



STICHTING MAF INTERNATIONAL

ANNUAL REPORT

for the period from 13 March 2019 to 31 December 2019

**STICHTING MAF INTERNATIONAL
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FOR THE PERIOD FROM 13 MARCH 2019 TO 31 DECEMBER 2019**

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**STICHTING MAF INTERNATIONAL
BOARD REPORT
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

FOREWORD

Stichting MAF International was established on 13 March 2019 as a result of a decision by the board of Mission Aviation Fellowship International, a charitable company registered in the UK (MAFI-UK).

From 1st July 2019 the activities of the flight operations previously carried out by MAFI-UK in Kenya and South Sudan were transferred to MAF International. We believe that MAF International has continued these activities in line with the mission, policies and plans of the organisation and that it has dealt efficiently with the resources at its disposal.

We have great pleasure in presenting the Report and Financial Statements for the period from 13 March 2019 to 31 December 2019 which were adopted in a meeting on 17th June 2020. These are presented in English in accordance with a resolution of the Board.

BOARD

The following were the board members during the period:

| | | | |
|-----------------|----------------------------|---------------------------|---------------------------------|
| Anna Beck | Appointed 13 March 2019 | | CFO, MAFI-UK |
| Adri van Geffen | Appointed 13 March 2019 | Resigned 25 November 2019 | CEO, MAF Nederland |
| David Fyock | Appointed 25 November 2019 | | CEO, MAFI-UK |
| Henk-Jan Muusse | Appointed 13 March 2019 | | Africa region director, MAFI-UK |

None of the above are employed by the Stichting and therefore no remuneration for the board have been included in these accounts.

STATUTORY PROVISIONS ON THE ACCOUNTS

Article 10 of the Articles of Association defines the procedures regarding the annual accounts as follows:

- i. The financial year of the Foundation shall coincide with the calendar year.
- ii. As at the end of each financial year the treasurer shall draw up a balance sheet and a statement of income and expenditure for the previous financial year, such annual accounts to be submitted to the Management Board, within six months from the end of the previous financial year.
- iii. The annual accounts shall be confirmed by the Management Board.

Confirmation of the annual accounts by the Management Board shall constitute a discharge to the treasurer of his duties in relation to the administration and management conducted by him.

OBJECTIVES AND ACTIVITIES

MAF International is a Christian mission whose purpose is sharing God's love through aviation and technology. This develops into MAF's vision - "Isolated people physically and spiritually transformed in Christ's name".

The principal activity has been providing a subsidised aviation service in Kenya and South Sudan. Flight training, and aircraft maintenance services are also provided. MAF International's services are provided by dedicated staff (many of whom are seconded to MAF International by agencies) who use their skills in aviation, and other fields, to work *inter alia* with national churches, relief and development agencies, missions, hospitals and governments to meet the most pressing of human needs.

MAF International reaches the unreached in some of the world's most remote and isolated areas, where people are cut off due to geographical barriers, conflict or the dangers of overland travel. During 2019, our flights enabled our partners to overcome these challenges, and bring help and hope to people in spiritual and physical need.

ACHIEVEMENTS AND PERFORMANCE

During 2019 MAF International operated in, Kenya and South Sudan. In addition, we support the work of Mission Aviation Training Centre (MATC) in the Netherlands, principally by owning three aircraft leased to them.

The work undertaken by each programme varies to reflect the needs of the country and the surrounding countries as well as the mix of churches, missions and NGOs.

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During the 2019 year MAF International's operational flight statistics were:

| Country | Total hours flown | Number of flight legs | Unique* passengers | Distance (km) | Unique* cargo (kg) | Fleet size | Destinations |
|--------------|-------------------|-----------------------|--------------------|----------------|--------------------|------------|--------------|
| Kenya | 1,304 | 981 | 3,414 | 312,919 | 23,761 | 3 | 67 |
| South Sudan | 1,926 | 2,205 | 6,057 | 451,882 | 136,528 | 5 | 57 |
| TOTAL | 3,230 | 3,186 | 9,471 | 764,801 | 160,289 | 8 | 124 |

* Unique is defined as passengers or cargo per flight (not per flight leg)

Our mission is to reach remote people who are cut off from the resources they need because of geographical barriers, conflict, natural disasters or dangerous overland travel. Our planes fly to numerous locations enabling our many partners to reach people in spiritual and physical need.

The following gives a brief snapshot of some of the things our flights accomplished in each country:

Kenya

In Kenya, where overland travel can be dangerous by day and treacherous at night, we flew a group of 18 missionaries from Nairobi to Lokori, enabling the team from One Child Matters to help improve the villagers' spiritual, physical and emotional development. The team screened children at risk and provided vitamins and medicine to those suffering from poor nutrition. One team member said, 'I was aware how isolated we would be and was comforted that MAF would be returning for us. They did an excellent job transporting us to minister to a people we couldn't have reached without them.'

Also in Kenya, MAF flights enabled Jesus Harvesters Ministry to carry out a mission trip. The team of six from two American churches flew with us to Kisumu, then drove to Chavakali to celebrate the opening of a new church. The team said that during the ceremony, about 50 people responded to the call to follow God and a blind woman received her sight. During the one-week trip, the team assisted local widows, provided orphans with food, hosted a free medical clinic, and distributed bandages, gauze and medical supplies. They also visited a women's prison in Kakamega where five prisoners accepted Christ.

In South Sudan, thanks to our planes, the Christian NGO In Deed and Truth Ministries provided healthcare services in Tonj and carried out weekly medical outreaches to surrounding communities. Its CEO said that 'The north-western weekly shuttle that MAF started last year is a huge blessing. Before that, we had to risk driving for hours on insecure roads.'

In South Sudan, where decades of civil war and oppression have left vast regions of the country impoverished, our planes flew more than 90 infants to Juba Hospital so that staff from Samaritan's Purse could operate on their cleft lips. The difference the surgery made to the once marginalised children proved life-changing! 'What really stood out for me,' explained MAF Pilot Alistair Youren, 'was how happy the kids were going home. They didn't stop smiling! Their parents were clearly grateful for what had been done.'

Mission Aviation Training Centre

This entity is set up as an international flying school to train pilots and specifically future MAF pilots. Training is given by former MAF pilots who understand from first-hand experience the high quality, specialised training required to operate in some of the most challenging places in the world. Three aircraft are leased to them and we look forward to the contribution these aircraft will make in training future staff for MAF worldwide.

FUTURE DEVELOPMENTS

MAFI-UK has transferred its operations in each of Uganda and Tanzania into the Stichting from 1st January 2020. This will substantially increase the turnover and the asset base of the Stichting.

The Board have also decided to institute a Supervisory Board and to appoint an Executive Director. Notary solicitors have been appointed to make the necessary changes to the Articles.

**STICHTING MAF INTERNATIONAL
BOARD REPORT
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FINANCIAL REVIEW

The assets and liabilities of MAF International are set out in the Balance Sheet. All of the assets were used to further the objects of the charity.

The accumulated general reserves, which exclude the value of the tangible fixed assets are negative \$. MAFI-UK have confirmed they will financially support the ongoing financial needs of the Stichting's operations for the coming year.

RISKS

The Board have a formal risk management process to assess risks and implement risk management strategies. This involves each programme quarterly reporting on the risks that they have identified affecting their area of responsibility. A risk status is identified for each hazard by charting the probability of the event against the severity of its outcomes. The results of the risk assessment determine the level of action or mitigating measures that must be taken. The risks are classified into the following groupings:

- Governance & Management Risks
- Operational Risks
- Finance Risks
- Environmental & External Risks
- Legal & Compliance Risks

Further, a complete review of risk and uncertainty to which MAF International is exposed together with the protective action being planned and implemented is compiled. This is discussed annually by the Board.

The principal risks identified through the process outlined above, together with the control measures being taken to manage these risks were:

| Risks | Control Measures |
|--|---|
| Unable to fill key vacancies with suitable staff | <ul style="list-style-type: none"> • Internal/external recruitment and planning. • Appointment of short-term staff. • Ongoing discussion with sending MAF groups. • Organisational standards and internal controls in place. • Oversight and support from regional support office. |
| Insecurity within country of operation (e.g. coup, widespread anarchy, terrorism, extremism) | <ul style="list-style-type: none"> • Continuous monitoring of security situation in countries most affected. • Ongoing review of Immediate Response Plans. • Immediate Response Team and Crisis Management Team trained and established when necessary. • Security measures on MAF compounds |
| COVID-19 | <ul style="list-style-type: none"> • High risk international staff relocated; medical evacuation policies in place for remaining staff • Short, medium and long term scenario planning with sensitivity analysis. • Reduced overhead spend to a minimum and pay reductions across the organisation. • Monitoring the impact on the global economy and exchange rates. |

As the principal uncertainties relate to overseas activities they are also addressed by the risk management process the Board has adopted. In addition to the above, MAF International's operational activities are exposed to the fluctuations of global fuel prices, which is mitigated through continual monitoring of prices, inclusion of inflation factors in the annual budgets and advance purchasing of fuel where practicable.

MAF International has also adopted a range of risk management policies including Anti-bribery and Fraud and Whistleblowing policies. These policies are available on the charity's intranet and available for all staff in every location.

**STICHTING MAF INTERNATIONAL
BOARD REPORT
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Since the end of the financial year, Covid-19 has impacted the world. It is not possible to fully consider all risks arising from Covid-19, however the parent company has considered a number of scenarios depending on the extent of the impact to MAF International's operations and the depth of the expected recession to follow. It has put in place measures to rebalance the organisation and enable it to respond to the future uncertainties and the risks presented. Steps taken include a reduction in all overhead spend, and pay reductions for staff across the organisation, as well as ongoing monitoring of relevant exchange rates.

Further steps have also been identified that could be carried out later in 2020 and 2021 if it becomes necessary. The position will be kept under constant review and the Board will, as required, take necessary steps to ensure the Stichting continues as a going concern.

INTERNAL CONTROLS

The Board has overall responsibility for ensuring that the Stichting has an appropriate system of internal controls, financial and otherwise.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and to provide reasonable assurance that:

- the charity is operating efficiently and effectively
- its assets are safeguarded against unauthorised use or disposition
- proper records are maintained and financial information used within the charity or for publication is reliable
- the charity complies with relevant laws and regulations

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- a strategic plan and an annual budget approved by the Board
- regular consideration by the Board of financial results, variances from budgets and non-financial performance indicators
- delegation of authority and segregation of duties
- identification and management of risks
- minimum financial internal controls required are documented in a finance manual that is regularly reviewed and updated

In addition, there is a financial internal audit function. It includes a schedule of audit visits to programmes on a rotational basis Kenya was visited for internal audit purposes during the year.

STANDARDS, QUALITY AND SAFETY

MAF operates an Aviation Safety Programme and a Quality Assurance Programme. The aviation standards in the aviation manuals, for all our operations are International Civil Aviation Organisation (ICAO) and/or local national authority (NAA) compliant.

The purpose of the quality assurance programme in relation to aviation is to monitor achievement and continued compliance with the requirements of the local aviation authority and of MAF International and to ensure adequate procedures for the safe operation of airworthy aircraft. In addition to local quality managers, MAF International also operates a central audit system where each programme's operations and maintenance compliance is monitored annually.

We are pleased to report that there were no flight accidents during the period.

INTEGRITY AND SAFEGUARDING

MAF International is committed to providing a safe and trusted environment for our staff, volunteers and beneficiaries. The organisation requires the highest ethical and moral standards from all our staff and takes misconduct seriously. We have a number of policies with which all staff must comply, including a code of conduct, child safety, non-harassment, data protection and privacy, equal opportunity and just culture policies.

MAF has a guide to safeguarding within the organisation, together with a revised safeguarding standards for the protection of children and vulnerable adults, requiring agreement from each member of staff.

During the year, no safeguarding issues have been under investigation within MAF International.

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OUTLOOK AND BUDGET 2020

Budgets for 2020 were prepared in the last quarter of 2019. These showed a total of 7,150 flying hours for the four programmes in East Africa. However, due to Covid-19 in April 2020 the Board have prepared reforecast budgets which reflect the anticipated downturn in flying and related flying income as well as some compensating reduction in overheads. These show flying is expected to reduce overall by 48% for the year to 3,731 hours.

This revised budget worsens the overseas results from an originally budgeted deficit of \$1.44m to \$2.1m. In each case gift income from MAFI-UK is budgeted to meet the need and MAFI-UK has reconfirmed its support of the Stichting and has incorporated these revised projections into its overall forecasts for the year.

Approved and adopted by the board at Harderwijk on 17th June 2020.

Board members at the date of adoption were:

| | |
|-----------------|-----------------|
| Anna Beck | UK |
| David Fyock | UK |
| Henk-Jan Muusse | The Netherlands |

STICHTING MAF INTERNATIONAL
BALANCE SHEET
(after appropriation of income and expenditure)
AS AT 31 DECEMBER 2019

| | Note | 2019 US\$,000 |
|---------------------------------------|------|------------------|
| Assets | | |
| Tangible fixed assets | 5 | 17,671 |
| Stocks | 6 | 443 |
| Debtors | 7 | 433 |
| Cash and cash equivalents | 8 | <u>353</u> |
| | | <u>18,900</u> |
| Reserves and liabilities | | |
| Reserves | 9 | |
| General | | (841) |
| Asset Funds | | |
| Restricted assets | | 6,250 |
| Unrestricted assets | | <u>11,421</u> |
| | | 17,671 |
| Provisions | 10 | 741 |
| Current liabilities | 11 | <u>1,329</u> |
| Total reserves and liabilities | | <u>18,900</u> |

The notes on pages 8 to 15 form an integral part of these financial statements.

**STICHTING MAF INTERNATIONAL
INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

| | | Budget 2019 US\$,000 | Actual 2019 US\$,000 |
|-------------------------------|------|----------------------------|----------------------------|
| | Note | | |
| Income | | | |
| Donations | 12 | 127 | 670 |
| Charitable activities | 13 | 1,516 | 1,369 |
| Other | | 16 | 46 |
| Total income | | <u>1,659</u> | <u>2,085</u> |
| Expenditure | | | |
| Charitable activities | 14 | 2,121 | 2,576 |
| Support costs | 15 | 318 | 350 |
| Total expenditure | | <u>2,439</u> | <u>2,926</u> |
| Deficit | | <u>(780)</u> | <u>(841)</u> |
| Allocation of deficit: | | | |
| From General Reserves | | <u>(780)</u> | <u>(841)</u> |

The notes on pages 8 to 15 form an integral part of these financial statements.

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

1. FOUNDING AND OBJECTIVES OF THE STICHTING

Stichting MAF International was founded on 13 March 2019. It is a foundation registered under KvK number 74256157. (RSIN 859827112). The official seat is in the municipality of Harderwijk, at de Zanden 57 A, 7395PA Teuge with postal address Postbus 7, 7390AA Twello. These financial statements cover the period from 13 March 2019 to 31 December 2019.

The objectives of the Foundation are to advance the Christian faith by such means as the Charity shall determine from time to time by supporting and encouraging the work of national churches, missions and relief and development agencies in developing countries so that the love of Christ is shared in word and by practical means, and to perform all such further acts and activities as are in the widest sense connected therewith, incidental thereto and/or which may be conducive thereto.

The Foundation shall make every effort inter alia to attain and accomplish its objectives by:

- a) the provision of air and other appropriate transport;
- b) linking people with information quickly and easily;
- c) supplying goods and services economically and efficiently; and
- d) such other means being charitable as the Charity shall determine.

The objective of the Foundation is not to gain profits.

2. GROUP STRUCTURE & RELATED PARTIES

Stichting MAF International is a subsidiary of Mission Aviation Fellowship International a charitable company registered in the UK (MAFI-UK) under Company number 3144199 and Charity number 1058226.

The Stichting has no other related parties.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Guideline no 640 for Annual Reporting in the Netherlands regarding not for profit organisations as issued by the Dutch Accounting Standards Board.

Amounts are included to the nearest \$1,000.

They have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of aircraft which are measured at fair value in accordance with the policy c below.

If not specifically state otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

a Foreign currencies

The functional and presentation currency of Stichting MAF International is US dollars as the primary currency used in the aircraft industry and in Mission Aviation Fellowship International. However, income and costs also arise in other currencies due to operating jurisdictions. Other currencies have been translated to US dollars as follows:

Current assets and liabilities – closing rate at 31 December 2019
Other amounts - rate at date of transaction

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 and expenditure statement.

The key exchange rates used to translate to US\$ were:

| | 31 December 2019 | 2019 Average |
|------------------|---------------------|-----------------|
| Kenyan Shillings | 101.34 | 103.29 |
| South Sudanese £ | 310 | 292 |

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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b Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

c Tangible fixed assets

Assets used in Kenya and South Sudan were transferred to the Stichting MAF International by the holding company, MAFI-UK on 31st December 2019. Three aircraft operated by Mission Aviation Training Centre in the Netherlands were transferred on 30th September 2019. They are stated at the net book values at which they were previously held in MAFI-UK, which have had their depreciation calculated as follows:

(i) Aircraft

Aircraft are valued at the Board's valuation. This is determined by reference to the "Blue Book value" (the aviation industry's standard indication of the expected recoverable amount on the open market). Adjustments are made for enhancements to the aircraft not accounted for in the Blue Book value. Annually, every aircraft is revalued and reviewed for impairment.

When an aircraft has been purchased, and until it is brought into operational use, it is valued at the costs incurred to date. When it is planned that an aircraft will be sold the net value of that aircraft is reduced to the expected sale proceeds.

(ii) Property

Depreciation is charged to write off expenditure on leasehold property equally over the length of the lease. Depreciation on other buildings is charged so as to write off the cost to their residual values over their expected economic lives. This is assessed country by country and ranges from 3 to 50 years. Depreciation on leasehold land is charged to write off the expenditure over the life of the lease. For assets in the course of construction depreciation is charged from the date which that facility becomes operational.

(iii) Equipment and vehicles

Depreciation is charged to write off the expenditure over an estimated useful life of 5 to 10 years.

Individual fixed assets costing \$3,000 have been capitalised at cost.

d Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

e Cash

Cash at bank and cash in hand includes cash and short term highly liquid investments.

f Funds

Unrestricted Funds comprise net accumulated surpluses that are not subject to any legal or 3rd party restriction and are available for use to further the charitable objectives of the Stichting.

Restricted Funds are funds and assets subject to specific conditions imposed by donors. When assets are purchased with restricted funds the restriction is deemed to be satisfied after reporting to the donor on the use of those assets ceases. Such assets are then transferred to unrestricted designated funds.

g Asset Funds

These amounts are those created by the transfer of net tangible assets to the Stichting by MAFI-UK.

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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h Liabilities

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their settlement amount value.

Income

- (i) Donations are recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received, and the amount can be measured reliably.
- (ii) Income arising from charitable activities is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of credits and discounts allowed and value added taxes.

f Expenditure

- (i) Charitable activities comprise actual costs relating to the aircraft and other services together with overseas overheads.
- (ii) Support costs include functions that directly support the operations such as flight training, engineering, operations support and quality, safety and security. Support costs also include back office costs, finance, personnel, payroll and governance costs which support the charitable activities.

g Staff costs

- (i) Salaries, social security contributions and pension costs are recognised in the income and expenditure statement based on terms of employment.
- (ii) Leave benefits, including holiday pay are recognised as an expense in the period in which the service is rendered.
- (iii) Pension payments are to defined contribution pension schemes and are recognised as an expense in the period in which the service is rendered.

h Operating leases

Operating lease rentals are charged to income and expenditure statement in accordance with the term of the lease.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The Board evaluates estimates and judgements incorporated into the financial statements. Estimates are based on historical information, assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group:

a Aircraft valuations

As mentioned above aircraft are valued by the board.

b Estimation of useful lives of assets

MAF International determines the estimated useful lives and related amortisation and depreciation charges for intangible and tangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation or depreciation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete assets that have been abandoned or sold are written off or written down.

**STICHTING MAF INTERNATIONAL
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c Impairment

MAF International assesses impairment of intangible and tangible assets at the end of each reporting period by evaluating conditions and events specific to the organisation that may be indicative of impairment trigger.

d Tax provisions

The entity has a number of outstanding tax issues at the end of the financial year. The expected liabilities are accrued in the financial statements. Each accrual is calculated in accordance with communication from the tax authorities, local legislation and other external factors such as exchange rates. These provisions are reviewed annually and recalculated as necessary.

5. TANGIBLE FIXED ASSETS

Analysis for the Group:

| | Aircraft US\$,000 | Land & Property US\$,000 | Equipment & Vehicles US\$,000 | Total US\$,000 |
|--------------------------|----------------------|--------------------------------|-------------------------------------|-------------------|
| COST OR VALUATION | | | | |
| Transferred from MAFI-UK | 9,513 | 7,916 | 242 | 17,671 |
| Balance 31 December 2019 | <u>9,513</u> | <u>7,916</u> | <u>242</u> | <u>17,671</u> |

On 30th September 2019, three small aircraft, valued at a total of \$193,000, that operate in the Netherlands as pilot training aircraft were donated by MAFI-UK to the Stichting so that they would be owned by a Dutch entity. Subsequently, on 31 December 2019 all the fixed assets owned in Kenya and South Sudan by MAFI-UK were donated to the Stichting at their net book value, in line with the transfer of the operations of those countries.

The titles of land and buildings in Kenya is held by a corporate body, Missionary Aviation Fellowship (Kenya) Registered Trustees, on behalf of MAF International.

Included within the cost of 'Land & Property' is \$2,217,000 relating to the building of housing on a compound in Kenya.

6. STOCKS

| | |
|--------------------------------|------------|
| | US\$,000 |
| Aircraft spare parts | 538 |
| Stock provision on spare parts | (111) |
| Fuel and other stocks | 16 |
| | <u>443</u> |

7. DEBTORS

| | |
|---------------|------------|
| | US\$'000 |
| Trade debtors | 147 |
| Other debtors | 120 |
| Prepayments | 167 |
| | <u>433</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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8. CASH AND CASH EQUIVALENTS

| | US\$'000 |
|---------------|------------|
| Cash | 52 |
| Bank accounts | <u>301</u> |
| | <u>353</u> |

There are no restrictions on the cash and bank amounts held.

9. RESERVES

| | US\$,000 |
|------------------------------|---------------|
| General Reserve | (841) |
| Equalisation Reserves | |
| Restricted tangible assets | 6,250 |
| Unrestricted tangible assets | <u>11,421</u> |
| Total Reserves | <u>16,830</u> |

It is expected that the general reserve will be improved in future years as cash is injected by MAFI-UK to the Stichting, to assist it meeting its liabilities. The equalisation reserves represent all the tangible assets that were donated by MAFI-UK to the Stichting as mentioned in note 5. They include all those that are held in Kenya and South Sudan in line with the transfer of operations in those countries.

10. PROVISIONS

| | US\$,000 |
|---------------------------|------------|
| International staff taxes | 115 |
| Excise taxes | <u>626</u> |
| | <u>741</u> |

In South Sudan the National Revenue authority issued a notice to say that all international staff would be taxed from the start of 2019. Whilst we submitted an application for exemption but that has not yet progressed due to a change in the tax commissioner. We have therefore provided for \$115,000 based on our estimate of the amounts that would be due on housing and allowances for the staff.

Also in South Sudan an agreement to pay \$400,000 for excise taxes was reached with the Government at the end of March. However, they have subsequently issued an assessment which includes an additional \$565,000 in penalties and interest. We are requesting a delay so that we have time to negotiate on these penalties and interest. In the meantime the Government is in disarray and we do not know when we will be able to progress the issue. As a result we have included our estimate of 40% of the additional penalties and interest of \$226,000.

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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11. LIABILITIES

| | US\$,000 |
|--------------------------------|--------------|
| Creditors | 472 |
| Accruals | 47 |
| Social security creditors | 192 |
| VAT Payable | 33 |
| Customer deposits and balances | 442 |
| Customs duties | 61 |
| Other creditors | 82 |
| | <u>1,329</u> |

The customs duties of \$61,000 refer to an amount of import taxes in Kenya that was not paid by our agent to the Revenue Authorities. In this situation it is technically the importer's responsibility and although we have appealed that has been unsuccessful.

12. DONATION INCOME

MAFI-UK supported the services in Kenya and South Sudan and have gifted to the Stichting the value of the working capital required during the period.

| | US\$,000 |
|--|------------|
| Contributions for | |
| Working capital from MAFI - UK | 568 |
| Income for housing international staff | 102 |
| | <u>670</u> |

13. INCOME FROM CHARITABLE ACTIVITIES

The users of MAF International flight services make a contribution towards the costs. In Kenya, we additionally have an aircraft engineering base which serves both the programmes in Kenya and South Sudan as well as 3rd party customers.

| | US\$,000 |
|----------------------|--------------|
| Contributions for | |
| Aviation services | 1,089 |
| Maintenance services | 280 |
| | <u>1,369</u> |

14. EXPENDITURE ON CHARITABLE ACTIVITIES

Direct costs of services comprise the direct costs of aviation (such as fuel, maintenance and insurance) as well as those of running the aviation operations and maintenance departments, excluding staff costs. The direct costs of providing other services are within other local overhead expenditure, and are not material.

Charitable activities for 2019 were as follows:

| | US\$,000 |
|---|--------------|
| Aviation direct costs | 1,356 |
| Overseas Staff costs | 726 |
| Housing and tax for international staff | 207 |
| Other overhead expenditure | 287 |
| | <u>2,576</u> |

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

15. MANAGEMENT AND SUPPORT CHARGES

Management charges have been allocated from the costs incurred by MAFI-UK by charging specific costs incurred relating to each of Kenya and South Sudan, together with 15% of the total costs incurred in each of these programmes.

Unrestricted general support costs for 2019 were as follows:

| | Specific costs incurred US\$,000 | Management fees US\$,000 | Total US\$,000 |
|-------------|---|--------------------------------|-------------------|
| Kenya | - | 153 | 153 |
| South Sudan | - | 169 | 169 |
| Audit fee | 28 | - | 28 |
| | <u>28</u> | <u>322</u> | <u>350</u> |

16. STAFF EXPENDITURE AND STAFF NUMBERS

| | 2019 US\$,000 |
|-----------------------|------------------|
| Staff Costs | |
| Wages and salaries | 614 |
| Social security costs | 44 |
| Pension costs | 67 |
| | <u>726</u> |

The average number of staff employed in Kenya and South Sudan during the period was 74.

No remuneration is paid to the directors. They were employed and paid by MAFI-UK during the period.

In addition to the national staff employed in their own countries are further staff paid by the MAF Group or other mission agency which then second them to Kenya and South Sudan. The costs of these staff are therefore borne by those groups. These agencies also contribute towards their housing costs. The average number of international staff serving in these countries was 21.5.

The estimated costs of these staff, not included in these accounts is \$776,000 for the 6 month period from 1st July 2019 to 31st December 2019.

17. FINANCIAL COMMITMENTS

At 31 December 2019 the organisation was committed to making the following payments under non-cancellable operating leases on properties:

| | 2019 US\$,000 |
|-------------------|------------------|
| Payable in 1 year | <u>38</u> |

18. CAPITAL COMMITMENTS

At 31 December 2019, the organisation had a capital commitment to building contractors in Kenya, to complete the construction of the housing on the new compound for \$297,000.

**STICHTING MAF INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

19. POST BALANCE SHEET EVENTS

From 1st January 2020 MAFI-UK has further transferred the operations of its programmes in Tanzania and Uganda to the Stichting so that its activities incorporate all those carried out in East Africa.

With the outbreak of Covid-19 and preventive measures taken by governments, there is high economic uncertainty in the short term, and most likely in the long term as well. The impact on operational flying was immediate with a reduction of 86% flying for April 2020 compared with the original budget. Operations are expected to increase slowly. MAF International is most heavily impacted due to a loss of operational income although some compensation will be made from reduced staff costs and overheads.

The MAF International group, of which this company is a part, has considered the short, medium and long term impact and put together a plan to mitigate the financial risks presented, including reduction in overhead spend, pay reductions for staff across the organisation and a reallocation of funds. The plan is under constant review and can be adjusted according to the circumstances presented. The ultimate parent entity has confirmed their financial support for the company.

However things remain very uncertain and are subject to change. As the Covid-19 crisis could not have been foreseen at the end of the reporting period, the respective implications, if any, have not been reflected in the financial statements as at 31 December 2019. Considering the high level of uncertainty regarding the implications of the Covid-19 crisis and further developments of this crisis going forward, we are not able to reliably estimate the future impact on the Stichting at this stage.

Approved and adopted by the board at Harderwijk on 17th June 2020.

Board members at the date of adoption were:

Anna Beck UK

David Fyock UK

Henk-Jan Muusse The Netherlands

**STICHTING MAF INTERNATIONAL
OTHER INFORMATION
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of Stichting MAF International

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019 INCLUDED IN THE ANNUAL ACCOUNTS**

OUR OPINION

We have audited the financial statements for the year ended 31 December 2019 of Stichting MAF International.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting MAF International as at 31 December 2019, and of its result for the year then ended in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board (hereinafter: RJ 640).

The financial statements comprise:

1. the balance sheet as at 31 December 2019;
2. the statement of income and expenditure for the year then ended; 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 Stichting MAF International 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.

EMPHASIS OF MATTER: EFFECT OF THE CORONA CRISIS

We draw attention to the section "Post balance sheet events" in the notes to the financial statements where management describes its assessment of the effects of the Corona Crisis on Stichting MAF International.

Our opinion is not modified in respect of this matter.

**STICHTING MAF INTERNATIONAL
OTHER INFORMATION
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**



REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contains other information.

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 substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the Directors' Report in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 "Not-for-profit Organizations" of the Dutch Accounting Standards Board. Furthermore, the Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

**STICHTING MAF INTERNATIONAL
OTHER INFORMATION
FOR THE PERIOD 13 MARCH TO 31 DECEMBER 2019**



We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

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

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 23 June 2020

MAZARS N.V.

Original was signed by M.G.W. Quaadvlieg RA AA MBA MSc

Accountants - Tax Advisers - Management Consultants

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Mazars N.V.

With its registered office in Rotterdam (Trade Register Rotterdam nr. 24389296).



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