved by the General Assembly. In total the president spent in 2017 at least 1,299 hours (2016: 1,351 hours) on fulfilling her board duties. The final payment of compensation for 2016 of € 10,000 is pending at balance sheet date.

In 2017, 10 board members (2016: 7 board members) made use of the expense policy allowing board members to apply for a volunteer allowance of € 100 per month with a maximum of € 1,000 a year to cover small expenses. In 2017 an amount of € 6,600 (2016: € 6,500) was paid as volunteer allowance to these board members. No loans or guarantees and no advance payments were provided to any of the board members.

As at December 31, 2017 the Board of the Association MSF-Holland had 11 board members (2016: 9). The minimum number of board members required according to the statutes of the Association is 7. Information on the composition of the Board, activities of the Board and association are published in the Board Accountability Statement for the year at www.artsenzondergrenzen.nl.

2.7e Auditors costs in euro thousands

In 2017 PricewaterhouseCoopers Accountants N.V. (PwC) were our independent auditors. In accordance with our policy no non-audit services were acquired from our independent auditors or associated business units. In 2017 additional work was performed on the statutory audit 2016 specifically related to procurement and inventory procedures. At the end of 2017 Deloitte performed an operational audit on the full supply chain managed from the Amsterdam office in order to gain in-depth insight in the supply processes effectiveness. The number of contracts of institutional donors which required audited grant reports increased by 1 contract in 2016 to 2 contracts in 2017.

The following fees were paid to auditors:

Allocated to:		2017	Budget 2017	2016
PwC audit of the Financial Statements	Advice - head office	178	140	142
PwC audit of the Financial Statements (additional work 2016)	Advice - head office	48	0	0
PwC audit contracts institutional donors	Advice - head office	11	6	6
Deloitte operational audit procurement unit	Advice - head office	83	0	0
Total Auditors costs		320	146	148

INCOME

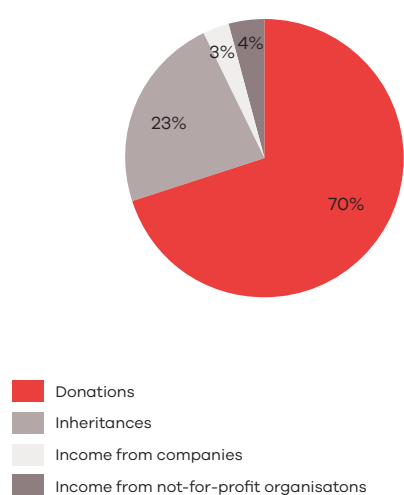
The income from individuals, companies and not-for-profit organisations decreased by € 1.1 million from € 59.5 million in 2016 to € 58.4 million in 2017. Within this category income from inheritances decreased by € 1.5 million from € 15.0 million in 2016 to € 13.5 million in 2017. Furthermore income from companies and not-for-profit organisations

decreased by € 0.9 million. The income from Inheritances and income from companies and not-for-profit organisations show a decrease as at the end of 2016 exceptional one-off receipts occurred. The cost of acquiring income in the Netherlands decreased by € 0.2 million to € 9.0 million (2016: € 9.2 million).

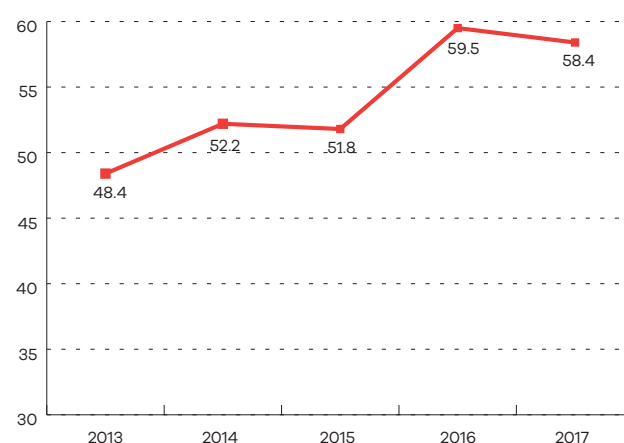
2.8 Income from individuals, companies and not-for-profit organisations in euro thousands

	2017	Budget 2017	2016
Donations	40,682	42,206	39,501
Inheritances	13,495	11,000	14,973
Membership fees from Association members	5	4	7
Income from individuals	54,182	53,210	54,481
Income from companies	1,823	2,081	1,816
Income from not-for-profit organisations	2,394	2,045	3,252
Total income from individuals, companies and not-for-profit organisations	58,399	57,336	59,549

INCOME AS A PERCENTAGE OF TOTAL INCOME FROM INDIVIDUALS, COMPANIES AND NOT-FOR-PROFIT ORGANISATIONS



INCOME FROM INDIVIDUALS, COMPANIES AND NOT-FOR-PROFIT ORGANISATIONS IN EURO MILLIONS



Private donors

In 2017 the number of donors increased while the donor attrition rates remained stable. Consistently the number

of private donors with a direct debit mandate increased again in 2017. Compared to the previous years, fewer spontaneous one-time donations were received.

	2017	2016	2015	2014	2013
Number of different private donors giving in the year	454,214	449,834	447,685	467,074	463,789
Private donors recruited in the year	45,405	44,885	43,600	60,612	51,995
Active cancellations	2,487	2,740	2,818	2,079	2,124
Donors with a direct debit mandate	320,577	317,991	311,807	309,197	304,118

2.8a Earmarked income from individuals, companies and not-for-profit organisations

in euro thousands

(see also note 3.10c; restricted funds)

The earmarked income is specified as follows:

	Receipts in 2017	Expenditures in 2017	Not spent in 2017
Bangladesh	514	-514	0
Yemen	482	-482	0
Sudan-South	173	-173	0
Syria	170	-170	0
Nigeria	134	-134	0
Sierra Leone	127	-127	0
Ethiopia	103	-103	0
Uzbekistan	70	-70	0
Central African Republic	55	-5	50
Turkey (Syria-North)	52	-52	0
Haiti	38	-38	0
Mediterranean Sea	34	-34	0
Russia	30	-30	0
Somalia	29	-29	0
India	18	-18	0
Swaziland	15	-15	0
Congo, Democratic Republic	11	-11	0
Iraq	7	-7	0
Libya	6	-6	0
various countries	9	-9	0
Subtotal earmarked donations	2,077	-2,027	50
Donations for endowment funds	900	0	900
Donations for the Stone fund (training of national employees)	34	-8	26
Total as at 31 December moved to restricted funds	3,011	-2,035	976

2.9 Income from the National Postcode Lottery in euro thousands

	2017	Budget 2017	2016
National Postcode Lottery , regular draw	13,500	13,500	13,500
National Postcode Lottery , extra draw	25	0	0
National Postcode Lottery Dream fund	1,814	1,814	2,533
Total income from the National Postcode Lottery	15,339	15,314	16,033

In 2017 MSF-Holland received a contribution of € 13,500,000 from the regular draw of the **National Postcode Lottery**. This is the maximum possible annual contribution to MSF-Holland according to the five-year agreement that ended at 31 December 2017. At the end of 2017 the **National Postcode Lottery** awarded MSF-Holland a new five-year agreement that will run until 31 December 2022. In 2017 an additional contribution from the **National Postcode Lottery** broadcast Bestemming:

Haiti was received. The **National Postcode Lottery Dream fund** awarded MSF-Holland a contribution of € 6,791,000 as funding for the Tuberculosis breakthrough project in the period 2013-2017. The income recognised in the Statement of Expenditure and Income is equal to the maximum eligible costs incurred in the book year (see Chapter 4, Accounting Policies). The full amount of € 6,791,000 of the contribution to the project was spent over the period 2013-2017.

2.10 Grants from MSF-sections in euro thousands

	2017	Budget 2017	2016
MSF-Germany	88,264	90,300	80,013
MSF-USA	44,971	44,600	43,365
MSF-United Kingdom	28,323	30,000	36,571
MSF-Hong Kong	12,478	12,654	11,565
MSF-Canada	11,473	11,403	10,680
MSF-Sweden	10,581	9,133	13,360
MSF-Ireland	2,310	2,310	1,540
MSF-Denmark	406	0	268
MSF-Italy	244	0	1
MSF-South Korea	78	0	0
MSF-South Africa	25	0	0
MSF-Czech	14	0	0
MSF-Spain	0	0	180
MSF-Japan	0	0	41
MSF-Luxembourg	0	0	11
Unplanned income from MSF-sections	0	12,000	0
Total grants from MSF-sections	199,167	212,400	197,595

With an overall increase of 0.8% the income from grants from MSF-sections remained at about the same level as in 2016. In the budget an overall “unplanned” income performance was targeted. In 2017 this unplanned income was not achieved. The grant received from MSF-Germany ended just below budget as their private fundraising income increased, albeit not to the extent as expected early in 2017. As in previous years the grant received from MSF-United Kingdom was negatively effected by the volatility of the GBP. With a stable rate income in euro

from MSF-United Kingdom would have arrived at approximately € 29.3 million. In addition the grant received in 2017 was GBP 5,496,581 lower than in 2016 as in that year MSF-UK received an exceptionally high inheritance. The total grant received from MSF-USA increased with USD 5,081,519. With a stable rate income in euro from MSF-USA would have arrived at approximately € 47.5 million. Overall income from MSF-sections was depressed by an estimate of € 5,080,728 due to exchange rate effects.

2.11 Grants from institutional donors in euro thousands

	2017	Budget 2017	2016
Global Fund (GFATM)	4,292	3,400	3,469
Canadian government (DFATD, IHA)	1,741	500	516
UNITAID	646	1,100	1,396
Ontario government	318	0	0
European Union (ECHO and EU)	0	0	3,000
Dutch government (BUZA)	0	0	700
Swedish government (Sida)	0	0	422
Irish government (Irish Aid)	0	0	179
Swiss government (SDC)	0	0	27
Total grants from institutional donors	6,997	5,000	9,709

The project grants from institutional donors refer to the realised portion of the grants awarded that concern activities carried out in the financial year. The grants from institutional donors are all used to cover operating expenses.

2.12 Other income in euro thousands

	2017	Budget 2017	2016
Other income	376	0	276
Total other income	376	0	276

Other income mainly consists of reimbursements of shared costs for hosting staff from MSF-sections, mainly MSF-International, in the office.

2.13 Net financial income and expenses in euro thousands

	2017	Budget 2017	2016
Realised exchange results from transactions in non-euro currencies	-153	0	1,574
Unrealised exchange results from transactions in non-euro currencies	-1,820	0	18
Interest income	193	150	392
Total net financial income and expenses (-)	-1,780	150	1,984

The unrealised exchange results concern the value dating of the foreign currency bank balances, contract obligations, still to be received monies from institutional donors and MSF-sections, and accounts payable and receivable balances in non-euro currency. In 2017 a negative realised exchange result of € 926,585 was recognised on the currency exchanges in project countries which was largely equalised by a positive exchange result of € 890,840 on the receivables from grant contracts and the purchase of goods at head office. All exchange rate differences recognised are included in the financial income and expenses. It is MSF-Holland

policy not to make use of financial instruments to control currency risk on various foreign currencies.

In 2017 the average balance on the deposit accounts was significantly lower than in 2016. In addition interest rates continued to decrease during the year leading to a lower amount of interest received in 2017. The development of the amount of interest received over the past five years is shown in note 5.2. MSF-Holland has no contractual obligations on which interest is due.

2.14 Donations in kind in euro

In addition to receiving financial support, MSF-Holland also receives donations in kind and enters into contracts which do not involve payment but goods and services in kind. In particular, these donations in kind concern the delivery of medicines and food and are accepted in project countries to support MSF-Holland's nutrition and health programs. These donations in kind are not registered in the bookkeeping and are also not recognised in the result as the reliability of the current registration systems is too limited.

Donations in kind for emergency aid

MSF-Holland accepts and registers the use of goods made available by third parties if these would have been purchased if they were not made available to the organisation. The best estimate of the total value of these goods received was € 725,290 in 2017 (2016: € 562,384).

DONATIONS IN KIND PER DONOR AND PER CATEGORY

	Medicines	Medical material & equipment	Food & nutrition	Laboratory material & equipment	Vaccines & vaccination material	Water & sanitation material	Relief items / Other	Flights	Total 2017
Global Alliance for TB drug Development	297,500	-	-	-	-	-	-	-	297,500
United Nations (UNFPA/UNHCR/WHO)	44,811	1,833	55,204	20	-	-	41,436	120	143,424
Ministries of Health	27,745	57,116	37,903	-	6,386	-	4,481	-	133,631
National TB Program Myanmar (NAP)	81,293	256	-	-	-	-	-	-	81,549
Others	10,203	3,768	1,745	881	3,193	-	11,999	-	31,789
United Nations (Unicef)	1,050	2,075	2,475	-	-	-	13,307	-	18,907
United Nations (WFP)	-	-	18,490	-	-	-	-	-	18,490
Total donations in kind per category	462,602	65,048	115,817	901	9,579	-	71,223	120	725,290

DONATIONS IN KIND PER PROJECT COUNTRY

	Total 2017
Uzbekistan	297.500
Ethiopia	167.270
Bangladesh	142.240
Myanmar	82.437
Yemen	12.137
Kenya LCN	11.840
Congo, Democratic Republic	8.665
Iraq	1.766
India	721
Malaysia	620
Jordan	75
Nigeria	19
Total donations in kind per country	725.290

Donations in kind head office

In 2017 donations in kind received for the head office mainly concerned pro bono legal services from various law firms. At the end of 2017 a number of approximately 16,029 Blue Bizz air miles and 4,333,769 donated air miles were outstanding. Air miles are used in the short term.

"The epidemic is out of control. We do our utmost best to find a place for everyone. We are converting more and more classrooms into nursing wards. We try to plan ahead, but the number of people becoming infected is overwhelming."

Antonia Zemp

Nurse in Yemen

▲ Saleh Mohammed from Sa'ada, is living in a displaced setting near Abs. He is in Al Khamees health centre holding his two-year-old daughter, who has been exposed to war for most of her life: she was born in January 2015. Most of her siblings are dead. Yemen, 2017.

Although realising a planned deficit MSF-Holland maintained a resilient financial position in 2017. Growth in expenditure on emergencies slowed down compared to prior years, while income growth stayed behind remaining at the same level as in 2016, contributing to realising a deficit at year-end. Accordingly, reserves levels intentionally decreased by 1.3 months' worth of total expenditure to a still solid level of 6.6 months.

The total cash position at balance sheet date decreased by € 5.1 million while the total receivables position decreased by € 9.8 million while the relative distribution of payables, receivables and liquidity remained comparable to the 2016 end of year position. As a consequence of realising a deficit, the overall balance sheet total decreased by € 15.0 million keeping solid solvency ratios.

Assets and inventories held for emergency aid remained at the same level as in the previous year. In accordance with the ambitions set out in our Strategic Plan 2015-2019 investments in assets that are used for the objectives of the Association were initiated in 2017 whereas major capital expenditure is planned to be incurred during 2018.

Overall reserves and funds decreased through the withdrawal of the negative result of € 18.5 million. The Board decided to increase the continuity reserves by € 8.5 million in accordance with the reserves policy. Restricted funds increased due to an inheritance received including an endowment. Provisions increased due to payments due to employees employed in emergency aid projects that are planned to close in 2018. Liabilities increased slightly due to higher liabilities to other MSF-sections while budgetary commitments decreased.

3.1 INTANGIBLE ASSETS in euro thousands

	Software
Purchase value	
Balance as at 1 January 2017	3,659
Purchases	1,125
Disinvestments	0
Balance as at 31 December 2017	4,784
Depreciation	
Balance as at 1 January 2017	1,478
Depreciation	421
Disinvestments	0
Balance as at 31 December 2017	1,899
Balance sheet value as at 31 December 2017	2,885

In 2017 the build of a Health Information System for use in our emergency aid projects continued and the replacement of the head office ERP system started. The first phase delivery of both software projects is planned for 2018. The depreciation will commence at delivery. At balance sheet date a part of the intangible assets of € 1,995,493 is under development. The entire intangible assets are used for the realisation of the association goals. In 2017 no impairment was applied to the intangible assets.

3.2 TANGIBLE FIXED ASSETS

3.2a Operating assets in euro thousands

	Land	Buildings	Furniture and fixtures	Hardware	Total
Purchase value					
Balance as at 1 January 2017	5,730	10,170	544	1,090	17,534
Purchases	0	0	0	119	119
Disinvestments	0	0	0	0	0
Balance as at 31 December 2017	5,730	10,170	544	1,209	17,653
Depreciation					
Balance as at 1 January 2017	0	0	544	499	1,043
Depreciation	n/a	339	0	220	559
Disinvestments	0	0	0	0	0
Balance as at 31 December 2017	0	339	544	719	1,602
Balance sheet value as at 31 December 2017	5,730	9,831	0	490	16,051

Land and Buildings are located at Plantage Middenlaan 14-16, Amsterdam, and in use for the offices. The value of the land is recognised according to market value with value reference date 31 December 2017 and as established by an independent valuator. Land is not depreciated. In 2017 no costs for maintenance were made and no provisions for major repairs to the building were formed as a major renovation and upgrade of the building is being planned. The purchase of hardware concerns

investments related to the growth of FTE in the Amsterdam office and replacements due to software upgrades.

The entire operating assets are used for the realisation of the association goals. At balance sheet date based on market conditions there were no indications for impairment of operating assets.

3.2b Assets held for sale in euro thousands

	2017	2016
Property and buildings Vierhouten	450	450
Estimate sales value as at 31 December	450	450

In 2010 MSF-Holland acquired real estate in Vierhouten from an inheritance. The property will be sold as soon as a favourable market situation arises and a reasonable offer is received. On the balance sheet date management assessed that the property held for sale was not impaired.

3.3 Loans and Receivables in euro thousands

	2017	2016
Loan to SOS Méditerranée	285	285
Redemption value as at 31 December	285	285

The interest-free loan to SOS Méditerranée that is used in the joint search and rescue operations for the chartering of the MV Aquarius was renewed and is due December 2018 at the latest.

3.4 Stock for emergency aid in euro thousands

	2017	2016
Medical materials	8,275	7,773
Other materials	2,394	2,482
Transport equipment	1,020	1,119
Inventory as at 31 December	11,689	11,374
Value adjustment for obsolescence	-745	-111
Net realisable value as at 31 December	10,944	11,263

Inventory held in transit in the Netherlands

Included in the inventory on the Balance Sheet are stocks for emergency aid that are kept in transit in the Netherlands (see also chapter 4, Accounting Policies). The value of the inventory in transit in the warehouse in the Netherlands as at 31 December 2017 amount to € 4,011,707 (2016: € 4,679,743). The other stocks at the warehouse have not yet been allocated to aid programmes and concern free stocks and emergency supply stocks. The item Other materials consists mainly of emergency housing materials (tents, tools, etc.) and water and sanitation equipment for the emergency aid programmes. The entire inventory is held for the realisation of the Association goals.

In 2017, as in previous years, a value adjustment has been made for obsolescence. The estimate for the value adjustment is based on expiry dates and expected turnover of items held in stock as at 31 December. Stock loss may also occur during the year on new items procured.

Inventory held in emergency projects

In accordance with our accounting policies inventory held in our emergency projects is fully expensed at the time it is shipped to the project countries. For internal supply management purposes the estimated value of those inventories is recorded. At the end of 2017 a reported value of € 30,315,827 (2016: € 24,452,671) of medical supplies was held available for immediate use in our emergency aid projects or was on international transport.

3.5 Grants receivable from MSF-sections in euro thousands

The receivables from MSF-sections throughout the year developed as follows:

	2017	2016
Balance as at 1 January	33,270	6,697
Project grants awarded	199,167	197,595
Project grants received	-207,323	-171,731
Exchange results on grants received	1,332	411
End of year revaluation of outstanding contract amounts	-282	298
Balance as at 31 December	26,164	33,270

The remaining receivables concern project grant contracts which ended in 2017. The receivables from MSF-sections decreased as more grants agreed for the

year were transferred before the year-end. All receivables from MSF-sections are short-term and are expected to be received in the first quarter of 2018.

3.6 Grants receivable from institutional donors in euro thousands

Receivables from institutional grants comprise receivables from both awarded project grants still running and those that have already ended.

Developments of these in the financial year were as follows:

	2017	2016
Balance as at 1 January	8,450	21,769
Project grants awarded	6,105	5,560
Project grants suspended by MSF (in 2016)	0	-9,300
Project grants received	-7,179	-9,739
Exchange results on grants received	450	326
Non-allocated project grants	-839	-5
End of year revaluation of outstanding contract amounts	-1,372	-161
Balance as at 31 December	5,615	8,450

The receivables are as follows:

Receivables from project grant contracts ended in the reporting year	1,555	600
Receivables from project grant contracts running into the next reporting year	4,060	7,770
Receivables from project grant contracts running after the next reporting year	0	80
Balance as at 31 December	5,615	8,450

As a consequence of the 2016 Board decision to suspend the grants from the EU and EU-member states for the funding of emergency aid the receivables from institutional donors further decreased. The revaluation of outstanding contract amounts is high as this item concerns multi year contracts of Global Fund and

UNITAID in US dollar that devaluated significantly between the date of signing and the 2017 balance sheet date. The long-term receivables are counterbalanced by the long-term budgetary commitments as specified in note 3.12. As at 31 December all receivables from project grant contracts are short term.

3.7 Receivables from inheritances in euro thousands

	2017	2016
Receivables from inheritances	12,335	13,785
Balance as at 31 December	12,335	13,785

Receivables from inheritances represent the estimate valuation of the accepted inheritances for which settlement is in progress. As at 31 December receivables from inheritances include 45 properties (2016: 47 properties) that are held for sale.

3.8 Other receivables and accrued income in euro thousands

	2017	2016
Prepayments and accrued income	4,303	4,287
Other receivables from MSF-sections	3,114	1,532
Taxes and social security contributions to be received	159	186
Debtors	55	48
Balance as at 31 December	7,631	6,053

All Other receivables and accrued income are short-term. All amounts receivable concern the normal course of operations. The increase in the other receivables from MSF-sections is mainly caused by outstanding

settlements of costs incurred between mission projects. As in 2016, in 2017 no allowance for uncollectable receivables was needed.

3.9 Cash at bank and in hand in euro thousands

	2017	2016
Balance of cash at bank and in hand at head office	13,445	25,011
Balance of cash at bank and in hand at projects	11,619	9,884
Balance of savings accounts at head office	83,459	78,711
Balance as at 31 December	108,523	113,606

MSF-Holland holds its main operating cash management accounts at ABN AMRO and one at ING (NL13 INGB 0000 0040 54) which is used for public fundraising. The Balance of cash at bank held at the head office decreased as at the year end a large part of the US dollar balances were held in savings accounts at head office. Balances of cash at bank and in hand at projects increased proportionally with the number of countries we operate in and the increasing volume of expenditure. Included in the Balance of cash at bank held at projects is Cash in transit of € 2,030,000 that at balance sheet date

was in the clearing process in the bank in Bangladesh and not yet released.

The main savings accounts held at head office are held in euro at the ABN AMRO (79%), Rabobank (11%), ING (7%) and ASN Bank (3%) and are immediately available funds. Overall the main euro savings account balances decreased due to investments in operating assets and a higher receivables position at year-end. At 31 December savings accounts included short term US dollar deposits as follows:

Start date	Amount	Interest	Interest at maturity	Maturity date
27-11-2017	USD 2,000,000	1.33%	USD 4,799	31-01-2018
18-12-2017	USD 5,000,000	1.48%	USD 9,055	31-01-2018
27-12-2017	USD 5,000,000	1.44%	USD 2,795	10-01-2018

3.10 Reserves and funds in euro thousands

	Continuity reserves	Other reserves	Restricted funds	Total 2017	Total 2016
Balance as at 1 January	101,500	76,117	298	177,915	168,777
Movements in reserves	8,500	-8,500	0	0	0
Allocation of the result	0	-19,448	963	-18,485	9,138
Balance as at 31 December	110,000	48,169	1,261	159,430	177,915

Reserves and funds held by MSF-Holland have been built up over the years by retaining surpluses of income over expenditure. Our reserves aim to maintain a capital structure that enables us to achieve our strategic objectives and daily operational needs, to safeguard our ability to continue as a going concern and to meet our current obligations. Our reserves are quantified to cover working capital needs, provide for a risk based buffer capital, finance operating assets investment, fund sudden emergencies and allow for short-term fluctuations in expenditure or income. For the total of the reserves and funds a maximum of 12 months of total expenditure has been set. At balance sheet date the level of reserves was equivalent to 6.6 months of total

expenditure (2016: 7.9 months) and 68.1% of the reserves were retained in cash at hand and in bank (2016: 64.0%). In line with our reserves policy we aim to keep a flexible liquidity position of current assets (inventory, receivables and cash at bank and in hand).

In accordance with Dutch GAAP Guideline 650 a continuity reserves is maintained next to the other reserves. The 2017 result was deducted from the Other reserves taking into account the required addition to the Restricted funds as shown in the table above. Within the total of reserves an amount of € 101,000 is considered for unrealised benefits related to legacies encumbered with usufruct.

3.10a Continuity reserves in euro thousands

In accordance with reserves policies that have been agreed between the MSF-sections the Board decided in 2016 to reduce the continuity reserves from six months to 4.5 months of total operational activities. Our costs of operational activities are the direct emergency aid expenditure including the related supporting activities and the cost of fundraising. Depreciation costs, contributions and one-off items are not included. Payable grants to third parties are short-term liabilities and are also not included. The amount of the Continuity reserves needed for MSF-Holland has been set at the average amount of expenditure needed to ensure the unimpeded progress of medical care in our projects and the related supporting activities for a 4.5 month period. We calculate the average amount over the total expenditure of the past two years (2016 and 2017) plus the budget for the coming year (2018).

A risk based buffer capital provision is included in the continuity reserves calculated at € 55,000,000 corresponding to 18.5% of the total expenditure. The buffer capital is based on our risk management and a quantification and statistical analysis of the possible financial impact if adverse events would occur. The buffer capital included in the continuity reserves determines the lower level of the total of reserves.

In line with the intended levels of the continuity reserves at 4.5 months the Board allocated € 8,500,000 from the Other reserves to the Continuity reserves.

The extent of the Continuity reserve is calculated as follows:

	Expenditure 2016	Expenditure 2017	Budget 2018	4.5-month average
Total expenditure	276,008	296,983	308,802	110,224
Deduct:				
Depreciation costs	916	978	1,787	460
Contributions	3,844	4,193	4,706	1,593
Target continuity reserves (4.5 months) as at 31 December				108,171
Actual continuity reserves as at 31 December 2017				110,000
Buffer capital included in the continuity reserves				55,000

3.10b Other reserves

In total an amount of € 27,948,058 was deducted from the Other reserves. Through the allocation of the 2017 result an amount of € 963,022 was added to the restricted funds, necessitating a deduction of € 19,448,058. Furthermore,

an amount of € 8,500,000 was transferred directly to the Continuity reserves.

3.10c Restricted funds in euro thousands

The Restricted funds contain donations that have been earmarked by donors for a specific purpose and which have not yet been spent. Note 2.8a gives an indication of the volume of earmarked monies that were received and spent during the year.

The balance of the restricted funds is calculated as follows:

	Unused at year end 2016	Receipts in 2017	Withdrawals in 2017	Unused at year end 2017
Earmarked income from individuals, companies and not-for-profit organisations:				
Donations for various countries	0	2,027	-2,027	0
Donation for Central African Republic hospital renovation	0	50	0	50
Earmarked endowment funds	100	900	0	1,000
Stone Fund (training of national employees)	33	34	-8	59
Donation for reserves	111	0	0	111
Subtotal (see also note 2.8 a)	244	3,011	-2,035	1,220
Earmarked from inheritance property Vierhouten	54	0	-13	41
Balance as at 31 December	298	3,011	-2,048	1,261

The earmarked funds from inheritance concern the maintenance and use of the property in Vierhouten. The endowment fund comprises of two components. An amount of € 100,000 may be spent on building a hospital . facility before the end of 2021. In 2017 an endowment restricted inheritance with an estimate value of

€ 900,000 was received. Of the endowment, starting 2018 each year an amount of 10% plus the total interest realised may be spend.

3.11 Provisions in euro thousands

	2016	Reversals	Additions	2017
Severance pay due to employees in view of planned project closures	648	-648	2,628	2,628
Payroll taxes national staff South Sudan due to currency conversion	358	-7	468	819
Disability payment personnel Swaziland	70	0	0	70
Balance as at 31 December	1,076	-655	3,096	3,517

In the annual plan for 2018 decisions have been made to close projects in Chad, Ethiopia, Jordan, Haiti and Swaziland for which provisions have been made. In South Sudan a payroll currency conversion from South Sudan pounds to US dollar is in preparation likely leading to additional retrospective statutory obligations.

3.12 Long-term liabilities in euro thousands

	2017	2016
Long-term budgetary commitments institutional donors	0	80
Balance as at 31 December	0	80

There are no long-term budgetary commitments that are expected to be spent in 2018. The movement in long-term liabilities is shown in note 3.13a.

3.13 Short-term liabilities in euro thousands

	2017	2016
Payables to MSF-sections	12,693	7,858
Accounts payables	5,534	5,443
Taxes to be paid	3,396	3,151
Payables to head office staff and expatriate staff	2,827	3,267
Payables to suppliers in project countries	1,505	1,145
Payables to national staff employed in the project countries	884	867
Other liabilities	786	1,077
Budgetary commitments (see specification in note 3.13a)	311	2,141
Budgetary commitments National Postcode Lottery Dream Fund	0	1,814
Balance as at 31 December	27,936	26,763

The increase in the item Payables to MSF-sections can mainly be explained by invoices to be settled for costs paid by MSF-Belgium for jointly managed emergency aid projects being carried out in Afghanistan and costs paid by MSF-Switzerland in Uganda.

Budgetary commitments are commitments arising from awarded project grants for which the total eligible costs in or up to 2017 are lower than the total grant awarded. The balance concerns the portion of the project grants that have yet to be implemented by MSF-Holland. The decrease can be explained by having fewer institutional donor contracts that run into the next year.

The item Payables to head office and expatriate staff primarily concerns payable vacation days, the accrual for vacation allowance, pension premium payable, per diem and net salary for head office and expatriate staff. The item Payables to national staff employed in the project countries includes payable net salary and accrual of vacation days.

The balance of the Budgetary commitments **National Postcode Lottery Dream Fund** was fully spent in 2017.

3.13a Movement in budgetary commitments in euro thousands

The item Budgetary commitments developed in the year as follows:

	2017	2016
Balance as at 1 January	2,141	9,761
Listed under long-term liabilities as at 1 January	80	6,252
Project grants awarded by MSF-sections in this financial year (see also note 3.5)	199,167	197,595
Project grants awarded by institutional donors in this financial year (see also note 3.6)	6,105	5,560
Project grants suspended by MSF in this financial year (see also note 3.6)	0	-9,300
End of year revaluation of outstanding contracts	-179	-338
Subtotal grants awarded	207,314	209,530
Project grants realized in 2017 from MSF-sections (see also note 2.10)	-199,167	-197,595
Project grants realized in 2017 from institutional donors (see also note 2.11)	-6,997	-9,709
Subtotal project grants realized	-206,164	-207,304
Non-allocated project grants	-839	-5
Listed under long-term liabilities as at 31 December	0	-80
Balance as at 31 December	311	2,141

The budgetary commitments at the end of the 2017 financial year refer entirely to the implementation of projects in 2018 and are thus short-term commitments. At the end of 2017, long-term budgetary commitments are nil.

3.14 Commitments and contingencies not included in the Balance Sheet

Office rent agreements

Starting 1 March 2013 a rental contract for nine years was concluded for the rental of the office of MSF-India. The total commitment arising from this rental agreement is € 1,006,767 for the period 2018-2022. Of this amount, € 211,210 refers to 2018, € 753,315 to the years 2019-2021 and € 42,242 to the year 2022.

Other agreements

At the end of December 2017 the agreement with SOS Méditerranée for the joint search and rescue operations on the Mediterranean Sea was extended for two months into 2018. The total commitment for this period is € 268,853.

Together with MSF-Belgium and MSF-Switzerland, MSF-Holland has engaged in a five-year operational leasing contract of VSAT installations with ITC Global. The commitment for MSF-Holland depends on the number of installations. For 2018 an average of 27 installations is foreseen, implying a fixed cost of € 334,758 for the year,

Litigation

In a number of countries in which MSF-Holland implements projects, litigation procedures are pending. MSF-Holland maintains a litigation register. In these Financial Statements, provisions are made for a total of € 70,000 (2016: € 70,000). Based on legal advice obtained and the provisions made, we do not expect that any further significant financial liabilities will arise out of these procedures.

Taxation

In the instable environments in which we work tax and regulatory legislation is subject to varying interpretations, and changes, that can occur frequently. The relevant local governments or authorities may challenge our interpretation of such legislation as applied to programme activities and the associated transactions. As a result additional taxes, penalties and interest may be assessed. Under these volatile circumstances, fiscal periods for review may remain open for longer periods.

As at 31 December management believes that its interpretation of the relevant legislation is appropriate. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Financial Statement. In these Financial Statements, provisions are made for a total of € 819,645 (2016: € 358,374). Based on legal and fiscal advice obtained and the provisions made we do not expect that any further significant financial liabilities will arise out of our positions taken.

4 Accounting Policies

“TB bacteria are very smart. What we want is a combination of drugs that destroy bacteria at every stage of their life cycle, that kill them as soon as they ‘wake up’!”

Anita Mesic

Doctor and medical specialist for TB, AIDS and hepatitis

▲ MSF's dr Samreen Hussain (middle) with her colleague of the Ministry of Health (right) and MSF's counsellor Zaira Gakayeva (left) are looking at a patient's X-rays. In Grozny MSF cooperates with the local health authorities in the treatment of patients with extreme resistant Tuberculosis. Chechnya, 2017.

These Financial Statements have been prepared in accordance with Dutch Civil Code, Title 9, Book 2, and in particular with the Guideline 650 for the Reporting of Fundraising Institutions (revised 2016), as published by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) in October 2016. These Financial Statements are prepared on an accrual accounting, historical cost basis in accordance with the accounting principles of matching and prudence consistently applied and fairly presented and as further explained below. The valuation principles and method of determining the result are the same as those used in the previous year.

Assets and liabilities are accounted for at historical costs and unless stated otherwise are shown at the value they were acquired or incurred. Expenditure and income are allocated to the period to which they relate and in accordance with the principles below.

Foreign currency and currency translation differences

These Financial Statements are presented in euro, which is the functional and reporting currency of MSF-Holland. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency based on the closing exchange rates at balance sheet date. Non-monetary assets (inventory) valued at cost in a foreign currency are translated at the exchange rate at the transaction date. Translation differences resulting from settlement and conversion are processed through the Statement of Expenditure and Income in the period that they are realised. Transactions denominated in foreign currencies are translated at the exchange rates prevailing at the transaction date.

Operational leasing

MSF-Holland has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of, nor incurred by MSF-Holland. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the Statement of Expenditure and Income for the duration of the contract.

Cash flow statement

The Cash Flow Statement has been prepared according to the direct method in order to provide better insight into the flows of funds of MSF-Holland and the MSF-sections. Cash flows denominated in foreign currencies have been translated into euro at the exchange rate prevailing at the transaction date.

4.1 Accounting policies on the valuation of assets and liabilities

Intangible assets

Acquired intangible assets are recognised if they yield measurable economic benefits for the organisation over several years. In these Financial Statements software is recognised as intangible assets. Intangible assets are recognised at historical costs less depreciation. Intangible assets are valued at acquisition cost or at production cost, at most, less depreciation. Operating systems are capitalized as part of the hardware they belong to. Intangible assets are depreciated taking into account their estimated useful life but not exceeding a five-year period.

- Software is depreciated applying the straight-line method at a rate of 20%.

On the balance sheet date, management assesses and establishes whether intangible assets may be subject to impairment. Impairment losses may lead to additional write-offs that will subsequently be charged to the result of the period. At balance sheet date no impairment was applied.

Tangible fixed assets**Land**

The plot of land forming part of Plantage Middenlaan 14, Amsterdam is valued at fair value. In these financial statements, the plot is initially recognised according to market value with value reference date 31 December 2017 and as established by an independent valuator. The value includes non-refundable transaction taxes. The plot of land is in own use and held as operating asset. Land is not depreciated. Land will be tested for value impairment

every three years. The next value impairment evaluation will be as at 31 December 2020.

Building

The building forming part of Plantage Middenlaan 14, Amsterdam, is valued at actual acquisition price, added non-refundable transaction and less depreciation. Future investments in the building may be added to the actual cost price. Depreciation is calculated according to the straight-line method based on expected economic life and considering an expected residual value at the end of the useful life.

- The useful life of the building is set at 30 years and with a residual value of NIL.
- The building is depreciated applying the straight-line method at a rate of 3.33%.
- At balance sheet date, based on general developments in the local (Amsterdam) real estate market there were no indications for impairment of the office building.

Operating assets

Operating assets comprise of furniture, fixtures and IT-hardware. Subsequent to initial recognition, operating assets in use are valued at acquisition or production cost less accumulated depreciation and impairment. Depreciation is calculated according to the straight-line method based on expected economic life and considering the expected residual value at the end of the useful life.

- Operating assets are depreciated applying the straight-line method at a rate of 20%.
- At balance sheet date based on market conditions there were no indications for impairment of operating assets.

Impairment

On the balance sheet date, for each category of assets, management assesses and establishes whether there is objective evidence that a tangible fixed asset or a group of tangible fixed assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the statement of expenditure and income. Impairment losses may lead to additional write-offs that will subsequently be charged to the result of the period.

Fixed assets in used in the project countries

Purchase costs of tangible fixed assets used in the project countries are expensed to project costs. After completion of the projects these assets are generally transferred to the beneficiaries. MSF-Holland does not own any real estate in the countries in which emergency aid projects are carried out.

Assets held for sale

Real estate held for sale is valued at fair value in the current real estate market. The annual property tax value assessment is used as the basis for this valuation. On the balance sheet date management assessed that the property held for sale was not impaired.

Financial Assets

Financial Assets on the balance sheet concern loans and other receivables that will be held to maturity. As there is no open market these financial assets are recognised at the redemption value and, if lower at fair value and subsequently at amortised cost. If the fair value as at balance sheet date is lower than the redemption value, the difference is recognised in the Statement of Expenditure and Income.

Inventory

Stocks centrally held in the Netherlands are stated at average historical cost or lower realisable value. In determining the realisable value the obsolescence of the inventory is taken into account. The costs of the stocks are expensed to the emergency aid at the time they are shipped to the project countries. The cost price of the stocks is calculated based on average costing while the movement of physical stock is according to the first-in-first-out principle and first-expiry-first-out principle for medicines. The costs incurred in order to bring the inventories to their current location are included in so far these can be attributed directly.

An estimated value of the medical stocks held in the project countries is explained in text in the notes to these Financial Statements under the header Inventory.

Accounts receivable

Receivables are recognised initially at fair value subsequently measured at amortised cost. When a receivable is uncollectable it is written off against the allowance account for receivables.

Cash at bank and in hand, cash equivalents

Cash at bank and in hand is carried at nominal value. Cash at bank and in hand represents the balances of all accounts held for head office and projects, both in the Netherlands and abroad, and deposits with terms of less than twelve months. Cash and bank balances denominated in foreign currencies are valued at the exchange rates prevailing at year end date.

Pensions and pension provision

MSF-Holland has a number of pension schemes to which the provisions of the Dutch Pension Act are applicable. Premiums are paid on a contractual basis. Premiums are recognised as personnel cost when they are due. Contributions due but not yet been paid are presented as liabilities. Such pension schemes apply to employees for which the provisions of Dutch labor law apply.

- (A) As of 1 January 2013 a pension scheme for employees was entered into with a Premium Pension Institution (PPI). All contributions have been paid in full. In this pension scheme employees accrue a pension capital by investing the monthly available premium that is fully paid by MSF-Holland. The premium is based on the career average system (middellood pensioen staffel) with a maximum build-up of 1,875%. The accrued invested pension capital is designated for the purchase of a retirement pension and partner pension at retirement age. Under this pension plan employees by default invest in SRI-funds. Within statutory limitations employees have full freedom to alter their investment profile. The investment risk is fully with the employees. A 2% indexed survivors pension is part of the pension scheme.
- (B) The pension schemes set up for the employees and valid until 31 December 2012 have been based on a career-average plan with conditional indexation. All schemes have been placed with a life insurance company and, in view of the nature of the contracts with the insurer, future obligations are unlikely to arise from these pension schemes. This means that MSF-Holland's commitment towards its employees, under the former insurance contract concluded with the life insurance company, are limited to the contributions paid to the insurance company. All contributions and agreed settlements have been recognised in full.

MSF-Holland does not have any pension plan for national staff in mission countries. At balance sheet date there were no pension provisions.

Reserves

Reserves are divided in continuity reserves held to ensure the unimpeded implementation of emergency aid projects and other reserves. Reserves are held to provide working capital, to finance assets and future investments and to fund (sudden) emergency aid projects. In accordance with policies agreed within the network Médecins Sans Frontières continuity reserves are held at a level of around 4.5 months of operational expenditures while the total of reserves should not exceed the level of 12 months of operational expenditures. Within the continuity reserves a risk based buffer capital is provided for.

Restricted funds

Restricted funds are held for donations for which the donor designated the use and which could not be spent in the reporting period or were intended to be spent over a longer period. Donor restricted funds are assessed regularly.

Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is likely that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured at the most likely amount that is necessary to settle the obligation as per the balance sheet date.

Provision have been formed for the liabilities existing on the balance sheet date in respect of the planned closure of emergency aid projects and the associated severance payments due to personnel. Furthermore, a provision has been formed for the settlement of payroll taxes in a project country.

A provision for major maintenance of the office building is not yet formed. This will be considered after completion of the renovation works in 2019.

Liabilities

Current and long-term liabilities are recognised initially at fair value subsequently measured at amortised cost price which usually is the nominal value.

Financial assets and liabilities

Unless explicitly disclosed otherwise, the fair value of the financial assets, receivables, cash and liabilities approximates the carrying amounts given the mid to short term nature of the claims and that, where necessary provision for bad debts are formed.

Events after the reporting period

An event after the reporting period is disclosed when it results in significant commitments or downward revaluation of assets. In these Financial Statements no significant events occurred after the reporting period which should be included.

4.2 Accounting policies on the expenditure and income

In 2017 cost allocation keys have not been changed. The cost allocation keys are consistently applied within the network Médecins Sans Frontières.

Emergency aid costs

Costs of emergency aid relate to the costs of the aid projects undertaken by MSF-Holland. This concerns any on-site costs incurred by the projects, as well as the costs of medical and logistic personnel posted and the costs of relief supplies bought via head office and transported to the projects.

Relief supplies purchased through head office are expensed to the projects at the time they are sent to the project country. Supplies delivered to the warehouse and being readied for transport are accounted for as project-related stocks and are included in the Balance Sheet. Outstanding orders for purchases are not included in the accounts. Outstanding orders are internally reported as budget commitments.

Grants provided to third parties

Grants issued to third parties are stated as costs on the awarding date.

Programme support costs

Costs of programme support relate to the costs incurred by head office for the direct support of aid projects managed by MSF-Holland. Relevant costs include costs of departments handling the provision of medical advice, handling the purchase of project supplies, and the recruitment and posting of staff. The costs of the Operations Director and the Medical Director are included in this category.

For aid projects in a number of countries, programme support activities have been (partly) outsourced to the sections with which MSF-Holland works collaboratively. The costs of the activities outsourced to support the projects directly in MSF-Germany and MSF-UK are reported in chapter 6, Partnerships. These costs are not included in the Statement of Expenses and Income.

Information and awareness raising costs

Costs of information and awareness raising relate to the costs of advocacy within the framework association goals. The primary purpose of advocacy is to increase the public's awareness and to bring about a change of attitude and conduct.

The allocation of costs for information and awareness raising and the categories stated below are amongst others based on the following basis:

- 50% of the costs of the donor periodical Artsen zonder Grenzen Magazine go to information and awareness raising and 50% to the costs of acquiring income (fundraising).

Cost of acquiring income

The cost of acquiring income relates to all costs of activities with the direct or indirect purpose to encourage people and institutions to donate money or time and attention for one or more goals of the Association. Apart from costs that can be attributed directly, the following cost allocations are applied:

- 50% of the costs of the donor periodical Artsen zonder Grenzen Magazine have been allocated to fundraising costs and 50% go to information and awareness raising;
- The bank costs which correspond to specific fundraising activities are included in this category;
- The automation costs related to the registration and communications with (potential) donors are included here as well;
- The costs of acquiring government grants are included in so far as these costs were made at head office. This particularly concerns part of the personnel costs incurred in the project administration department.

Management and administration costs

Management and administration costs relate to the costs made for directing and managing the organisation. The costs of recruiting personnel to work at the head office and also the costs of performing general financial administration, planning and control, the general legal expenses, as well as the costs of the Board and the Association are included in this category.

Overhead costs relate to the costs of facility support for housing, ICT, general insurances and other office facilities and include depreciation costs, with the exception of the depreciation costs of the donor database which are included in the costs own fundraising.

The table on the next page describes how the main Management and administration costs are allocated by MSF-Holland.

EXPENDITURES	Management & administration	Overhead	Explanations
Board and Association	100%	-	
General Director, Director Resources, Delegate Director	100%	-	The Medical Director and Director Operations are attributed to programme support
Heads of department Finance and HRM	100%	-	
Administrative support to all directors and all heads of department	100%	-	
ICT at head office	-	100%	Including integrated services that are delivered to and for Emergency aid projects
Housing, facilities and office materials and supplies	-	100%	
Head of department Program Management Office, PMO officer, general costs	-	100%	Expenses of improvement projects are directly attributed to the relevant category
Head of department Learning & Development	50%	-	Other 50% to programme support
Reporting analytics, information management, data privacy functions at head office	-	100%	
Control, internal audit	100%	-	
Website development and maintenance	-	100%	
Annual report, corporate communication	100%	-	
Bank costs	100%	-	Bank costs related to fundraising activities are allocated to cost of acquiring income
Financial administration	100%	-	
Emergency aid projects administration at head office	-	-	To programme support
Head office staff salary and personnel contract administration	100%	-	
Salaries and personnel costs	Pro rata	Pro rata	As much as possible attributed to actual deployment
Depreciation	-	100%	Depreciation for assets deployed in emergency aid projects is indirectly attributed to Emergency aid
General insurances	-	100%	
Audit costs	100%	-	Including auditors costs for grants towards emergency aid projects or programme support functions
Costs of settlement and administration of acquired inheritances	-	-	All to cost acquiring income including their direct legal expenses
Legal counsel	50%	-	Other 50% to programme support
Legal (external advice) expenses head office	100%	-	Costs of document legalisations are directly attributed to Emergency aid
Contribution to general costs MSF-International	100%	-	Costs of document legalisations are directly attributed to Emergency aid

Personnel costs, overhead costs and allocation

Personnel costs (salaries, social security contributions, pension premiums etc.) for staff employed in emergency aid programmes are presented as separate items in the Statement of Expenditure and Income.

Personnel costs at head office are divided over the main expenditure destinations and the Overhead to be attributed in proportion to the number of allotted full-time equivalents (FTE) of personnel at head office. After the allocation of personnel costs the overhead costs are attributed in the same way to the different destinations. Note 2.7 in these Financial Statements explains the divisions of these costs after the allocation of the personnel costs.

All salaries, wages and social security contributions are charged to the Statement of Expenditure and Income based on the terms of employment when they are due to employees and the tax authorities respectively. For pensions the premium payable during the financial year is charged to the result. See under Pensions above.

Donations

Direct donations from the public, from companies and from not-for-profit organisations are recognised as income upon receipt. Donations and gifts for which the use is designated by the donor (or, in the case of a legacy or bequest, by the donor's will) to specific purposes, or is restricted in time, or is required to be invested and retained rather than expended, are designated "earmarked income". Other income earned from restricted revenues such as interests earned from the investment of restricted funds is also considered as restricted with the same designation as the original funds, unless otherwise specified by the donor.

Inheritances

Inheritances are recognised on an accrual basis for the estimated value based on the available documentation relating to an inheritance. Adjustments to valuations are made on developments and finally at the time of receipt of settlement of the inheritance.

Membership fees

Membership fees are not obligatory. Any membership fees from members of the Association are accounted for on a cash basis.

Grants from individuals, companies and not-for-profit organisations

Grants from individuals, companies and not-for-profit organisations are recognised as income in the respective sub-categories in the same year as the related project expenditure can be declared to the donor.

Income from lottery organisations

Income from lottery organisations concerns income from the **National Postcode Lottery**. Income from the **National Postcode Lottery** is recognized at the time of the allocation. The proceeds from the **National Postcode Lottery** are based on contracts and on contractually valid financial regulations. As an exception of the above principle, the contribution from the **National Postcode Lottery Dream Fund** is accounted for as income in the Statement of Expenditure and Income for the maximum eligible costs as incurred in the book year.

Grants and income from MSF-sections

Project grants allocated to MSF-Holland and the subsequent budgetary obligations arising from grants from within the network Médecins Sans Frontières are shown in the Balance Sheet from the contract date. These grants are accounted for as income in the Statement of Expenditure and Income for the maximum eligible costs according to the contract and as incurred in the book year.

Grants and income from institutional donors

Project grants from governmental institutions awarded to MSF-Holland and the related budgetary obligations are shown in the Balance Sheet from the contract date. These grants are accounted for as income in the Statement of Expenditure and Income in the same year as the related project costs can be declared to the donor.

Interest income

Interest income is recognised on a pro rata basis.

Donations in kind

Donations in kind received are not recognised as income and/or expenditure. Donations in kind are disclosed for information purposes in the explanatory notes in the Statement of Expenditure and Income as far as they concern goods that are essential to MSF-Holland to be able to execute our aid projects and, had they not been made available to us, would have been purchased. An explanation is given regarding received donations in kind for which a reporting obligation is required. An estimated total of the current purchase price of the received goods is shown in these Financial Statements. Donations from other MSF-sections are not included in the explanatory notes.

5 Financial Risks



© Alexandra Malm/MSF

“I’m a ‘flying’ aid worker; that means I’m engaged in mental healthcare for four different projects. I’m committed to the psychological well-being of people in one of the poorest countries on earth. Conflict, sexual violence, hunger and disease cause a great deal of suffering here.”

Jitske Rullmann

Psychosocial aid worker in the Central African Republic

▲ 6-year old Nyajinma was bitten by a snake as she was sleeping. Her mother carried her for an hour and a half to the nearest health centre only to discover that no treatment was available. The girl was referred to the MSF hospital in Agok where she immediately received two doses of antivenom. South Sudan, 2017.

Our operational and fundraising activities result in exposure to a variety of financial risks. MSF-Holland has identified the following financial risks: credit risk, concentration risk, interest rate risk and foreign currency risk. Management policies have been established to identify and monitor these risks, and to set appropriate risk mitigation measures.

MSF-Hollands assesses its overall risk appetite to financial risk as risk-averse, avoiding risk and uncertainty. For the foreign currency risk exposure, the risk appetite is cautious, preferring safe options that have a low degree of risk but accepting that with working worldwide some uncertainty may be expected.

Furthermore, financial risk exposure may arise from tax and regulatory legislation, which in the instable environments in which we work is subject to varying interpretations, and changes, that can occur frequently. In our programmes we accept a minimal up to cautious level of risk towards local (tax) law and regulations. Where management has assessed it is probable that a position on the interpretation of relevant legislation cannot be sustained, an appropriate amount has been included in the provisions in these financial statements.

Financial risk management is carried out in accordance with our treasury policy. The written principles and policies are reviewed annually by the Audit Committee. In our risk management activities non-financial risks are also reviewed; more information on those can be found in our Annual Report and the Board Accountability Statement.

5.1 Credit funds and concentration risks in euro thousands

Credit fund risks are primarily associated with the cash and cash equivalents we hold at financial institutions and to some extent from receivables relating to our institutional donor grants.

Cash balances held in Amsterdam are held at a minimum of 80% with banks that have a credit risk rating of at least 'A-', as rated by an acknowledged rating agency. In accordance with our treasury policy smaller maximised cash balances are held with banks that have a credit risk rating of BB+ and BBB+. In our projects cash balances are held to an operating minimum. Risk is mitigated by assessment of the available financial institutions and by planning the frequency of cash transfers to our projects in line with payment patterns. Since the end of 2015 we have a credit risk exposure for one bank in the Democratic Republic of Congo to a total amount of USD 45,801 due to pending bankruptcy.

Cash and cash equivalents held in Amsterdam are spread over five banks: ABN AMRO, ASN Bank, ING, Rabobank and Van Lanschot. Although we aim to avoid

significant concentration of our exposure to a single financial institution, currently about 70% (2016: 69%) of our funds are held at ABN AMRO. As at 31 December 2017 approximately 56% of the shares of ABN AMRO were state owned. The 3-year cash management agreement with ABN AMRO started 1 January 2017.

The development of the savings deposits over a period of five years is shown below. The realised interest per year is also shown. MSF-Holland has no investments and its main savings deposits are held in euro. Subsequently there are no investments or exchange results included in this overview. In 2017 the investment policy for MSF-Holland has been finalised and adopted by the Board. In view of the market conditions it has been decided not to invest at this time.

With the shifts in funding of our emergency aid and the increased investment in operating assets, cash and cash equivalents have diminished at year end and on average during the year, thus reducing our liquidity risk exposure.

Credit funds savings deposits	2017	2016	2015	2014	2013
Balance as at 1 January	78,711	136,613	113,875	92,198	81,945
Balance as at 31 December	83,459	78,711	136,613	113,875	92,198
Movement during the year	4,748	-57,902	22,738	21,677	10,253
Net result cash at bank (income from interest)	193	392	918	1,058	1,371

Our exposure to institutional donor grants credit fund risk has remained immaterial as the amount of institutional income was kept at approximately 2% of total income. At the end of 2017 no provisions related to institutional donor grants credit risk were required.

5.2 Interest risks

Interest income is received on the cash balances based on market rates for the corporate sector. It is our intention to safeguard capital preservation and to earn a reasonable interest income using plain instruments that guarantee the principal amount such as bank deposits and money market fund investments that are governed

by our treasury policy. In 2017 bank savings deposits and short term currency deposits (for the US dollar) were used. The estimated realised interest over a period of five years on the average of the savings deposits as shown above was as follows:

	2017	2016	2015	2014	2013
Percentage of interest received on the average of savings deposits	0.2%	0.4%	0.7%	1.0%	1.6%

The interest realised is in line with market interest rates but not sufficient to ensure capital preservation in real terms and to make up for inflation. Although inflation in the euro zone was around 1.4% over 2017, average inflation world-wide and specifically in the countries where we work is higher. As banking policies towards

corporate savings stay restrictive interest income stayed low in the short term. Based on the current agreements with the banks and the distribution of savings we expect realising a minute increase in interest rates on our savings accounts in 2018.

5.3 Foreign currency risk in euro thousands

As we operate internationally we work with multiple currencies on a daily basis. Income from MSF-sections is realised in euro, pound sterling, the US dollar, the Canadian dollar, Swedish kroner and other currencies and does not necessarily match our expenditure which is largely in euro and the US dollar. These are in turn converted into other currencies as applicable in our project countries. Our foreign currency exposures relate mainly to project funding grants, purchasing of medical goods, and payments that are denominated in currencies other than our functional currency: the euro.

We manage our foreign currency transaction risk from the point of view that the foreign currency incomes largely represent a natural hedge in comparison to our expenditure. Balances held in other currencies than the euro or US dollar are as much as needed exchanged into US dollar. The majority of our income is in euro and in US dollar or US dollar pegged currencies. In 2017 84.1% (2016:

86.2%) of the expenditure in US dollar was covered by income in the same currency which lessens the impact of foreign currency risk exposure. Foreign currency needed in our project countries is as much as possible purchased centrally while balances are kept to a minimum. In 2017 about 36.9% (2016: 36.1%) of the total expenditures were in euro. A total of approximately 86 million US dollar was used for payments and transfers to project countries. In project countries part of these US dollars were exchanged into local currencies. About 20.0% (2016: 20.3%) of the total expenditure was in US dollar. Various other foreign currencies make up the remainder of 43.7% (2016: 43.1%) of the total expenditures. In 2017 MSF-Holland did not use financial instruments to control currency risk on various foreign currencies.

The exchange results over a period of five years compare as follows:

	2017	2016	2015	2014	2013
Realised exchange results from transactions in non-euro currencies	-153	1,574	-1,247	108	-1,185
Unrealised exchange results from transactions in non-euro currencies	-1,820	18	1,084	1,561	-650
Total exchange result from transactions during the year	-1,973	1,592	-163	1,669	-1,835
negative amounts represent exchange losses					

Foreign currency risk on the balance positions

A sensitivity of 2.5% strengthening or weakening of the euro as at 31 December 2017 against our main contract currencies would have increased (decreased) our end of year result by the amount shown below. The sensitivity of the currency valuation in this overview affects the unrealised exchange results as stated in the table above and takes into account the cash and bank position and the receivable and payable positions.

Compared to 2016 the total exposure decreased from € 39.3 million to € 23.2 million. This is primarily caused by the much lower receivables from MSF-Sweden in Swedish kroner, MSF-UK in pound sterling and MSF-USA in US dollar. The relatively high receivable of the US dollar and the inherent currency exchange risk is short-term. The overall balance in US dollar remains high as this is a principle currency used in our projects.

Currency	FX balance sheet exposure in currency at 31-12	Exchange rate at 31-12	FX balance sheet exposure in euro at 31-12	Strengthening	Weakening
AUD	-263,865	0,6516	-171,934	-4,298	4,298
CAD	1,627,555	0,6649	1,082,161	27,054	-27,054
CHF	-1,043,136	0,8546	-891,464	-22,287	22,287
DKK	601,368	0,1343	80,764	2,019	-2,019
GBP	6,081,840	1,1271	6,854,842	171,371	-171,371
HKD	380,288	0,1067	40,577	1,014	-1,014
JPY	-5,789,555	0,0074	-42,843	-1,071	1,071
NOK	-235,717	0,1016	-23,949	-599	599
SEK	12,384,779	0,1016	1,258,294	31,457	-31,457
USD	17,982,886	0,8338	14,994,130	374,853	-374,853
			23,180,578	579,513	-579,513

Foreign currency risk on operational expenses and result

As in 2015 and 2016 exchange rate developments had a noteworthy impact on our expenditure on emergency aid as well as our income. At the end of 2016 we anticipated that the main exchange rates would fluctuate in the same bandwidth in 2017. Mainly the US dollar, which is the currency with the highest impact on our income and expenditure, developed substantially different with an initial revaluation followed by a steep devaluation to the euro as from mid-2017. Furthermore, some of our local currencies showed more fluctuations. In 2017 the main impact on the euro value of the expenditure on emergency aid was caused by substantive local currency devaluations in Ethiopia (ETB), Uzbekistan (UZS) and Yemen (YER). As a result, expenditure on emergency aid was tempered by an estimated € 11.5 million. Realised income from the MSF-sections and from institutional

donors ended approximately € 4.6 million lower due to the exchange rate effects. The share of the US Dollar accounted for an estimated € 2.5 million of the lower income. For the short-term we remain of the view that the main exchange rates as they have developed in 2017 will remain volatile and have taken this as starting point for our budgeting scenarios with taken year-end 2017 rates as the basis for our forward financial planning (see Annex 1, Forward statement).

Result Sensitivity

The sensitivity analysis illustrates the estimated impact of the various changes and trends on our income, emergency aid expenses and the result, as well as the possible impact of exchange rate and interest development. In the forward financial planning and the budgeting for 2018 this sensitivity analysis is taken into account in the decision making.

Sensitivity analysis	Change	Estimated impact	On	Assumption
Income, total	+/- 5%	± € 14,9 million	result	No change in planned expenditure
Income, from MSF-sections	- 5%	- € 10,7 million	result	Consolidation with some level of uncertainty
Emergency aid expenditure	- 5%	- € 13,5 million	result	No change in income and continuation of trend
USD	+/- 10%	± € 0,1 million	result	Stable income from MSF-USA and MSF-Hong Kong, no change in cost base emergency aid
GBP	+/- 10%	± € 2,5 million	result	Stable income from MSF-UK no change in cost base
Other operating currencies	+/- 5%	± € 4,6 million	result	No change in cost base emergency aid
Interest rate	+ 100bp	+ 0,1 million	result	Average interest percentage received increases to 0.3%

6 Partnerships



“We built a plant to pump and treat water from the Nile, providing 2.7 million litres of water a day, safe for drinking and other uses. You saw the queues for the water supply points getting shorter.”

Vanessa Cramond

Medical emergency aid coordinator in Uganda

MSF-Holland is a member of the international network of Médecins Sans Frontières, in which 24 institutional members (MSF-sections) and a number of associated entities are active. All MSF-sections are united in the Swiss-based association Médecins Sans Frontières International. Every MSF-section is an independent economic and legal entity. The association Médecins Sans Frontières International can make decisions that, in practice, are binding to the individual organisations. The association Médecins Sans Frontières International oversees the organisation's objectives and identity, promotes mutual cooperation, and coordinates the growth of the associated organisations and the sharing and allocation of available resources.

The cooperation within the international network Médecins Sans Frontières is a continuous and structural partnership, although none of the participating entities can be viewed as a formal principal. Consequently there is no formal obligation to draw up consolidated accounts. Annually the MSF-network publishes audited Combined Financial Statements. The 2017 Combined Financial Statements are published after publication of the MSF-Holland Financial Statements and can be viewed at <http://www.msf.org/international-financial-reports>. The anticipated publication date is 22 May 2018.

▲ A refugee from Kajo Keju has just arrived in Palorinya refugee camp. Thousands have fled here from neighbouring South Sudan after fighting erupted, bringing only what they can carry. Uganda, 2017.

6.1 Médecins Sans Frontières international network

The association Médecins Sans Frontières International is governed by the International Board, which in turn is supervised by the International General Assembly. MSF-Holland is an institutional member. The association Médecins Sans Frontières International also has private members. More information can be found on www.msf.org/msf-movement.

- MSF-Holland appoints two of the 48 institutional delegates of the General Assembly of the Association Médecins Sans Frontières International.

- The annual contribution to the expenditures of the MSF-International office is based on the private income from the previous year. In 2017, MSF-Holland's share was 5.53% (2016: 5.74%) of the total expenditures of the association Médecins Sans Frontières International. In 2017 the contribution totalled € 1,110,486 (2016: € 846,700).

In 2016 the expenditure of MSF-Holland was 18.9% (2015: 18.3%) of the total expenditure of the MSF-network combined.

6.2 Operational Centre Amsterdam partnership

MSF-Holland works together with the MSF-sections in Germany and the United Kingdom in a collaborative partnership. These MSF-sections contribute, each in their own way, actively to the supervisory function, policy setting and to the executive level of the Association MSF-Holland. The collaboration in the Operational Centre Amsterdam (OCA) only concerns the execution and the programme support of emergency aid. There is no formal private organisation constituted.

The OCA is governed by a Memorandum of Understanding that is signed by the Board of MSF-Holland, together with the Boards of the MSF-sections in Germany and the United Kingdom as primary partners. Together they have established a supervisory umbrella organ: the OCA-Council. The OCA-Council has six voting members, three co-opted non-voting members designated from MSF-Canada, MSF-Sweden and MSF-South Asia and a co-opted non-voting member with strong financial expertise.

- The Board of MSF-Holland delegates two of its members to the OCA-Council. The president of MSF-Holland is one of the delegates. Both are mandated voting members;
- The treasurers of the OCA-partners plus the treasurer of MSF-Canada are members of the Audit Committee that is chaired by the MSF Holland treasurer;

- The chair of the Audit Committee is a non-voting member of the OCA-Council;
- The OCA Council approves the medical and operational strategic plan for the OCA and approves the operational annual plan, including the annual plan of the programme support departments;
- At the executive level, the General Directors of MSF-Germany and MSF-UK actively participate in the day-to-day management of the project execution. Together with four members of the MSF-Holland Management Team they form the OCA Management Team. The General Director of MSF-Holland is the chair of the OCA Management Team;
- The management of the MSF-section's office organisations and private fundraising activities are run by the individual MSF-sections.

In the total of MSF-Holland's costs for programme support that are disclosed in note 2.3 of these Financial Statements, the costs of activities that are carried out by MSF-Germany and MSF-United Kingdom are not included. These costs will be shown in their financial statements. The costs and FTE usage including outsourced activities are as follows:

in euro thousands	2017	2016	FTE 2017	FTE 2016
MSF-Holland programme support costs	23,182	20,172	214	189
Costs outsourced activities MSF-Germany	1,780	1,510	22	18
Costs outsourced activities MSF-United Kingdom	2,430	2,634	19	22
Total programme support costs	27,392	24,316	255	229
<i>(as a % of the total spent on Association goals - policy standard is 8%-10%)</i>	<i>9.7%</i>	<i>9.3%</i>		

6.3 Contributions

- In 2017 MSF-Holland contributed € 298,767 (2016: €291,825) to the MSF-International campaign Access to Essential Medicines. In 2017 the share of MSF-Holland was 5.53% (2016: 5.74%) of the expenditure of the campaign.
- In 2017 MSF-Holland contributed € 221,200 (2016: €229,600) to the grant of MSF-International to the Drugs for Neglected Diseases initiative (DNDi). MSF-Holland's contribution represented 5.53% (2016: 5.74%) of the total grant of MSF-International to DNDi.
- In 2017 MSF-Holland contributed € 2,414,758 (2016: € 2,395,631) to MSF-India. MSF-Holland established MSF-India in 2013 on behalf of MSF-International. MSF-Holland has committed to support MSF-India in developing its governance and management, and to provide financial support for the coming years. The strategic plan and the annual budget of MSF-India are approved by MSF-Holland. Based on the approval the contribution for the year is set. For 2018 a contribution of € 2,800,000 is conditionally committed.

6.4 International financial cooperation

Within the network Médecins Sans Frontières a Memorandum of Understanding has been established for the period 2016-2019 regarding the division of fundraising revenue that is available for aid projects after the deduction of costs for offices and the contributions to MSF-International in order to proportionally distribute the total income from the MSF-sections to the five operational centres.

Share of net income to MSF-Holland	2016-2019	Contract Currency
MSF-Canada	40%	CAD
MSF-Germany	70%	EUR
MSF-United Kingdom	70%	GBP
MSF-Hong Kong	30%	HKD
MSF-United States	16%	USD
MSF-Sweden	20%	SEK

The financial agreement 2016-2019 includes further agreements on the amount and location of the financial reserves of the MSF-sections. The bandwidths for the growth of the expenditures on emergency aid projects and support structures are also included in the agreement.

Other agreements

- The terms of employment and the remuneration structure for expatriate personnel have been aligned to both the ratio of the country of permanent residence cost of living as well as the social security standards.

- All posted staff are insured and covered by a worldwide health and disability insurance policy.
- A worldwide Directors and Officers liability insurance has been taken out covering all MSF-entities, including the Ethical Review Board.
- A worldwide medical malpractice liability cover has been arranged that covers all MSF-sections. Based on its operational volume MSF-Holland contributes 25% towards the premium of that cover.

6.5 Combined Financial Statements

The MSF-network has published Combined Financial Statements since 2003. The Combined Financial Statements 2017 will be published after the publication of the MSF-Holland Financial Statements. The anticipated publication date is 22 May 2018. The Combined Financial Statements are audited against Swiss GAAP-FER.

The Combined Financial Statements for 2016 are accompanied by an unqualified opinion issued by *KPMG SA* and *Ernst & Young SA*, Geneva, Switzerland. The Combined Financial Statements can be found on MSF-Holland's website www.artsenzonderegrenzen.nl or www.msf.org.

7 Other Information



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“The fighting may have stopped, but people are still getting hurt. It’s heartbreaking to see that people who have experienced the fighting, who have lost so much and had to flee are still in so much danger. Our medical teams are on hand to provide surgical help.”

Craig Kenzie

Project coordinator in Syria

The Financial Statements are prepared by the management of MSF-Holland. On the condition of obtaining an unqualified opinion of the independent auditor the Financial Statements were unanimously adopted by the Board of the Association MSF-Holland in its meeting of 9 May 2018. The Financial Statements will be presented for approval to the General Assembly to be held 1 June 2018.

Amsterdam, 9 May 2018

The Association Board and the General Director

▲ Khairiya, 77-year old, is suffering from diabetes. In Irbid MSF runs a non-communicable diseases project with two clinics, providing medical treatment for Syrian refugees and vulnerable Jordanians. Jordan, 2017.



Independent auditor's report

To: the general director and the board of Vereniging Artsen zonder Grenzen

Report on the financial statements 2017

Our opinion

In our opinion Vereniging Artsen zonder Grenzen's financial statements give a true and fair view of the financial position of Vereniging Artsen zonder Grenzen as at 31 December 2017, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

What we have audited

We have audited the accompanying financial statements 2017 of Vereniging Artsen zonder Grenzen, Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the statement of expenditure and income for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

The basis for our opinion

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

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

Independence

We are independent of Vereniging Artsen zonder Grenzen in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

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beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

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

- the management board report;
- financial risks;
- partnerships;
- other information.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

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

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

Management is responsible for the preparation of the other information, including the management board report pursuant to the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

Responsibilities for the financial statements and the audit

Responsibilities of management and the board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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



The board is responsible for overseeing the organisation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be 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 financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 May 2018
PricewaterhouseCoopers Accountants N.V.

Original signed by J.L. Sebel RA

Appendix to our auditor's report on the financial statements 2017 of Vereniging Artsen zonder Grenzen

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional 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 organisation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Annex 1 Forward Statement

“The Pardes Humanitarian Prize in Mental Health is a general recognition of the work of MSF, but in particular a recognition of the needs of our patients and the vital role that psychological aid can play in healing the wounds of people in need.”

Kaz de Jong,

Psychological aid specialist

▲ A mother and her child in the Katana Cholera treatment centre. Before MSF set up the centre, cholera treatment cost around US\$35. Many patients from rural areas around Katana struggled to pay this and therefore had to wait to receive treatment. DR Congo, 2017.

Our Forward Statement of Expenditure and Income is based on the medical and operational ambitions laid out in the OCA Strategic Plan 2015-2019 and the multiyear financial agreements as agreed between the MSF-sections. Following the steep increase in both emergency aid expenditure in previous years, the forward planning cycle was changed into a rolling forecast that is evaluated and agreed twice every year. As a result, budget projections are adjusted regularly allowing better steering of expenditure, income and reserves and cash flow positions.

The forward-looking statements are linked to our strategic medical operational ambitions. By their nature, forward-looking statements relate to future events and circumstances and therefore contain uncertainty, which in particular applies to the income projections. Whereas for a part this is built in, actual results may differ materially from those presented here.

For the period 2015-2019 we have outlined an ambitious medical and operational plan that involves investing in our emergency response capacity and expanding our medical and public health services. At the core of our activities are our staff. We will invest in their capacity and competency as well as in the expected gradual increase in staff numbers in our projects. We will also invest in our support systems to ensure the sustainability of effective and viable emergency aid.

For the years 2018 and 2019 a modest growth is budgeted and projected resulting in deficit spending. Management and Board have agreed to ensure overall reserves will not fall below 5 months of total expenditure and to manage expenditure and income accordingly.

A.1.1 Development of staffing in fulltime equivalents

	Actual 2016	Actual 2017	Budget 2018	Projections 2019	Projections 2020
Expatriate staff	765	780	801	832	862
Office staff Amsterdam	262	306	313	313	313
National staff in projects	8,860	9,879	9,904	10,696	11,552
Total staff	9,887	10,965	11,018	11,841	12,727

A.1.2 Emergency aid development

With emergency aid programmes in 32 countries in 2017, we exceeded our expectation to operate 25-27 missions. We continue planning based on the assumption that each mission will have an average of three regular projects and include an overall capacity of 25% for emergency responses. Increases in staff costs and our medical operational ambitions are expected to result in a growth of expenses not exceeding 8% per year. To enable us to deliver our medical and operational plans and our ambitious increases in private fundraising, we continued improving our management capability and the service delivery of our headquarters' support to the field. The

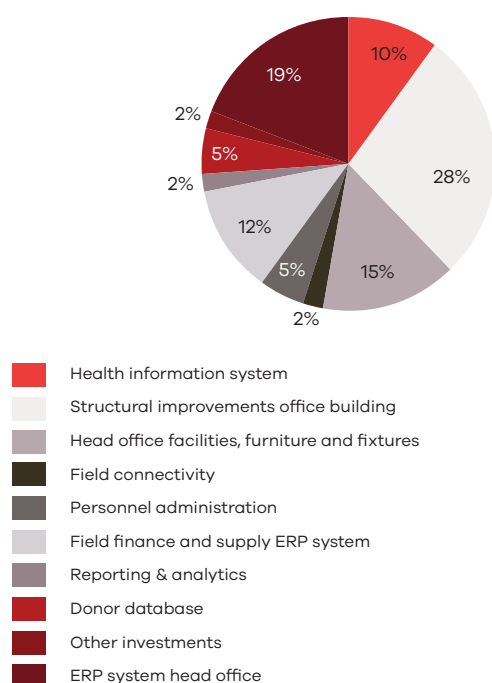
anticipated growth of headquarters based programme support, and management and administration indeed started in 2015 and continued into 2017. As many of the improvement projects started in the course of 2017 and continue in 2018 a slowing down is expected as of 2019. The income is projected to grow at an average of 5% per year in the next years, with the share of income from institutional donors decreasing to about 2% of the expenditure on emergency aid.

A.1.3 Investments

Investments in our support capacity and our systems to increase the effectiveness and efficiency of our operations as envisaged in the OCA Strategic Plan 2015-2019 are well under way. The Health Information System dealing with the increasing complexity of our medical programming which requires accurate and complete patient data to be readily available is expected to be deployed from mid 2018. The build of a new system work replacing the 17 year old ERP system in order to optimise our supply chain, financial accountability and the management of over 10,000 staff is ongoing, however with some delays. The HRM part will be implemented in 2018. The ongoing improvements to field connectivity and

standardisation of automation has progresses well in 2017 and will continue 2018. For the donor database a mapping of requirements was completed. The head office facilities upgrade is fully designed and planned for to be completed early in 2019, in conjunction with overdue maintenance work and structural improvements to the building. In total we expect to invest between € 20 million and € 25 million in support systems and improvement projects during the strategic plan period 2015-2019.

INVESTMENTS 2015-2019



A.1.4 Forward Statement of Expenditure and Income

in euro thousands

EXPENDITURE	Actual 2016	Actual 2017	Budget 2018	Projections 2019	Projections 2020
<i>Spent on Association goals</i>					
Emergency aid	235,465	252,411	260,000	270,400	281,216
Grants provided to third parties	2,705	2,784	2,998	3,000	3,000
Programme support	20,172	23,182	24,919	25,500	26,500
Information and awareness raising	2,621	2,856	3,210	3,500	3,600
Total spent on Association goals	260,963	281,233	291,127	302,400	314,316
<i>(in % of total income - target is > 85%)</i>	92%	100%	99%	96%	94%
<i>(in % of total expenditure - target is > 90%)</i>	95%	95%	94%	94%	94%
Cost of acquiring income	9,239	9,079	9,862	10,552	10,800
<i>(as a % of the total income - target is < 5%)</i>	3.3%	3.2%	3.4%	3.4%	3.2%
Management and administration	5,806	6,671	7,813	8,400	8,700
<i>(in % of total expenditure - target is max 3%)</i>	2.1%	2.2%	2.5%	2.6%	2.6%
Total expenditure	276,008	296,983	308,802	321,352	333,816
<i>(as a % of the total of income)</i>	97%	106%	105%	102%	100%
INCOME					
Income from individuals, companies and not-for-profit organisations	59,549	58,399	60,200	62,000	64,000
Income from National Postcode Lottery	13,500	13,525	13,500	13,500	13,500
Income from National Postcode Lottery Dream Fund	2,533	1,814	0	0	0
Grants from MSF-sections	197,595	199,167	214,135	233,300	251,400
Grants from institutional donors	9,709	6,997	5,685	6,000	6,000
<i>(as a % of the emergency aid expenses)</i>	4%	3%	2%	2%	2%
Other income	276	376	0	0	0
Total income	283,162	280,278	293,520	314,800	334,900
Result from operational activities	7,154	-16,705	-15,282	-6,552	1,084
Net financial income and expenses	1,984	-1,780	100	150	150
RESULT EXPENDITURE AND INCOME	9,138	-18,485	-15,182	-6,402	1,234

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Artsen zonder Grenzen
Plantage Middenlaan 14
P.O. Box 10014
1001 EA Amsterdam
The Netherlands

T +31 20 520 87 00

E info@artsenzondergrenzen.nl

W www.artsenzondergrenzen.nl



@AzG_nl



/noodhulp



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