

Stichting Oikocredit International Share Foundation Financial statements 2019

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Board report

Developments during 2019 and outlook for 2020

Stichting Oikocredit International Share Foundation (OISF or the Share Foundation) is a foundation incorporated under the laws of the Netherlands. It functions as an administrative office (*Stichting Administratiekantoor*) of OIKOCREDIT, Ecumenical Development Cooperative Society U.A. (the Cooperative or Oikocredit) for the sole purpose of issuing Depository Receipts.

The main purpose of the Share Foundation is to provide additional investment opportunities for legal and natural persons who would like to participate in the Cooperative to support Oikocredit's mission through investing, but do not meet the criteria to become Members.

The following persons were members of the board of directors as at 31 December 2019:

Ms A. Austin (Australia)

Mr J. Berezo (Spain)

Mr F.J. Boschert (Germany)

Mr K. Löffler (Germany)

Ms M. L. Hilado Ledesma (the Philippines) stepped down from the board of directors as of 30 October 2019.

Ms A. Austin (Australia) stepped down from the board of directors as of 30 April 2020.

In 2019 the Articles of Association of OISF were amended. One of the main changes concerns the inclusion of two classes of board members in order to mitigate possible conflicts of interest between OISF Board members and Oikocredit. In addition, some other clauses were rephrased to align with practice—for example, the organisation of board meetings and voting.

During 2019, the amount outstanding in depository receipts of the Share Foundation increased by € 5.0 million for which same amount the Share Foundation invested in member capital of the Cooperative.

The Share Foundation financial administration of the issuance of the Depository Receipts and related matters are carried out on behalf of the Share Foundation by the staff of the Cooperative following an outsourcing agreement between the Share Foundation and the Cooperative. In accordance with this agreement, the Cooperative bears the costs for the services provided to the Share Foundation pursuant to the outsourcing agreement. The Share Foundation incurs annual costs including bank and interest charges, audit fees, administration fees, office expenses, exchange rate differences, applicable taxes including taxes in connection with the distribution of dividend or other distributions received on the Shares and sundries.

In 2019 the Share Foundation employed 3 full-time equivalents, all of whom were based in the registered branch in Austria.

Amersfoort, 20 May 2020

F.J. Boschert

J. Berezo

K. Löffler

Balance sheet as at 31 December 2019

(after appropriation of net income)

Notes		31/12/19	31/12/18
		€ ,000	€ ,000
	ASSETS		
	Non-current assets		
	Member capital in the Cooperative	p.m	p.m
	Current Assets		
4	Receivable Stichting Oikocredit International Support Foundation	-	38
	Cash and banks	5,507	12,297
	Total current assets	5,507	12,335
	Total assets	5,507	12,335
	EQUITY AND FUNDS		
1	General reserve	-	(18)
	Result for the year	10	18
	Total reserves and funds	10	-
	LIABILITIES		
	Non-current liabilities		
	Depository receipts	p.m	p.m
	Current liabilities		
2	Payable to investors	1,694	1,715
3	Payable to the Cooperative	3,722	10,585
4	Payable Stichting Oikocredit International Support Foundation	15	-
	Other current liabilities	66	34
	Total current liabilities	5,497	12,335
	Total liabilities	5,507	12,335

P.m: During 2019, the board discovered that the member capital in the Cooperative and the depository receipts of the Share Foundation should not be on balance in the annual report of an administration office (*Stichting Administratiekantoor*), because the entitlement to economic benefits (dividend, value changes) of the shares is with the holders of the depository receipts. The dividend received from the Cooperative and paid to the investors should not be included in the income statement either. The member capital, depository receipts and dividend had been included on balance and in the income statement in the annual report since inception of the Share Foundation. The error has been corrected by restating each of the affected financial statement line items.

Income statement for the year 2019

Notes	2019	2018
	€ ,000	€ ,000
INCOME		
5 Financial support from the Cooperative	-	41
Interest income	1	6
Exchange rate differences	12	(25)
Total income	13	21
EXPENSES		
6 Personnel expenses	-	-
7 General and other expenses	(3)	(3)
Total expenses	(3)	(3)
RESULT FOR THE YEAR	10	18

General information

Description of organisation

OISF offers Depository Receipts for Shares in the Cooperative. OISF is a foundation incorporated under the laws of the Netherlands and functions as an administrative office (*Stichting Administratiekantoor*) of the Cooperative for the sole purpose of issuing Depository Receipts. OISF was established on 10 March 1995 for an indefinite period of time. OISF has its statutory seat and office in Amersfoort and its head office at Berkenweg 7 (3818 LA) in Amersfoort. OISF is registered at the Gooi-, Eem- and Flevoland Chamber of Commerce under number 41190347.

The Cooperative is a cooperative society with excluded liability (*coöperatie met uitsluiting van aansprakelijkheid*) incorporated in the Netherlands and operating under Dutch law. The Cooperative has its statutory office in Amersfoort and its head office at Berkenweg 7 (3818 LA) in Amersfoort. The Cooperative is registered at the Chamber of Commerce under number 31020744. The Legal Entity Identifier of the Cooperative is 724500O951PB3SFR7U57.

The Cooperative was founded in 1975 as an initiative of the World Council of Churches to provide churches and church-related organisations with an investment tool aimed at supporting people in low-income countries.

OISF is a Member of the Cooperative and a special type of a Support Association. The Members of the Cooperative provide the capital for the Cooperative. The main purpose of OISF is to provide additional investment opportunities for legal and natural persons who would like to participate in the Cooperative to support Oikocredit's mission through investing, but do not meet the criteria to become Members. Only the Members of the Cooperative are permitted to hold Shares in the Cooperative. To achieve its purpose, OISF functions as an administrative office (*Stichting Administratiekantoor*) of the Cooperative. OISF conducts no activities other than acquiring and administering Shares in the interest of the Holders (*ten titel van beheer*), issuing Depository Receipts to the Holders and activities directly related to the foregoing.

Accounting policies

General information

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. Assets and liabilities are stated at historical cost, unless specifically stated otherwise.

The financial statements are denominated in euro. The balance sheet and income statement include references to the notes. Income and costs are recognised on an accrual basis. These financial statements have been prepared under the going concern assumption.

Comparative figures

The accounting policies have been consistently applied to all the years presented.

Foreign currencies

The financial statements are presented in euro, which is the functional and presentation currency of the Share Foundation. Management considers the euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Share Foundation measures its performance and reports its results, as well as the currency in which it predominantly receives subscriptions from its investors.

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period in which they arise.

Taxes

The Share Foundation is not liable for paying corporate income tax and value added taxes in the Netherlands.

Correction of errors

During 2019, the board discovered that the member capital in the Cooperative and the depository receipts of the Share Foundation should not be on balance in the annual report of an administration office (*Stichting Administratiekantoor*), because the entitlement to economic benefits (dividend, value changes) of the shares is with the holders of the depository receipts. The dividend received from the Cooperative and paid to the investors should not be included in the income statement either. The member capital, depository receipts and dividend had been included on balance and in the income statement in the annual report since inception of the Share Foundation. The error has been corrected by restating each of the affected financial statement line items.

The restatement is shown in the tables below:

Balance sheet			
	As previously reported 2018	Adjustment 2018	As restated 2018
	€ ,000	€ ,000	€ ,000
ASSETS			
Non-current assets			
Member capital in the Cooperative	230,908	(230,908)	0
Current Assets			
Receivable Stichting Oikocredit International Support Foundation	38	-	38
Cash and banks	12,297	-	12,297
Total current assets	12,335	-	12,335
Total assets	243,243	(230,908)	12,335
EQUITY AND FUNDS			
General reserve	(18)	-	(18)

Result for the year	18	-	18
Total reserves and funds	-	-	-
LIABILITIES			
Non-current liabilities			
Depository receipts	232,624	(232,624)	0
Current liabilities			
Payable to investors	-	1,715	1,715
Payable with the Cooperative	10,585	-	10,585
Other current liabilities	34	-	34
Total current liabilities	10,619	1,715	12,335
Total liabilities	243,243	(230,908)	12,335

Income statement			
	As previously reported 2018	Adjustment 2018	As restated 2018
	€ ,000	€ ,000	€ ,000
INCOME			
Dividends received from the Cooperative	1,980	(1,980)	-
Dividends paid or credited to depository receipt holders	(1,980)	1,980	-
Financial support from the Cooperative	41	-	41
Interest income	6	-	6
Exchange rate differences	(25)	-	(25)
Total income	21	-	21
EXPENSES			
Personnel expenses	-	-	-
General and other expenses	(3)	-	(3)
Total expenses	(3)	-	(3)
RESULT FOR THE YEAR	18	-	18

Member capital Cooperative, depository receipts and dividend

Member capital in the Cooperative

The member capital in the Cooperative and the Depository receipts are off balance sheet items. The investment in member capital in the Cooperative fully relates to the depository receipts. The difference between the two balances is due to the timing of transferring the funds received toward the purchase or redemption of depository receipts toward purchase or redemption of member capital shares. The difference has been added to the balance sheet as a payable to the investors, see also note 2. The member capital is revalued at the foreign currency exchange rate prevailing at the balance sheet date.

Voting rights

Like all members of the Cooperative, OISF has one vote for its Shares at the General Meeting of the Cooperative. There are no different voting rights in relation to major shareholders, if any. OISF will pass on all dividend or other distributions received by it on the Shares to the Holders.

Redemption rights

Shares can be redeemed by OISF to the Cooperative taking into account the conditions mentioned in article 13 of the Articles of Association of the Cooperative and the further elaboration thereof in the Member Share Issuance and Redemption Policy of the Cooperative.

Dividend

Dividend and other shareholders' rights date from the moment the Shares are issued. All Shares entitle the holder to a dividend proportional to the Nominal Value of the Shares. Participants in the General Meeting of the Cooperative, having considered the recommendations by the Managing Board of the Cooperative, decide how net profits are allocated. Dividend is paid either by allotting additional fractions of Shares or in cash.

The member capital in the Cooperative can be specified as follows:

	2019	2018
	€ ,000	€ ,000
<i>Can be specified as follows:</i>		
Member capital in euro shares	208,699	203,876
Member capital in other currencies ¹⁾	27,226	27,032
Balance as at 31 December	235,925	230,908

¹⁾ Included are shares in CAD, GBP, SEK, CHF and USD. The exchange rate differences on the revaluation of member capital in foreign currency amounts to a € 1.0 million loss (2018: € 0.6 million gain).

As at 31 December 2019 the Share foundation has 1,206,196 shares in the Cooperative. The total number of shares issued by the Cooperative are 5,657,314, therefore OISF has 21.32% of the total shares issued.

The net asset value of a share of the Cooperative as at 31 December 2019 is EUR 214.41 (2018 EUR 214.84).

Depository receipts

The depository receipts are a liability towards the investors of the Share Foundation. Redemption is at nominal value against the exchange rate of the transaction date.

Depository Receipts do not give Holders any right to vote and no formal meetings of Holders will be held. OISF may at its sole discretion and upon consideration of all facts and circumstances it deems relevant, redeem some or all of the Depository Receipts held by a particular Holder at the request of that Holder. The redemption may only take place if the Cooperative has agreed to repurchase from OISF a number of Shares equal to the number of Depository Receipts to be redeemed.

The Managing Board of the Cooperative issues and redeems Shares at its discretion in accordance with the Cooperative's Articles of Association. Currently, the Managing Board is implementing a policy (the Member Issuance and Redemption policy) which is to be considered as a further elaboration of the Articles of Association in relation to the issuing and redemption of Shares.

The depository receipts can be specified as follow:

	2019	2018
	€ ,000	€ ,000
<i>Can be specified as follows:</i>		
Depository receipts in euro	210,690	205,556
Depository receipts in other currencies ¹⁾	26,929	27,068
Balance as at 31 December	237,619	232,624

1) Included are depository receipts in CAD, GBP, SEK, CHF and USD. The exchange rate differences on the revaluation of depository receipts in foreign currency amounts to a € 1.0 million gain (2018: € 0.6 million loss).

	2019	2018
	€ ,000	€ ,000
<i>Changes in depository receipts can be specified as follows:</i>		
Balance as at 1 January	232,624	210,827
Investments during the year	26,202	34,555
Redemptions during the year	(22,206)	(12,167)
Transfers	(5)	-
Exchange rate differences	1,004	(591)
Balance as at 31 December	237,619	232,624

As per 31 December 2019 OISF has issued 1,213,892 Depository receipts. For the relative % we refer back to the note on the member capital in the Cooperative.

Dividend

The Share Foundation received dividend from the Cooperative to be able to pay dividend to the investors.

The dividend can be specified as follow:

	2019	2018
	€ ,000	€ ,000
<i>Changes in depository receipts can be specified as follows:</i>		
Dividends received from the Cooperative	2,251	1,980
Dividends paid or credited to depository receipt holders	(2,251)	(1,980)
Balance as at 31 December	-	-

Risk factors

The Share Foundations functions as an administrative office (*Stichting Administratiekantoor*) of the Cooperative, for the sole purpose of issuing Depository Receipts. The proceeds of the Depository Receipts (after deduction of any taxes) will be used by the Share Foundation for the purchase of shares in the Cooperative. Unlike shares in the Cooperative, Depository Receipts do not come with voting rights. The board of the Share Foundation acts on behalf of the interests of the Depository Receipts holders and as a member of the Cooperative, the Share Foundation has one voting right at the Cooperative's General Meeting. The Share Foundation does not have any other activities. The following is an overview of the important risk factors involved.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems or from external events. The administration of Depository Receipts carries an inherent, general risk of mistakes resulting from human error or system failures. In addition, the Share Foundation has outsourced to the Cooperative all aspects of the administration of Depository Receipts, including front-, mid-, and back-office activities, as well as second- and third-line monitoring. This means that the activities are monitored indirectly, through monitoring of the outsourcing agreement, which brings about an additional risk (relative to having all activities take place in-house) that operational risk may not be detected by the Share Foundation.

Currently, operational risk can arise that can potentially create foreign currency and liquidity risk in the Share Foundation. This is due to the way the Cooperatives systems and bank accounts for the settlement of Depository Receipts against the Cooperative shares and donated dividend to the International Support Foundation (Support Foundation) are set up. However, this risk has not materialized because the Cooperative ensures that all resulting amounts on the Share Foundation's accounts are settled and eliminated, in line with the pass-through nature of the Share Foundation.

Compliance Risk

Compliance risk is the risk related to the failure to comply with laws/regulations, internal rules/policies, and good business practices. Depository Receipts constitute registered claims (*vorderingen op naam*) against the Share Foundation. They represent the beneficial interest in the Shares, issued on a one-to-one basis by the Cooperative. Depository Receipts qualify as securities, and therefore their issuance and distribution are subject to the securities laws and regulations in each jurisdiction, including requirements for disclosure documents, distribution, and qualifications of investors. While it is the Share Foundation's current policy to market Depository Receipts only in Austria, Canada, France, Italy, Spain, Sweden, and the UK, historically incidental sales have been done following the requests of investors resident in other jurisdictions where the Share Foundation is not engaged in an offer to the public. The total amounts are not material and the Share Foundation monitors to ensure that the Cooperative has adjusted its processes to ensure that sales occur only in the jurisdictions approved under the current policy.

Notes to the balance sheet

1 General reserve

	2019	2018
<i>Can be specified as follows:</i>		
	€ ,000	€ ,000
Balance as at 1 January	-	(18)
Appropriation of result book year	10	18
Balance as at 31 December	10	-

2 Payable to investors

Under member capital Cooperative and depository receipts the member capital in the Cooperative and the depository receipts of the Share Foundation are disclosed. Currently when an investor invests in the Share Foundation the depository receipts are issued, but the shares in the Cooperative not yet, due to timing. As at 31 December 2019 the difference amounted to €1.7 million (2018: €1.7 million) which has been added to the balance sheet as Payable to investors.

3 Payable to the Cooperative

The payable to the Cooperative amounted to € 3.7 million (2018: € 10.6 million). This position with the Cooperative is payable on demand and can be offset against the cash and banks position.

4 Payable (receivable) Oikocredit International Support Foundation

As per 31 December 2019 the Share Foundation had a payable to Stichting Oikocredit International Support Foundation that amounts to € 14,558 (2018: € 38,369 receivable). Market interest rates are charged on the balance of the current account. The current account is payable on demand.

Notes to the income statement

5 Financial support from the Cooperative

As disclosed in note 8, "Related party transactions", the Cooperative will no longer grant a contribution for costs to the Share Foundation as an outsourcing agreement between the Cooperative and the Share Foundation is effective as of the 1st of January 2018. No capital contribution has been done in 2019 (2018: €41,000).

6 Personnel expenses

In 2019 3.25 (2018: 2.5) full-time equivalents were employed by the Share Foundation based in Austria. Of the total FTEs, 15.4% was male and 84.6% female. All expenses are carried by the Cooperative.

7 General and other expenses

	2019	2018
	€ ,000	€ ,000
<i>Can be specified as follows:</i>		
Administration fee from the Cooperative	(3)	(3)
Balance as at 31 December	(3)	(3)

8 Related party transactions

Transactions with the Cooperative during the year

Effective as of 1st of January 2018, the Share Foundation signed an outsourcing agreement with the Cooperative, which replaced the previous agreement. The Cooperative will bear the costs of the Share Foundation as its own costs and third parties will invoice these costs to the Cooperative only. The Cooperative receives an administration fee of € 2,500 (excl. VAT) per year by the Share Foundation. The cost accounted in the Cooperative related to the Share Foundation for 2019 amounted to € 109,000. The Cooperative will no longer grant a contribution for costs to the Share Foundation as per the outsourcing agreement is in place.

Transactions with the Stichting Oikocredit International Support Foundation

Transactions relate to investors' donations from dividends and investments in Depository Receipts to the Stichting Oikocredit International Support Foundation. Total donations in 2019 amount to € 17,000.

Other information

Allocation of results

The net result (€ 10,000 profit) is allocated by the board of the Share Foundation to the general reserve.

Subsequent events

There are no subsequent events.



Independent auditor's report

To: the Board of Directors of Oikocredit International Share Foundation

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2019 of Oikocredit International Share Foundation ('the Foundation'), based in Amersfoort, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2019, and of its result for the year 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2019;
- 2 the income statement for the year 2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on the other information included in the annual report

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

- the Board Report;
- allocation of results; and
- subsequent events.

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



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

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

Management is responsible for the preparation of the other information.

Description of the responsibilities for the financial statements

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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible 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 errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the Foundation'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 Foundation 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 Foundation's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

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

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



Our audit included e.g.:

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

Amstelveen, 20 May 2020

KPMG Accountants N.V.

M.L.M. Kesselaer RA