PharmAccess Group Foundation

Annual Accounts 2017

14 September 2018

PHARMACCESSGROUP

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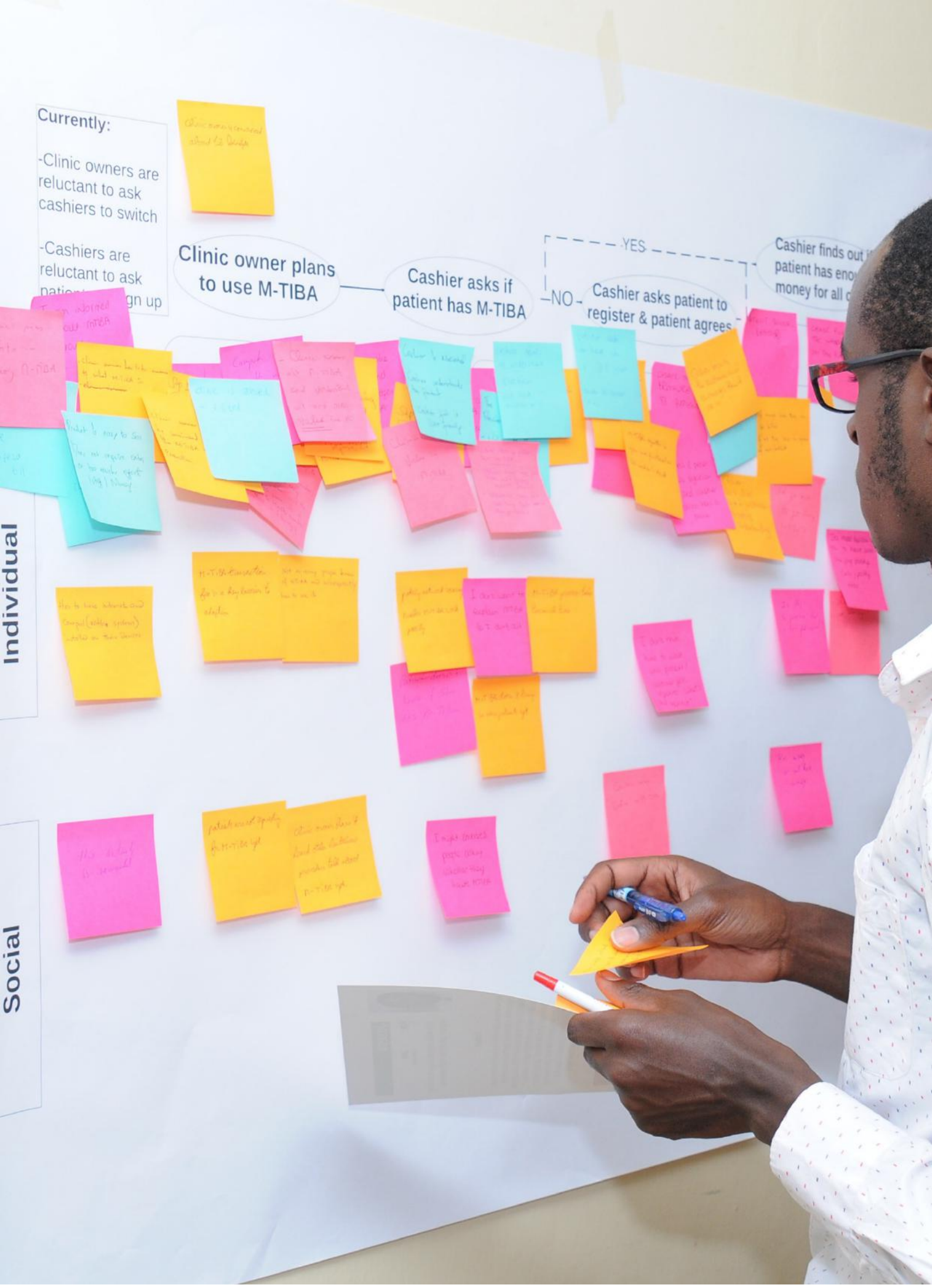
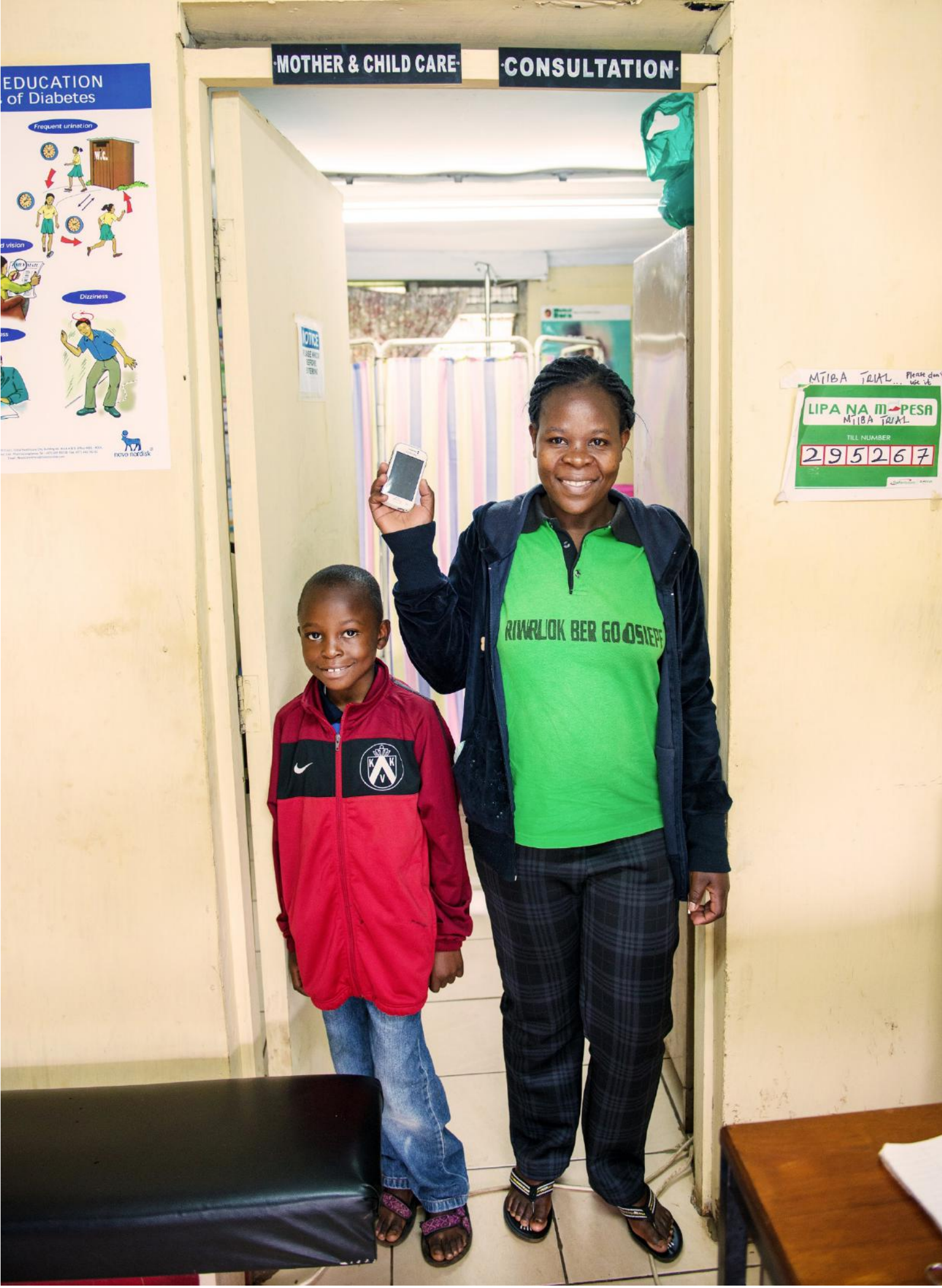
Amsterdam, the Netherlands


Currently:
-Clinic owners are reluctant to ask cashiers to switch
-Cashiers are reluctant to ask
Clinic owner plans to use M-TIBA
Cashier asks if patient has M-TIBA
YES
NO
Cashier asks patient to register & patient agrees
Individual
Social

INDEX


MOTHER & CHILD CARE
CONSULTATION
EDUCATION
of Diabetes
Frequent urination
Dizziness
novo nordisk
MTIBA TRIAL... Please don't use it
LIPA NA M-PESA
MTIBA TRIAL
TILL NUMBER
2 9 5 2 6 7

MANAGEMENT BOARD'S REPORT

Introduction

End of November 2016, economically effective as from January 1st 2017, the PharmAccess Group Foundation (PGF) has been founded, bearing the statutory responsibility for all PharmAccess group entities (i.e., Stichting PharmAccess International, Stichting Health Insurance Fund, Stichting Medical Credit Fund, Stichting SafeCare and Stichting HealthConnect). This was in line with the request of the Ministry of Foreign Affairs to change the governance structure of Stichting PharmAccess International (PharmAccess) and the affiliated foundations Stichting Health Insurance Fund (HIF), Stichting Medical Credit Fund (MCF) and Stichting SafeCare.

PharmAccess, established in 2001, was one of the first non-profit organizations to act on the large untapped potential of the private sector and recognize the need for capital investments in healthcare delivery, advocating a new paradigm for health in a prizewinning IFC/Financial Times essay in 2007, at a time when this idea was still met with widespread resistance.

In 2006 the Health Insurance Fund (HIF) was founded, through which the Dutch Ministry of Foreign Affairs (MoFA) has a long-term commitment as funder of PGF's approach with the following objectives:

- Develop private pre-payment mechanisms and risk pooling structures, and mobilize resources for organized demand;
- Strengthen, benchmark, and certify clinical and business performance of healthcare service suppliers;
- Improve efficiency, effectiveness, and transparency to better match demand and supply of healthcare transactions;
- Mobilize capital into the private health sector;
- Conduct research on the various implemented strategic interventions and advocate those that are successful.

This flexible and long-term funding was essential for testing different innovative financing mechanisms (including health insurance and later M-TIBA), building a strong network of partners and contributing to our mission to achieve a paradigm shift in healthcare in Africa. The support of the Dutch government remains crucial to this work. Following MoFA other funders such as USAID, BMGF, DFID, Elma, Nationale PostcodeLoterij etc are supporting PGF's approach.

Vicious cycle

Today the role of the private sector in the delivery of a public good like healthcare is undeniable. In Africa it accounts for approximately 50% of healthcare provision. At the same time, healthcare is a sector where governments play an important role as only they can intervene at the required scale to enforce financial synergies, risk pooling, advice and regulation. However, in many countries in sub-Saharan Africa the capabilities of governments to finance, regulate and enforce health policies are limited. As a consequence, large parts of the population, especially those at the bottom of the pyramid, are left on their own. Low quality and uncertain availability of health service delivery discourage families and individuals to prepay for health. Therefore, they pay out-of-pocket when they need care.

The high proportion of out-of-pocket expenditure in combination with low levels of trust in healthcare provision results in low and unpredictable revenues for healthcare providers, which in turn keeps them from

investing in the quality, scope and scale of their services. The resulting limited exchange and high transaction costs mean that investors and banks are generally not willing, or only at very high discount or interest rates, to invest, especially to the lower end of the market. This means the healthcare sector has limited or no access to the capital required for inclusive growth. As a result, the market is stuck in a vicious cycle of low demand and poor supply.

This situation perpetuates as a vicious cycle of low and unpredictable demand, low and uncertain quality of supply, and totally inadequate investment. The cycle is fueled by persistent low trust and high (perceived) risks and stifles the development of a properly functioning and inclusive health markets.

Digital disruption

The above analysis remains relevant today. In fact, the free flow of information through the mobile revolution is making healthcare inequities more visible. Such knowledge comes with responsibility. Now that these inequities are in plain sight, we must also capitalize on the full potential of digital technology to address them. By applying it to our integrated approach of demand-side, supply-side and investment-related interventions, digital technology can play a disruptive role in helping to turn the vicious cycle into a virtuous one, accelerating the quest for inclusive healthcare.

Digital technology as an accelerator

The world is on the brink of what has been dubbed the fourth industrial revolution. This fusion of technologies is creating new ways of serving existing needs and disrupting virtually every industry. Many of us benefit from perks like ordering food online or hailing a cab with two taps on a mobile. However, we need to ensure that this revolution does more than just make just some peoples' lives more convenient.

Fortunately, digital technology is actually pre-eminently suited to exposing as well as mitigating social and economic inequities. The mobile phone is one of the biggest social equalizers on the African continent. More than 90% of people use a simple mobile phone. Africa is also home to M-Pesa, the world's leading mobile money service. This offers huge opportunities to build new healthcare solidarity mechanisms and to tackle Africa's poor health statistics.

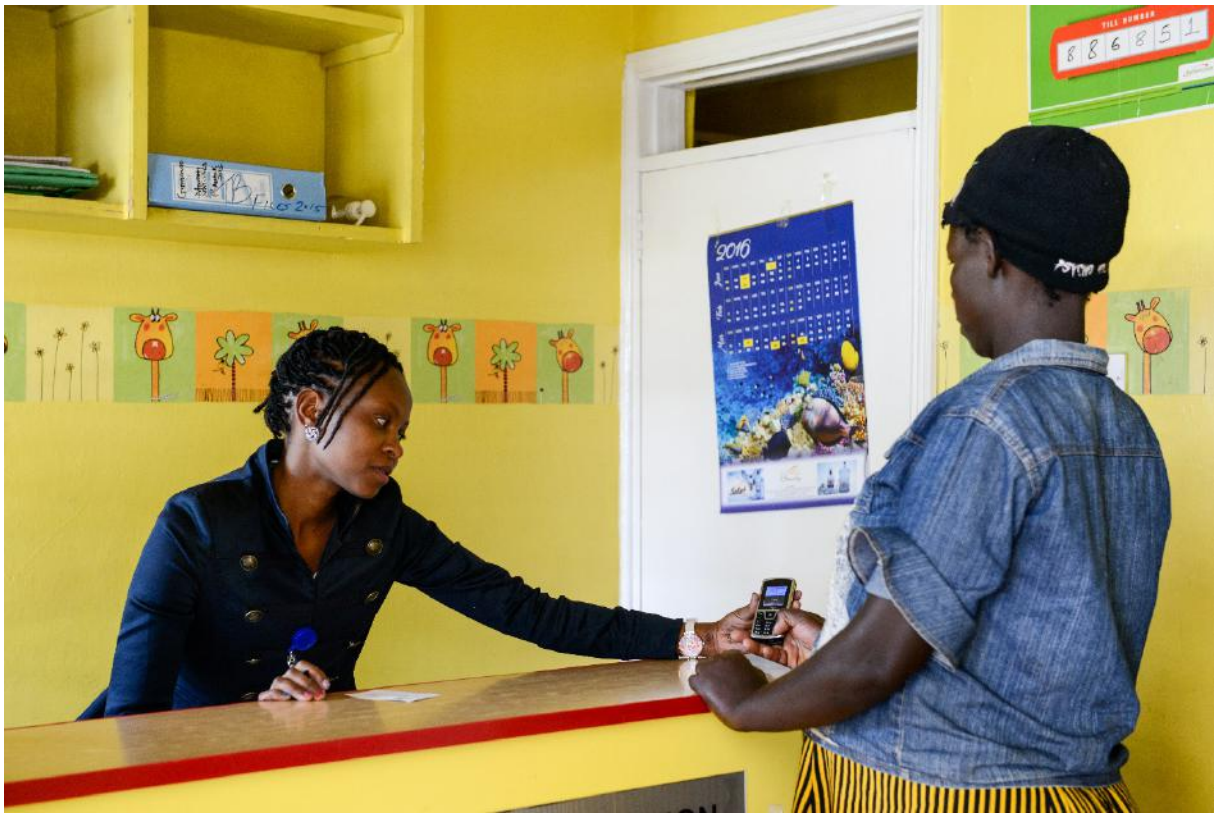
By providing transparency, accountability and direct access to end-users, digital technology opens up avenues to close the gap between the top and bottom rungs of the prosperity ladder. We can bring healthcare within reach of people who, until now, were structurally excluded from the system. And - it can be done more efficiently, with strongly reduced transaction costs, at an unprecedented scale and pace.

Matching demand and supply

When Professor Dr. Joep Lange founded PharmAccess in 2001, he was determined to turn his pioneering scientific research on triple-combination drug therapy into action. His drive brought this life-saving AIDS treatment to those who needed it most. Joep's vision of increasing access to affordable and better healthcare for people in sub-Saharan Africa is still at the heart of what we do.

Building on this work on the front lines of HIV/AIDS, our focus has broadened to making healthcare finance and delivery more effective and more inclusive. We work towards this goal by stimulating both the demand and the supply side of the healthcare market to reduce risk and attract investments. Our integrated approach mobilizes public and private resources for the benefit of doctors and patients through a combination of loans for

healthcare providers, clinical standards for quality improvement, health insurance and impact research. More and more, we are using digital technology to accelerate this approach.



Activities in 2017

In 2017, PGF through PharmAccess pushed forward with a digital strategy to make healthcare markets work. Throughout the course of the year, we saw significant growth in our cornerstone digital project – M-TIBA along with a focus on the continued operational excellence of the implementation of SafeCare – the first and only internationally accredited clinical standards. The Medical Credit Fund continued to ensure that more healthcare providers striving to improve their services can access credit.

Connecting patients, providers and payers

M-TIBA is a mobile platform that is a collaboration between the telecom company Safaricom and Carepay, an IT company. This platform embodies our vision of how you can do business differently to make healthcare markets work.

M-TIBA is a mobile health wallet that people can access to pay for care when they need it. This technology provides a departure from an out-of-pocket approach to payment that risks impoverishing people in their times of need, and instead offers a pre-payment savings and insurance model. It also collects data and provides insights into quality of care, and analysis of health market trends. Furthermore, the technology connects the key players in the health ecosystem: Governments, private sector investors, donors, healthcare providers and participants who urgently need affordable and quality care.

The wallet was introduced to the mass market in Kenya in 2016, branded as M-TIBA (M stands for mobile, TIBA means treatment in Kiswahili). In 2017, the platform reached just over 800,000 users. Its scale and data value has attracted a growing number of public and private partners, including the Kenyan National Hospital Insurance Fund (NHIF), institutional donors, banks and private insurers. During the course of 2017 M-TIBA was also piloted outside of Kenya, with a demonstration of the capabilities and potential of the mobile platform to health insurers and governments in Nigeria and Tanzania.

Developing organized demand for healthcare

PharmAccess has been developing pre-payment mechanisms and risk-pooling structures for low-income families in Africa since 2007. In 2017, almost 1.3m people were enrolled in health programs that PharmAccess has either set up or structurally supports with technical assistance (of which > 60% in digital programs). Over the years we have learned that developing such organized demand for healthcare requires investments on the supply side as well as the demand side. In 2017 we focused on a combination of loans, measurable standards (SafeCare) and our quality improvement program to set in motion an upward spiral of trust, capital, quality and availability of health services.

Partnerships

We work with African companies and governments to design and implement health insurance schemes for lower income groups.

In Kenya, PharmAccess has expanded its work on the M-TIBA platform and strengthened the partnership with Kenya's National Hospital Insurance Fund (NHIF). With over 5 million beneficiaries, NHIF is the largest health insurer in the country. Currently, we are targeting efforts towards the informal sector through NHIF Supa Cover. This platform provides NHIF with near real-time insights into crucial data such as clients' and healthcare providers' profiles and healthcare utilization, as well as costs and quality of care.

The SMILES program with the Gertrude's Children's Hospital enables people living in Nairobi's slums to access essential healthcare at no costs to themselves. Over 60,000 people were covered by end of 2017. 78% have used M-TIBA to pay for care, with over 5,000 healthcare transactions per month.

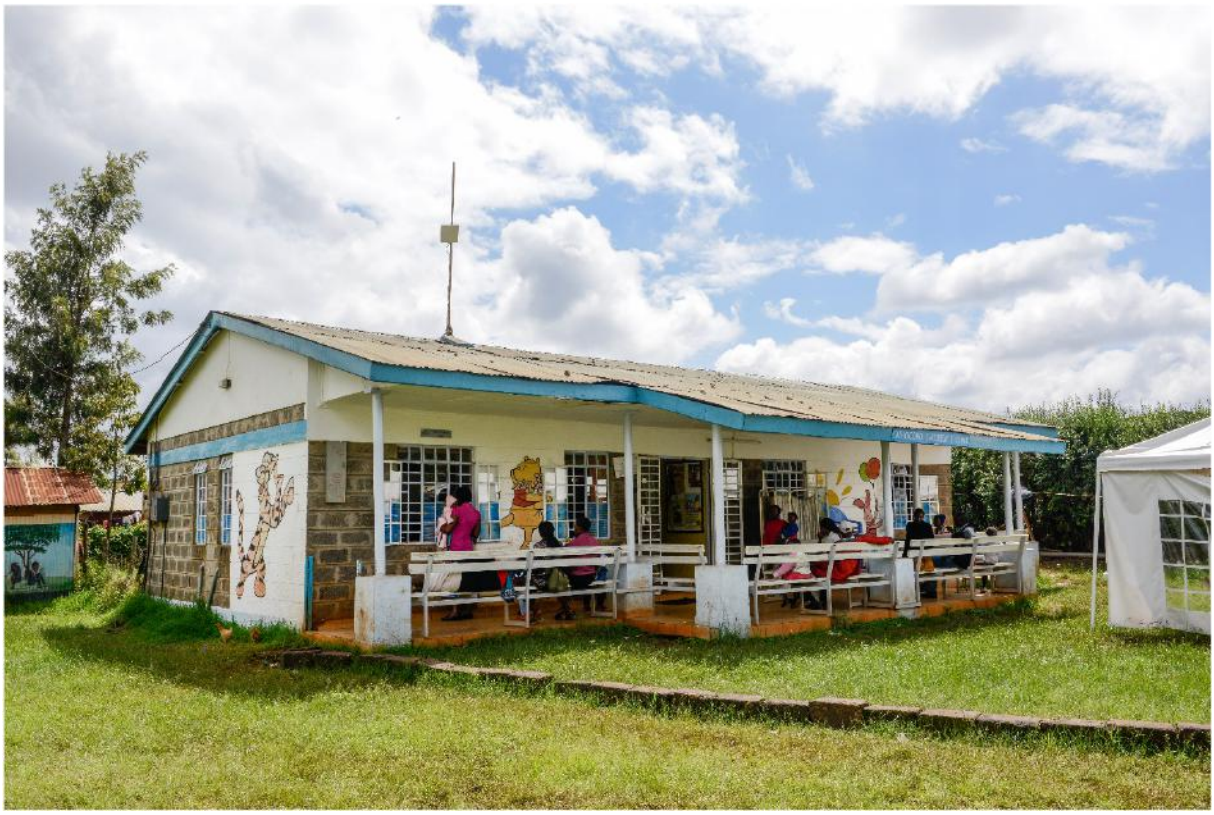
In Nigeria, PharmAccess is working with the Lagos State Government to design and develop the statewide mandatory Lagos State Health Insurance Scheme. In October 2017, CarePay and PharmAccess started a proof of concept, offering digital health insurance for 150 families at two healthcare facilities. The package and conditions for the pilot are the same as for the Lagos State Health Insurance Scheme insurance scheme. The digital aspect generates additional insights into the identification and registration of poor households as well as healthcare utilization data.

In Kwara State, the Kwara State Community Health Insurance Scheme has helped build a stronger, cost-efficient healthcare system. Impact evaluations show significant improvements in healthcare utilization, health outcomes and financial protection in target communities. PharmAccess is now providing advocacy and advisory services for the transition into a statewide insurance, with the technical support of the World Bank Group/IFC's Health in Africa Initiative. An amended health insurance bill has been signed into law by the Kwara State Governor and PharmAccess has supported the design and planning of the Statewide Health Insurance Program. As in Lagos, PharmAccess expects the formal inception of the insurance program to take place in 2018.

In Tanzania, almost half a million people are enrolled in one of two insurance programs that PharmAccess set up with the Tanzanian National Health Insurance Fund (NHIF): the improved Community Health Fund (iCHF) and Tumaini la Mama. Tumaini la Mama, funded by the German Kreditanstalt fur Wiederafbau (KfW), supports maternal and neonatal health. Since the launch in August 2016, the program has been rolled out in two southern regions of the country (Lindi and Mtwara), and over 200,000 women have enrolled in a full NHIF membership package from the first antenatal visit to six months after delivery.

iCHF, launched in partnership with the NHIF and district councils in Northern Tanzania, is a voluntary, public-private health insurance scheme. The premium is 100% locally funded in equal measure by enrolled households and the Government of Tanzania. iCHF aims to increase access to quality healthcare for people in the informal sector, mostly rural and low-income groups. By end of 2017 more than 230,000 people had access to care through iCHF. All 14 districts in the Kilimanjaro and Manyara regions have introduced the program, with the Arusha region to follow in 2018.

Similar efforts are underway in Ghana, where we are working with the IFC/ World Bank Group under the African Health Markets for Equity (AHME) program to identify poor households who are eligible for a premium waiver in the National Health Insurance Scheme (NHIS). We are also in discussion with NHIS on how best to apply (certain modules of) the digital platform. In Ethiopia, we are in talks with the Clinton Health Access Initiative (CHAI) to provide technical support on a health insurance scheme.



Strengthening healthcare supply through quality standards

The healthcare sector in sub-Saharan Africa has a shortage of institutions and standards to ensure objective measurement of the quality of services. **SafeCare** fills this need: by measuring organizational management and processes, clinical quality and safety, we can now benchmark and certify performance. The SafeCare standards, launched in collaboration with Joint Commission International (JCI) and COHSASA, are the first and so far only

ISQua accredited clinical standards tailor-made for resource-restricted settings. They create a common language and ensure quality is measured against international standards, while leaving room for application of local solutions to specific challenges.

Quality improvement

2017 saw our attentions focused on the continued operational excellence of the implementation of SafeCare – the first and only internationally accredited clinical standards tailor-made for basic care providers in resource-restricted settings. Through the expansion and development of SafeCare in 2017, PharmAccess not only incentivized improving care, but we illustrated that a sector previously deemed risky and un-bankable can be a safe bet for investment. The quality assessments and certifications offer a sign post to investors and show them which services are ready for improvement and growth. These assessments also empower patients to make informed decisions about their care. By the end of 2017, there were 1,867 clinics in the SafeCare program, 466 clinics were digitally connected, 92% of the healthcare facilities improved their SafeCare score and 17 partner organizations were licensed to use SafeCare. In January 2017, the SafeCare standards were officially reaccredited by ISQua for a period of 4 years (until January 2021).

Partnerships

PharmAccess through SafeCare is the trusted partner of four African governments, supporting them in formulating, focusing and coordinating their quality improvement and recognition efforts.

- In Tanzania, the government has adopted the SafeCare standards and methodology as the national system for stepwise certification towards accreditation. The Memorandum of Understanding (MoU) was renewed in 2017 for another 5 years and the methodology is described in the Health Sector Strategic Plan (HSSP IV, 2015-2020) of the Ministry of Health, Community Development, Gender, Elderly and Children.
- In Kenya, the NHIF recognizes SafeCare methodology to be used for quality assurance in contracted facilities.
- In Ghana, we helped develop the roadmap for the national Healthcare Facilities Regulatory Agency (HEFRA) to regulate and incentivize healthcare quality in an institutionalized approach.
- In Nigeria, we are supporting Kwara, Ogun and Lagos States to develop institutionalized quality assurance institutes using SafeCare approaches. Lagos State will use the SafeCare standards as an empanelment requirement for providers to be eligible for membership of the mandatory statewide insurance scheme - an important step towards the development of an incentivizing structure for quality.

In 2017 SafeCare continued to expand its network of private partners including the Association of Private Hospitals in Tanzania (APHFTA,) KMET, Population Services International (PSI), Mary Stopes International (MSI), the Society for Family Health (SFH) and FHI360. Operations are also ongoing in Uganda through a partnership with the Uganda Healthcare Federation (UHF) and PACE, which aims to build a sustainable model in which UHF will be the licensed partner for a national roll-out of the SafeCare methodology. In Nigeria, private partners included PurpleSource Healthcare Ltd and DrugStoc.

Improving operational excellence and digitizing quality improvement

The cost of the program and the willingness to pay for the services by providers or external (non) donor parties remained a challenge in 2017. Throughout the year the SafeCare approach has proven to be a successful, scalable model for benchmarking and recognition of quality. However, it became evident that the process

needed to improve in terms of cost efficiency and the provision of a better business proposition for participants. As most governments in the countries PharmAccess works in have now adopted a national standard-based recognition approach, PharmAccess decided to re-strategize SafeCare, with the aim to move towards a self-financeable product or products at a smaller scale. As a consequence, PharmAccess expects the number of participating providers per country to plateau in 2018. PharmAccess also aims to strengthen the partnership with JCI, by developing a SafeCare "Gold" label for recognition of excellence.

Enabling health investments

In 2009, another entity now falling under the governance of PharmAccess Group Foundation was set up. This was the first and only dedicated fund providing loans to small and medium-sized health enterprises (SMEs) in Africa: the **Medical Credit Fund (MCF)**. Health SMEs often lack a credit history, adequate bookkeeping and accounting systems, financial performance records and sufficient assets to serve as collateral. As a result, they are often unable to secure formal bank loans and struggle to purchase modern equipment or even pay for basic repairs. MCF mitigates risks for African banks in order to bridge this gap.

In 2017, a total of 730 loans were disbursed, a significant growth compared to the 268 disbursed the year before. Several loans have been disbursed in Uganda, the sixth country of investments, and organized scoping missions to Senegal, Cameroon and the Ivory Coast. Discussions are underway with potential partners to start operations in Francophone West Africa.

By combining the loans with our technical assistance program, we help health SMEs build a financial track record and become bankable, grow their business acumen and improve the quality of their healthcare services. The quality as measured by SafeCare standards has improved in 77% of the healthcare facilities.

Expansion to USD 2.5m loans

Over the years, a growing demand for larger and more flexible loans was observed. In 2015, the Dutch Good Growth Fund and Pfizer Foundation provided support for MCF to prepare for an expansion of its mandate. This, in combination with a loan from Calvert Foundation, allowed MCF to reduce the investment risk for follow-on investors and to further catalyze impact investments.

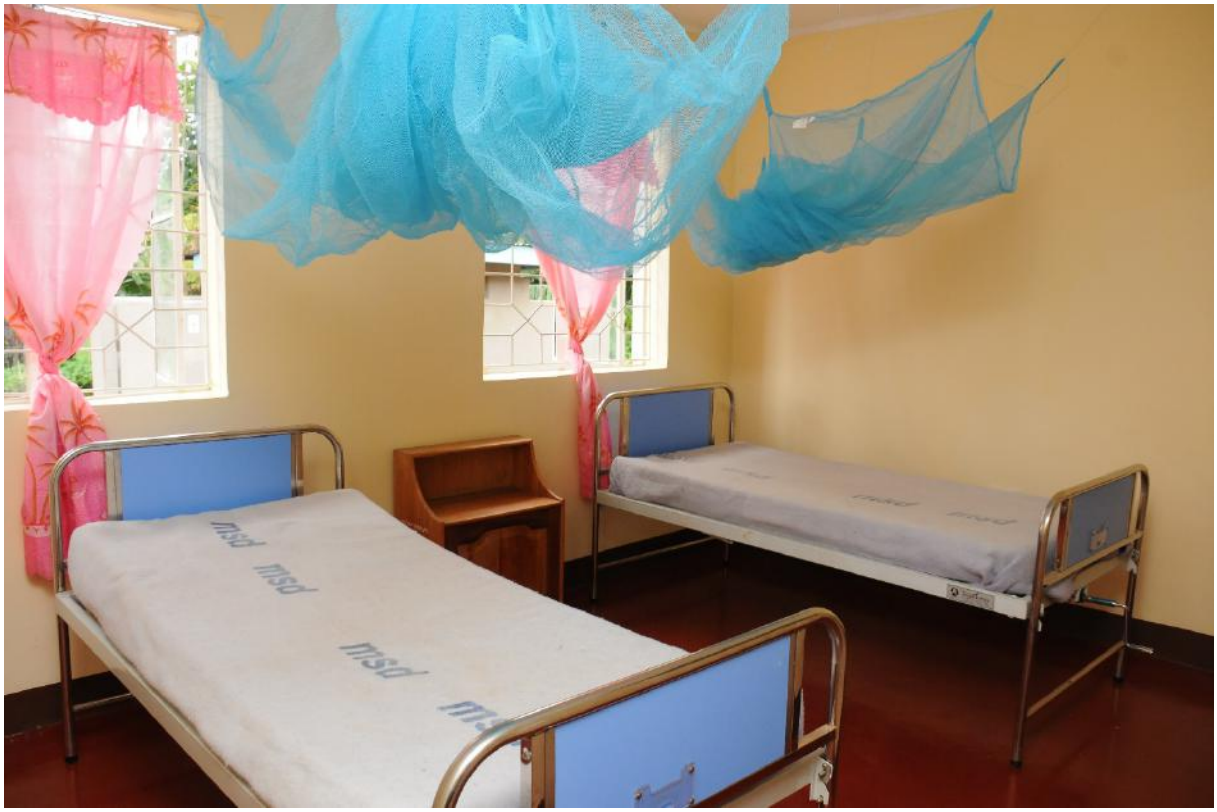
In 2016, MCF raised an additional USD 17 million from OPIC, Calvert Foundation and two private investors. This was followed in June 2017 by a new financing round from both public and private sources. This new investment from the CDC Group (the UK's development finance institution), International Finance Corporation (IFC), the French development finance institution Agence Française de Développement (AFD) and three private investors brings the fund to more than USD 40 million.

MCF's new mandate allows for loans of up to USD 2.5m – a significant step up from the previous USD 350,000 ceiling – and for partnerships with non-bank financial institutions. It also opens up financing for other players in the healthcare sector like suppliers of medicines and equipment, and enables partnerships in new countries.

Innovative loan products

Following and anticipating opportunities in the market, we continue to develop and test innovative financing solutions, including:

- Receivable financing: In Ghana, MCF developed a loan product to address the working capital shortages that many healthcare providers deal with as a result of long turnaround times in insurance claim reimbursement under the National Health Insurance Scheme (NHIS).
- Pharmacy loan: In Nigeria, MCF joined forces with Diamond Bank to offer Medi-Loan, a loan product tailored to pharmacies. Over 140 pharmacies have accessed loans valued at over USD 1.1 million in 2017 alone.
- Equipment leasing: In Tanzania, a financing collaboration with equipment leasing firm Equity for Tanzania (EFTA) opens access to more flexible debt financing by allowing private facilities to use equipment as collateral.
- Mobile cash advance: In Kenya, MCF teamed up with CarePay to develop a short-term digital loan that issues automatic repayments through mobile revenues earned, without formal collateral requirements or administrative burden. This allows for a low-cost and low-risk financing solution, especially benefiting smaller facilities that cater to patients at the bottom of the pyramid.
- Supply chain financing: By partnering with FACTS Africa, a Fintech company, MCF can leverage their digital platform to offer working capital solutions to the health sector in East Africa. Banks typically only offer supply chain financing to corporate customers and large transactions. FACTS Africa's digital solution is focused on SMEs. Using this platform, MCF can finance suppliers that provide crucial products to healthcare providers, for example medicines.



Operational research and impact evaluation

Global health issues require scientific rigor to define the size and scope of challenges and provide robust evidence if and how interventions work. This has been an integral part of our mission from day one. We investigate areas like quality of care, financial healthcare transactions, disease incidence, health outcomes, poverty maps, connected diagnostics and stakeholder experiences in order to test and validate different models of healthcare financing and delivery.

We conduct two types of research:

- **Operational research** that provides more in-depth knowledge about PharmAccess activities with the objective of improving day-to-day operations.
- **Impact evaluation** that encompasses longer-term research that evaluates the impact of PharmAccess operations on health and economic development.

Data-driven

Data are the new currency for healthcare exchanges. Systematic data collection, management and analysis generates a wealth of information on the operations and impact on both the demand and the supply side of the health system. Data collection is moving towards 'real-time' and 'big data.' New skills and analytical methods are required to process big data and extract meaningful information. Digital technology is opening up new scientific avenues and playing an increasingly prominent role in our research agenda.

Interesting research opportunities that were explored in 2017 include an impact evaluation of iCHF as well as of the Lagos State Health Insurance Scheme and a closer study into medicine supply chains in Kenya. Co-funding for research was secured from sources such as the Joep Lange Institute, London School of Hygiene and Tropical Medicine, NWO Wotro, and the Achmea Foundation.

Research partnerships

The Amsterdam Institute for Global Health and Development (AIGHD) remains a preferred partner in assessing biomedical and socio-economic impact of our programs. Another special relationship is with the Joep Lange Institute, which aims to push the envelope in global health, drive policy change and make health markets work for the poor. It provides complementary leveraging funding to deepen and broaden PharmAccess' research, especially research that catalyzes the impact of digital technology in healthcare.

Over the year 2017 PharmAccess has continued working on and expanding its international network of renowned research institutions among which:

- The London School of Hygiene and Tropical Medicine continuing its impact evaluation of the SafeCare program in Tanzania.
- The Duke University Center for Advanced Hindsight carrying out multiple experiments on user savings behavior and provider uptake of the digital health platform M-TIBA.

Financial

Total income in 2017 amounts to EUR 27.1 million and the operating result is EUR 972,071. Financial result included, PharmAccess Group Foundation has managed to the end the year of 2017 with a total surplus of EUR

129,994. The result for the year is partly added to the continuity reserve for an amount of EUR 19,861 and partly added to the newly created special purpose reserve for an amount of EUR 110,133.

After appropriation of the result the total equity amounts to EUR 2,632,968. To secure the continuity of PharmAccess Group Foundation, management aims to further improve the capital structure.

The financial statements reflect all the activities of the PharmAccess Group Foundation. All activities are managed by the different entities, especially PharmAccess and MCF. The actual implementation of the programs takes place in the African countries for which PharmAccess has offices in Tanzania, Kenya, Nigeria and Ghana. These offices are established according local regulations and governed and managed by (staff from) 'head office' in Amsterdam. Whereas MCF prepared their Accounts in accordance of IFRS (in USD), the financial statements of PGF have been prepared in accordance with the Guideline for annual reporting 640 "Not-for-profit organizations" of the Dutch Accounting Standards Board (in EUR). Contrary to the Guideline for annual reporting 640 the budget on overall level has not been included. Control is performed on project level. Financial risks are limited since PharmAccess holds cash on dedicated interest-bearing bank accounts. With the exception of Medical Credit Fund, PharmAccess Group does not work with 'embedded derivatives' and 'hedge accounting' and all larger programs are prefunded. Currency risks are shifted to the programs.

The foundation has been incorporated for the sole purpose of running the activities along the lines of the objectives as mentioned in the introduction paragraph of the management board report. The foundation has no objective to gain reserves, the activities are funded by multi-year grants.

Given the nature of the organization the risk assessment and risks management process is addressed on quarterly basis. The monitoring and managing of risks takes place on the level of the Foundation and its implementing partners. Risks have been categorized and prioritized on possibility and impact. The most significant risks which have been identified by the foundation are:

- Financial risks - continuity of funding; (successfully) mitigated by business development and submitting proposals for new funding;
- Personnel risks – health and safety of staff; mitigated by establishing a travel policy;
- Personnel risks – fraud; mitigated by establishing a code of conduct and by sound financial management (segregation of duties, dual level authorization);
- Performance risks - management capacity of the implementing partners and their local project partners; mitigated by capacity building activities;
- Reputational risks – mitigated by attention for external communication and advocacy.

Outlook 2018 and beyond

In 2018 and beyond we will continue to execute our digital strategy and to work with partners to improve the quality of healthcare and the number of people who can access it.

Ensuring that the health sector is an appealing and realistic investment option is vital and mobile technology will be the foundation for this. The CarePay platform (branded M-TIBA in Kenya) is an important element of this strategy and CarePay will focus on continued development of software and expansion of operations, going forward.

The enabling of or connecting to (risk) pools for care will be a significant focus for PharmAccess in the coming years. These pools for care are essentially inclusive funds that will help us achieve our ambition of 100 million people having access to basic health care through the use a health wallet by 2025. Pools for care are a method for sharing risk and insuring that the individual can move from struggling to pay for healthcare at the time of immediate need, to a more sustainable pre-payment approach. This not only benefits the individual who needs care but will ensure that health markets are attractive to the private sector and continue to grow and improve. Building on the achievements and lessons learned in 2017, PharmAccess will support the generation of these inclusive funds with a public-private approach.

Besides attracting funding flows to the pools for care, there will be a focus on increasing value from data in these pools – be it for the benefit of the fund managers and payers by creating additional transparency to guide allocation decisions, or to the benefit of the provider to support treatment decisions and receive feedback on overall performance. The right data-engine set-up and data collection functionalities need to be in place to realize this, both at CarePay and at PharmAccess.

In 2018, SafeCare will work on further improving the operational excellence of SafeCare and the development of a sustainable business model – this is a necessary condition for progressing the quality agenda in the PharmAccess focus countries. In addition SafeCare will collaborate increasingly with the Joint Commission International (JCI) to work on a new label for excellence targeted to better performing healthcare providers. By positioning a joint high value excellence brand, PharmAccess wants to stimulate aspiring providers to improve their quality. Another area of development will be the digitization of real-time quality monitoring of participating healthcare providers.

The Medical Credit Fund plans to continue to grow its portfolio by 100 percent, spurred by its expanded mandate to enter new countries and finance larger loans. With expansion, MCF will be able to assist more SMEs build a financial track record and become bankable, grow their business acumen and improve the quality of their healthcare services.

Every project and partnership that will be embarked upon going forward will be guided by the strategic objectives of PharmAccess established in 2016 to make inclusive health markets work, they are:

1. Develop private pre-payment mechanisms, risk pooling structures, and mobilize resources for organized demand.
2. Strengthen, benchmark, and certify clinical and business performance of healthcare service suppliers.
3. Improve efficiency, effectiveness, and transparency to better match demand and supply of healthcare transactions.
4. Mobilize capital into the private health sector.
5. Conduct research on the various implemented strategic interventions and advocate those that are successful.

Combined we believe these objectives will deliver attractive and truly inclusive health sectors that operate with high standards of care for everyone.

Institutional development

End of November 2016, economically effective as from January 1st 2017, the PharmAccess Group Foundation (PGF) has been founded, bearing the statutory responsibility for all PharmAccess group entities (i.e., Stichting PharmAccess International, Stichting Health Insurance Fund, Stichting Medical Credit Fund, Stichting SafeCare and Stichting HealthConnect). This was in line with the request of the Ministry of Foreign Affairs to change the governance structure of Stichting PharmAccess International (PharmAccess) and the affiliated foundations Stichting Health Insurance Fund (HIF), Stichting Medical Credit Fund (MCF) and Stichting SafeCare.
At the same time (end of November 2016) as the incorporation of the PharmAccess Group Foundation (PGF), the installment of the PGF Supervisory Board - Max Coppoolse (Chair), Pauline Meurs (vice Chair), Willem van Duin, Ben Christiaanse, Ruud Hopstaken, Peter van Rooijen, Kees Storm and Wilfred Griekspoor (members) - and Executive Board – Onno Schellekens (CEO), Monique Dolfing (COO) and Jan Willem Marees (CFO) - was concluded.

The statutory responsibility for all PharmAccess group entities (i.e., Stichting PharmAccess International, Stichting Health Insurance Fund, Stichting Medical Credit Fund and Stichting SafeCare) is vested with PGF, represented by its executive board (statutair bestuur) under the supervision of one Supervisory Board, the PGF Supervisory Board.

The first meeting of the Supervisory Board of the PGF took place on 16 December 2016, followed by quarterly Supervisory Board meetings in 2017. A rotation schedule was prepared taking note of the retirement of Wilfred Griekspoor (after ten years of service) at the end of 2017 and of Kees Storm at the end of 2018. To promote diversity within the Supervisory Board a search for female candidates for the appointment of two new Supervisory Board members has taken place. As per November 29th, 2017, Lidwin van Velden has been appointed as a new Supervisory Board member. She has built extensive experience in financial markets, asset management and risk management, and therefore contributes an important added value to the Supervisory Board. It is expected that a second new and female Supervisory Board member will be appointed in the course of 2018. Eventually, the Supervisory Board will consist of between seven and nine members.
As of March 1st 2017, Arjan Poels joined from the Rabobank as the new Managing Director of MCF, taking over the role and responsibility from Monique Dolfing-Vogelenzang. The combination of Arjan's extensive knowledge and experience in the African banking sector, his sales focus and team spirit make him very well positioned to lead MCF into the next phase.
On May 1st 2018 Onno Schellekens resigned as CEO of PGF and Monique Dolfing-Vogelenzang succeeded him in this role.

In 2017 PGF did not have any staff on the payroll. For the group entities, PharmAccess and MCF had staff on their payroll. As per year-end the total number of employees was 212.5 FTE (PAI: 206.5 and MCF: 6.0). Out of the 212,5 FTE, 138 FTE are employed in Africa. The average number of full-time equivalents during the financial year 2017 was 214,9 (PAI: 209.1 and MCF: 5.8).

Signing of the Management Board's report

Amsterdam, 14 September 2018

Executive Board:

M.G. Dolfing-Vogelenzang
CEO

J.W. Marees
CFO

Supervisory Board:

M.J.O. Coppoolse
Chairman

P.L. Meurs

B.J. Christiaanse

W.A.J. van Duin

D.P. van Rooijen

R.J.M. Hopstaken

K.J. Storm

L.M.T. van Velden


iCHF
Mfuko wa Afya ya Jamii
ULIOBORESHWA

CONSOLIDATED FINANCIAL STATEMENTS

- Consolidated Balance sheet
- Consolidated Statement of income and expenditure
- Consolidated Cash flow statement
- Notes to the consolidated financial statements

Consolidated balance sheet as at 31 December 2017 *

(After appropriation of the result)

	Note		31.12.2017
			EUR
Assets			
Fixed assets			
Intangible fixed assets	1	90,818	
Tangible fixed assets	2	538,852	
Financial fixed assets	3	13,655,814	
			14,285,484
Current assets			
Current portion of loan portfolio	4	1,519,089	
Current deposits		603,193	
Receivables from partner banks		556,321	
Receivables, prepayments and accrued income	5	2,857,208	
Cash	6	28,450,483	33,986,294
			48,271,778

	Note		31.12.2017
			EUR
Equity and liabilities			
Equity			
Continuity reserve	7	2,522,835	
Special purpose reserve	8	110,133	
			2,632,968
Long-term liabilities	9		17,985,720
Current liabilities, accruals and deferred income	10		27,653,090
			48,271,778

**) Due to the incorporation date of the foundation no comparative figures are available.*

Consolidated statement of income and expenditure for the year 2017 *

	Note		2017
			EUR
Income	11		27,062,827
Operating expenses:			
Direct project costs		11,906,461	
Personnel expenses	12	11,470,329	
Amortization and depreciation of intangible and tangible fixed assets		144,772	
Loan portfolio costs		41,058	
Impairment of loan portfolio		364,758	
Other gains and losses		299,714	
Other operating expenses		1,863,664	
Total operating expenses			26,090,756
Operating result			***972,071***
Financial income and expenses:			
Financial income	13	44,656	
Financial expense	14	(886,732)	
			(842,077)
Result			***129,994***
Appropriation of the result:			
Continuity reserve			19,861
Special purpose reserve			110,133
			129,944

**) Due to the incorporation date of the foundation no comparative figures are available.*

Consolidated cash flow statement for the year 2017

(Based on the indirect method)

		2017
		EUR
Operating result		***972,071***
Adjustments for:		
Effects of new consolidation PGF *		24,736,241
Depreciation (and other changes in value)		144,772
Changes in provisions		(435,130)
Changes in working capital:		
• movements operating accounts receivables	(2,271,472)	
• movements deferred income	317,403	
• movements operating AP	427,791	3,016,666
Cash flow from business activities		28,434,620
Interest received/paid	(205,679)	(205,679)
Cash flow from operating activities		*28,228,942*
Investments in (in)tangible fixed assets	(3,458,586)	
Disposals of (in)tangible fixed assets	19,900	
Cash flow from investment activities		*(3,438,686)*
Income from long-term liabilities	4,462,549	
Cash flow from financing activities		*4,462,549*
Net cash flow		***29,252,804***
Exchange gains/(losses) on cash at banks and in hand		(802,321)
Movements in cash		**28,450,483**

The movement in cash at banks and in hand can be broken down as follows:

Cash as at 15 December 2016	0
Movements in cash	28,450,483
Cash as per 31 December 2017	28,450,483

**) The 'Effects of new consolidation PGF' represent the consolidated cash position as at January 1st, 2017.*

Notes to the consolidated financial statements

General

Foundation

"Stichting PharmAccess Group Foundation", hereinafter "PGF", was founded in November 2016 in accordance with Dutch law. PharmAccess Group Foundation is head office is based in Amsterdam, the Netherlands.

The financial statements have been prepared in euro's.

Objectives

PGF is a Dutch not-for-profit organization, founded in 2016, aiming to improve access to better basic healthcare including HIV/AIDS treatment and care in low income countries by stimulating public private partnerships (PPPs). Its vision is that in the absence of a fully functional state one has to revert to local private sector capacity and stimulate PPPs as a bridge to the establishment of regional and national programs. These programs are aimed at enlarging the available amount of money in the healthcare system, at increasing trust in institutions and at lowering risk for investments and prepayments and so stimulating the demand side of the healthcare sector and strengthening the supply side. PGF through PharmAccess works mainly in sub-Saharan Africa where PharmAccess has offices in Nigeria, Tanzania, Kenya and Ghana.

Group structure

PharmAccess Group Foundation in Amsterdam is the head of a group of legal entities.
A summary of the information required under articles 2:379 and 2:414 of the Netherlands Civil Code is given below:

Consolidated entities:	Registered office
- Stichting PharmAccess International	Netherlands
- Stichting PharmAccess International	Tanzania
- PharmAccess Foundation	Kenya
- PharmAccess Foundation	Nigeria
- P.A.I. Ghana	Ghana
- Stichting Health Insurance Fund	Netherlands
- Stichting Medical Credit Fund	Netherlands
- Stichting SafeCare	Netherlands
- Stichting HealthConnect	Netherlands

Consolidation principles

Financial information relating to group companies and other legal entities controlled by PharmAccess Group Foundation or where central management is conducted, has been consolidated in the financial statements of PharmAccess Group Foundation. The consolidated financial statements have been prepared in accordance with the accounting principles of PharmAccess Group Foundation.

Financial information relating to the group entities and the other legal entities included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions.

Accounting principles

General

The consolidated financial statements have been prepared in accordance with the Guideline for annual reporting 640 “Not-for-profit organizations” of the Dutch Accounting Standards Board (‘Raad voor de Jaarverslaggeving’).

The consolidated financial statements have been prepared using the historical cost convention and are based on going concern. Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

If not indicated otherwise, the amounts of the accounts are stated at face value.

Consolidated Balance sheet

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortization and, if applicable, less impairments. Amortization is charged as a fixed percentage of 20% of cost. The useful life and the amortization method are reassessed at the end of each financial year.

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Costs for periodical major maintenance are charged to the result at the moment they arise.

Financial fixed assets

Upon initial recognition the receivables and loans are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

Provisions

Provisions for employee benefits

The pension scheme for staff based in the Netherlands concerns a defined contribution scheme which is accommodated at the insurance company Delta Lloyd. The contribution to be paid is recognized in the 'Statement of income and expenditure'.

In countries where local branch offices are operational, pension contributions for local staff are recognized in the 'Statement income and expenditure' based on local legislation.

Current liabilities

Deferred income

Deferred income consists of payments and receivables from donors related to projects to be carried out and subsequently decreased by the realized income and taking into account foreseeable losses on these projects.

Other current liabilities

Upon initial recognition, liabilities recorded are stated at fair value and then valued at amortized cost.

Principles for the determination of the result

Consolidated Statement of income and expenditure

Income and expenditure are recognized as they are earned or incurred and are recorded in the consolidated financial statements of the period to which they relate.

Income

Income from 'Realized income related to projects' is recognized in proportion to the completed project activities rendered on active projects, based on the cost incurred up to balance sheet date. The costs of these project activities are allocated to the same period.

Other income relates to other non-project related items.

Direct project costs

Direct project costs consist of expenses directly related to projects (out-of-pocket costs) excluding staff costs.

Recognition of transactions in foreign currency

Transactions in foreign currencies are recorded at the exchange rate prevailing at the transaction date. At year-end, the assets and liabilities reading in foreign currencies are translated into euros at the rates of exchange as per that date. As the MCF uses USD as functional currency, the 'statement of income and expenditure' is converted using an average FX-rate and the 'balance sheet' is converted with the FX-rate as per December 31st, 2018.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and liabilities, and financial derivatives. Reference is made to the treatment per balance sheet item for the principles of primary financial

instruments. With the exception of the Medical Credit Fund (MCF), the group does not use derivatives and there are also no embedded derivatives. The group, again except for the MCF, does not apply hedge accounting. For the MCF the following applies:

Derivative financial instruments

MCF enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. MCF has five foreign exchange forward contract and four cross currency swap contracts on Kenyan Shilling outstanding. In addition, MCF has one foreign exchange forward contract on Ghanian Cedi. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Principles for preparation of the consolidated cash flow statement

The consolidated cash flow statement is prepared according to the indirect method. The funds in the consolidated cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid deposits.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement

Notes to the specific items of the consolidated balance sheet

1. Intangible fixed assets

	2017
	EUR
Book value as at 15 December 2016	0
Effects of new consolidation PGF	123,396
Amortization during the year	(32,578)
Book value as at 31 December	**90,818**
Purchase value as at 31 December	167,361
Accumulated amortization	(76,543)
Book value as at 31 December	**90,818**

Intangible fixed assets concern software licenses of Microsoft and Exact. The amortization percentage of the intangible fixed assets is 20%.

2. Tangible fixed assets

	2017
	EUR
Book value as at 15 December 2016	
Effects of new consolidation PGF	119,826
Additions during the year	551,121
Depreciation during the year	(112,195)
Disposal of assets	(19,900)
Book value as at 31 December	**538,852**
Purchase value as at 31 December	873,293
Accumulated depreciation	(334,441)
Book value as at 31 December	**538,852**

The depreciation of the tangible fixed assets is calculated according to the straight-line method. The depreciation percentages are based on the economic life span. For computer equipment a depreciation of 33.3%, for refurbishment a depreciation of 10% and for office furniture and other assets a depreciation of 20% is used.

3. Financial fixed assets

	31.12.2017
	EUR
Loans concerning solvency support	8,846,584
Loan portfolio	4,374,011
Investments	419,154
Non-current deposits	16,065
Balance as at 31 December	**13,655,814**

Disclosure: Loans concerning solvency support

	2017
	EUR
Book value as at 15 December 2016	0
Effects of new consolidation PGF	8,673,122
Interest to be received	173,462
Balance as at 31 December	**8,846,584**

	31.12.2017
	EUR
Total disbursed as at 31 December	8,000,000
Total accumulated interest to be received	846,584
Balance as at 31 December	**8,846,584**

The Health Insurance Fund issued in 2012 a 5-year solvency support loan of EUR 8 million to AAR Insurance Holdings Limited. The full amount has been disbursed. The interest rate on this solvency loan is 2% per annum on the disbursed amount and is added to the deferred income concerning solvency support. The final repayment date has been, with approval from the Ministry of Foreign Affairs, extended to 31 December 2019. Repayment capacity of AAR is largely depending on a sale of shares planned to take place. The default risk (of not repaying the loan by AAR) is covered by the pre-received subsidy of the Dutch Ministry of Foreign Affairs, included under the deferred income concerning solvency support on the balance sheet. Therefore, the loan is not subject to an impairment.

Disclosure: Loan portfolio

	31.12.2017
	EUR
Outstanding loans:	
Outstanding loans Kenya	4,587,333
Outstanding loans Ghana	74,592
Outstanding loans Tanzania	2,799
Total outstanding loans	4,664,725
Provision for outstanding loans:	
Provision for outstanding loans Kenya	(289,357)
Provision for outstanding loans Ghana	(1,273)
Provision for outstanding loans Tanzania	(84)
Total provision for outstanding loans	(290,714)
Balance as at 31 December	**4,374,011**

4. Current portion of loan portfolio

	31.12.2017
	EUR
Outstanding loans:	
Outstanding loans Kenya	1,315,432
Outstanding loans Ghana	478,032
Outstanding loans Tanzania	28,671
Total outstanding loans	1,822,134
Provision for outstanding loans:	
Provision for outstanding loans Kenya	(253,012)
Provision for outstanding loans Ghana	(50,118)
Provision for outstanding loans Tanzania	84
Total provision for outstanding loans	(303,045)
Balance as at 31 December	**1,519,089**

5. Receivables, prepayments and accrued income

	31.12.2017
	EUR
Debtors	1,322,315
Advances projects	549,818
Prepayments	368,449
Accrued income	329,216
Accrued interest	81,131
Pension and other personnel insurances	840
Other receivables	205,439
Balance as at 31 December	**2,857,208**

Disclosure: Debtors

	31.12.2017
	EUR
Debtors	1,340,120
Provision for doubtful debts	(17,805)
Balance as at 31 December	**1,322,315**

6. Cash

	31.12.2017
	EUR
ABN-AMRO-AMRO accounts Netherlands - EUR	18,825,248
ABN-AMRO-AMRO accounts Netherlands - USD	6,505,579
Bank accounts Tanzania - TZS	140,103
Bank accounts Tanzania - EUR	8,034
Bank accounts Tanzania - USD	129,897
Bank accounts Tanzania - GBP	940
Bank accounts Kenya - KES	655,521
Bank accounts Kenya - EUR	42,665
Bank accounts Kenya - USD	874,860
Bank accounts Nigeria - NGN	523,105
Bank accounts Nigeria - EUR	850
Bank accounts Nigeria - USD	12,169
Bank accounts Nigeria - GBP	9,002
Bank accounts Ghana - GHC	145,374
Bank accounts Ghana - EUR	65,347
Bank accounts Ghana - USD	224,081
Bank accounts Namibia - NAD	281,481
Cash in hand	6,227
Balance as at 31 December	**28,450,483**

Funds are available in line with the different program and foundation objectives.

7. Continuity reserve

	2017
	EUR
Book value as at 15 December 2016	0
Effects of new consolidation PGF	2,502,974
Result current year	19,861
Balance as at 31 December	**2,522,835**

Result appropriation for the year

Due to the appropriation of the result, an amount of EUR 19,861 is added to the continuity reserve.

The continuity reserve is available to use in line with the described objectives of the foundation as stated in article 2 of the Articles of Association.

8. Special purpose reserve

	2017
	EUR
Book value as at 15 December 2016	0
Result current year	110,133
Balance as at 31 December	**110,133**

Result appropriation for the year

The result for the year is added to the special purpose reserve (EUR 110,133).

Based on a board decision the result can be appropriated to the special purpose reserve. The size of the reserve will differentiate within the following computation guidelines:

- Until a maximum of 10% of the total equity;
- Until a maximum of EUR 200,000.

The reserve can be used for employees who, in person, are confronted with a catastrophic event and insuperable cost.

9. Long-term liabilities

	31.12.2017
	EUR
Borrowings	9,266,123
Deferred income concerning solvency support	8,719,597
Balance as at 31 December	**17,985,720**

Maturity table

	< 1 year	1-5 years	> 5 years	Total 31.12.2017
			EUR	EUR
Borrowings	-	5,921,375	3,344,747	9,266,123
Deferred income concerning solvency support	-	8,719,597		8,719,597
Balance as at 31 December	**-**	**14,640,972**	**3,344,747**	**17,985,720**

Disclosure: Borrowings

	31.12.2017
	EUR
CDC	2,755,281
Calvert Foundation	1,795,107
OPIC	1,753,361
AFD	1,000,280
Private Investor	751,440
Private Investor	584,454
Private Investor	208,733
Private Investor	208,733
Private Investor	208,733
IFC	0
Balance as at 31 December	**9,266,123**

Summary of Borrowings

I. Cumulative total borrowings attracted by MCF per 31 December 2017 amounts to EUR 9,266,123 (USD 11,098,035).
II. The total amount on borrowings is considered long term debt.
III. Interest bearing borrowings of EUR 4,381,761 (USD 5,248,035) were attracted in 2017.

IV. The current weighted effective interest rate on all borrowings is 4,01%. All These loans have a grace period on principal payments of three years.

V. The Loans are Senior to other debts outstanding.

Disclosure: Deferred income concerning solvency support

	2017
	EUR
Cumulative payments from Dutch	
Ministry of Foreign Affairs	8,000,000
Deferred income before interest	*8,000,000*
Cumulative interest to be received:	
- AAR	(719,597)
Total interest to be received	*(719,597)*
Deferred income after interest	**8,719,597**

This long-term deferred income position with the Dutch Ministry of Foreign Affairs relates to a loan for solvency support which has been made available to AAR Insurance Holding Limited (AAR) in 2012. The solvency support agreement between Health Insurance Fund and AAR has been extended to 31 December 2019. The deferred income represents the pre-received subsidy from the Dutch Ministry of Foreign Affairs. In the event of a default of AAR on the loan agreement the deferred income is recognized as income to cover for the impairment costs. The Health Insurance Fund has the obligation to report to the Ministry on the status of repayment by AAR.
The interest added to the deferred income position is calculated on the disbursed amount.

10. Current liabilities, accruals and deferred income

	31.12.2017
	EUR
Deferred income	23,517,392
Accrued expenses	1,682,489
Creditors	861,844
Other liabilities	653,444
Derivative financial instruments	313,818
Holiday allowance and days	218,846
Taxes and social security contributions	194,579
Accrued interest	118,526
Liabilities related to projects	74,172
Financial guarantees	16,812
Salaries	1,168
Balance as at 31 December	**27,653,090**

Disclosure: Deferred income

	31.12.2017
	EUR
Received from donors related to projects	100,146,374
Realized revenue on projects	(76,682,979)
Deferred income before interest	23,463,395
Liability related to interest received	53,997
Balance as at 31 December	**23,517,392**

The deferred income reflects the balance of the 'work in progress' per year-end.

From the groups deferred income position, PharmAccess Foundation covers a significant amount. With reference to the PharmAccess Foundation 'work in progress' (contract portfolio) contains an amount of EUR 11,001,075 for by donors pre-financed projects (credit) and an amount of EUR 999,485 for reimbursement projects (debit).

Disclosure: Taxes and social security contributions

	31.12.2017
	EUR
Wage tax	177,605
Value added tax	21,093
Social security contributions	4,119
Balance as at 31 December	**194,579**

Contingent assets and liabilities

Regarding the current project portfolio, the entities which are included in the consolidated financial statements of the PharmAccess Group Foundation received from donors' commitments for grants for an amount of about EUR 157 million. Of this amount EUR 100 million has been received. PharmAccess Group Foundation has the obligation to use these funds in accordance with the contractual donor requirements.

Financial instruments

For the notes to financial instruments reference is made to the specific item by item note. The main financial risks the foundation is exposed to are the currency risk, the liquidity risk and the credit risk. The foundation financial policy is aimed at mitigating these risks by:

Currency risk

With exception of the MCF, the currency risk is mitigated by holding the received foreign currency pre-payments on ongoing foreign currency contracts as long as possible in the contracted foreign currency and only convert into the functional currency (EUR) based on commitments.

For the MCF the following applies:
The foreign currency risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its currency risk exposure, whereby an individual FX exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar.

Liquidity risk
The liquidity risk is mitigated by monthly monitoring the work in progress portfolio and closely monitor and steer the deferred income position per contract.

Credit risk
The credit risk is limited as most of the programs are prefunded. For the local branch offices, the credit risk is mitigated by providing only a two months rolling advance.

Off-balance sheet commitments
In December 2016 a ten-year operational lease agreement was signed for the premises - AHTC buiding, 4th floor, Tower C and D - located at the Paasheuvelweg 25 in Amsterdam, the Netherlands. The yearly operational lease amount amounts to EUR 402,185. The first two years are free of charge, year 3: 60%, year 4: 73,3%, year 5: 86,6% and year 6 -10: 100% of the yearly operational lease amount.

Notes to the specific items of the consolidated statement of income and expenditure

11. Income

	2017	2016
	EUR	
Realized income related to projects	26,162,623	
Interest income on loan portfolio	831,306	
Income from financial guarantee contracts	55,314	
Other income	13,584	
	27,062,827	

The main 'Realized income related to projects' consist of:

Ministry of Foreign Affairs *	13,645,102
PEPFAR	3,663,095
HDIF	1,084,157
Dutch Postcode Lottery	900,000
AHME	841,868
I-PUSH	728,647
Gilead Sciences, Inc.	669,548
ELMA Foundation	333,954
USAID - Saving Lives at Birth: Kwara	311,493
FDOV MoH - Healthy Business	264,554
Achmea - Samburu	255,883
Embassy Kingdom of the Netherlands in Accra, Ghana	204,135
St. Antonius M-Tiba	172,306
Pfizer Foundation - Health Wallet & Chamas	62,633
Amsterdam Diner	8,964
HJF - GEIS	0
Other	3,916,488
	27,062,827

*) The 'Ministry of Foreign Affairs' funding has been received via the Health Insurance Fund. The recognized income on the Ministry of Foreign Affairs programs relate to the following different funding programs / periods:

	2017
	EUR
Ministry of Foreign Affairs 2016 - 2022	13,587,093
Ministry of Foreign Affairs 2006 - 2016	58,009
	13,645,102

12. Personnel expenses

	2017
	EUR
Salaries and wages	8,861,724
Social security contributions	1,170,061
Pension costs	581,311
Other personnel expenses	857,233
	11,470,329

15. Financial income

	2017
	EUR
Interest income	26,737
Other financial income	17,918
	44,656

14. Financial expenses

	2017
	EUR
Exchange rate results	300,731
Interest costs	276,800
Other finance expenses	309,201
	886,732

Other notes

Number of employees

The average number of full-time equivalents during the financial year 2017 was 214.9 (PAI: 209.1 and MCF: 5.8).

Remuneration Executive Board, Management Board and Supervisory Board

Executive Board

The remuneration of Executive Board during the financial year 2017 amounted to EUR 405,412. This remuneration consists of gross salary and a defined pension contribution:

	2017
	EUR
Gross salary	368,620
Pension contribution	36,792
	405,412

The average number of full-time equivalents for the Executive Board in 2017 was 2.60.

Management Board

The remuneration of Management Board during the financial year 2017 amounted to EUR 258,806. This remuneration consists of gross salary and a defined pension contribution:

	2017
	EUR
Gross salary	240,931
Pension contribution	17,875
	258,806

The average number of full-time equivalents for the Management Board in 2017 was 2.00.

Supervisory Board

The Supervisory Board does not receive any remuneration.

Subsequent events

There are no events to report.

FOUNDATION-ONLY FINANCIAL STATEMENTS

- Balance sheet
- Statement of income and expenditure
- Notes to the financial statements

Balance sheet as at 31 December 2017 *

(After appropriation of the result)

	Note		31.12.2017
			EUR
Assets			
Current assets			
Receivables, prepayments and accrued income		1,603	
Cash	1	19,970	
			21,573
			21,573

	Note		31.12.2017
			EUR
Equity and liabilities			
Equity			
Continuity reserve	2	(18,308)	
			(18,308)
Current liabilities, accruals and deferred income	3		39,881
			21,573

**) Due to the incorporation date of the foundation no comparative figures are available.*

Statement of income and expenditure for the year 2017 *

	Note		2017
			EUR
Income	4		20,000
Operating expenses:			
Other operating expenses		38,266	
Total operating expenses			38,266
Operating result			***(18,266)***
Financial income and expenses:			
Financial income		8	
Financial expense		(50)	
			(42)
Result			***(18,308)***
Appropriation of the result:			
Continuity reserve			(18,308)
Special purpose reserve			0
			(18,308)

**) Due to the incorporation date of the foundation no comparative figures are available.*

Notes to the specific items of the balance sheet

1. Cash

	31.12.2017
	EUR
ABN-AMRO-AMRO accounts Netherlands - EUR	19,970
Balance as at 31 December	**19,970**

Funds are available in line with the different program and foundation objectives.

2. Continuity reserve

	2017
	EUR
Balance as at 15 December 2016	0
Result current year	(18,308)
Balance as at 31 December	**(18,308)**

Result appropriation for the year

Due to the appropriation of the result, the deficit of EUR 18,308 is diminished from the continuity reserve. The continuity reserve represents the foundation-only equity. The foundation-only equity differs from the consolidated equity as presented in the consolidated financial statement due to financial policy on the method of computation of the equity. The consolidated equity is the sum of the equity of all group foundations.

The continuity reserve is available to use in line with the described objectives of the foundation as stated in article 2 of the Articles of Association.

3. Current liabilities, accruals and deferred income

	31.12.2017
	EUR
Accrued expenses	32,250
Related foundation balance Stichting PharmAccess Foundation (PAI)	9620
Other liabilities	11
Balance as at 31 December	**39,881**

Notes to the specific items of the consolidated statement of income and expenditure

4. Income

	2017	2016
	EUR	
Income from donations	20,000	
	20,000	

The income from donations relate to a donation of EUR 20,000 from the PharmAccess Foundation (PAI).

Signing of the financial statements

Amsterdam, 14 September 2018

Executive board:

M.G. Dolfing-Vogelenzang
CEO

J.W. Marees
CFO

Supervisory Board:

M.J.O. Coppoolse
Chairman

P.L. Meurs

B.J. Christiaanse

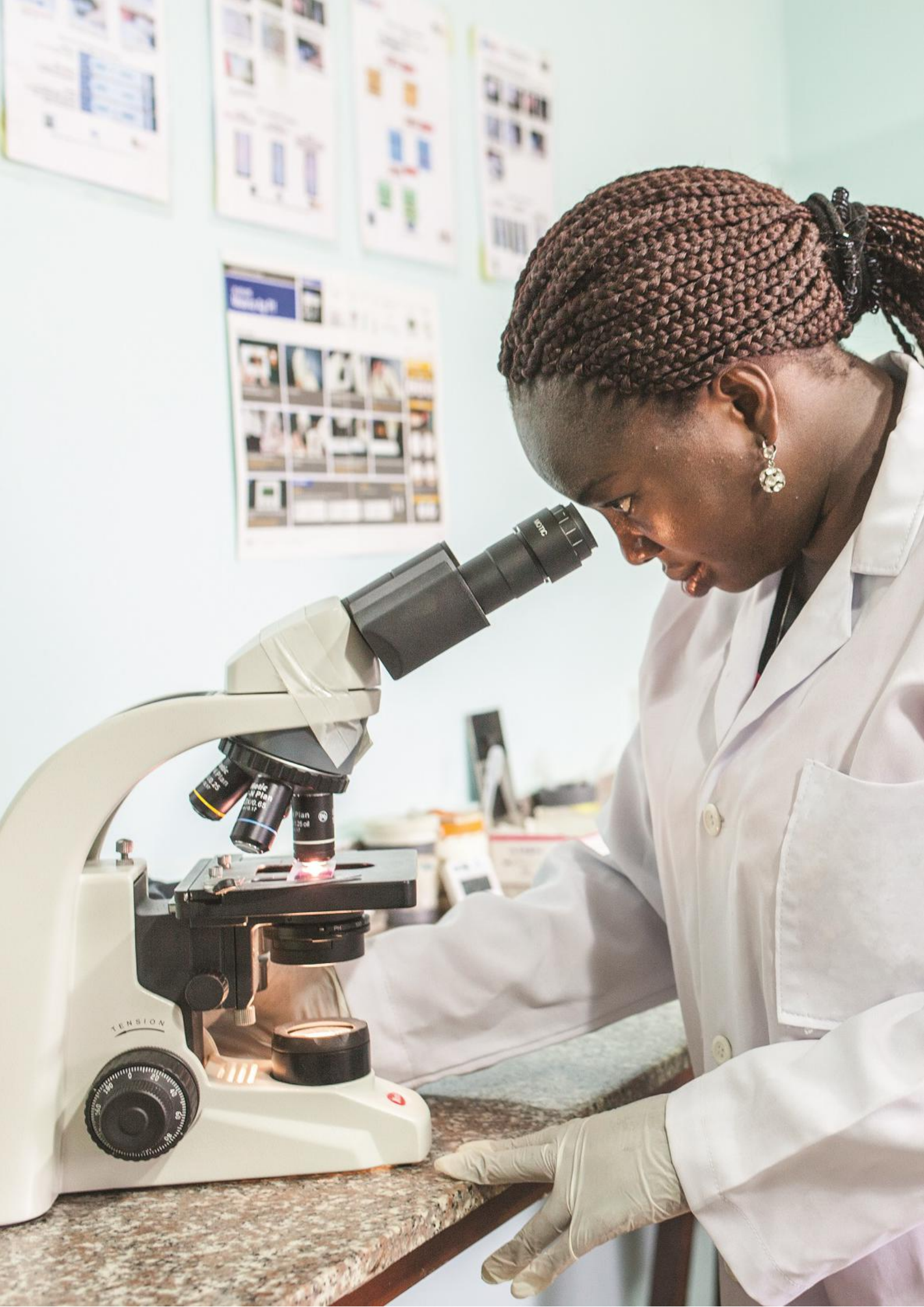
W.A.J. van Duin

D.P. van Rooijen

R.J.M. Hopstaken

K.J. Storm

L.M.T. van Velden



OTHER INFORMATION

Independent auditor's report

The independent auditor's report is recorded on the next page.

Independent auditor's report

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Independent auditor's report

To the Management Board of Stichting PharmAccess Group Foundation

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the consolidated financial statements 2017 of Stichting PharmAccess Group Foundation, based in Amsterdam.

In our opinion the consolidated financial statements included in the annual accounts give a true and fair view of the financial position of Stichting PharmAccess Group Foundation as at December 31, 2017, and of its result for 2017 in accordance with Dutch Accounting Standard 640 "Not-for-profit organizations".

The financial statements comprise:

1. The consolidated balance sheet as at December 31, 2017.
2. The consolidated statement of income and expenditure for 2017.
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 PharmAccess Group Foundation in accordance with the "Verordening inzake de onafhankelijkheid van accountants" bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Valuation of loans

We draw attention to notes 3 (Financial fixed assets, Disclosure: Loans concerning solvency support) and note 9 (Long-term liabilities, Disclosure: Deferred income concerning solvency support), as presented in the financial statements on pages 31 and 37 where a clarification is included on why the loan is not subject to an impairment. Our opinion is not modified in respect of this matter.

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REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

- Management Board's Report
- 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.
- Contains the information as required by The Dutch Accounting Standard 640 "Not-for-profit organizations".

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

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

Management is responsible for the preparation of the Management Board's report and the other information as required by the Dutch Accounting Standard 640 "Not-for-profit organizations".

DESCRIPTION OF RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Dutch Accounting Standard 640 "Not-for-profit organizations". Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated 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.

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.

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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.

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 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 to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Management 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 identified during our audit.

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We provide the Management Board 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, September 14, 2018

Deloitte Accountants B.V.

Signed on the original: J.S. Huizinga

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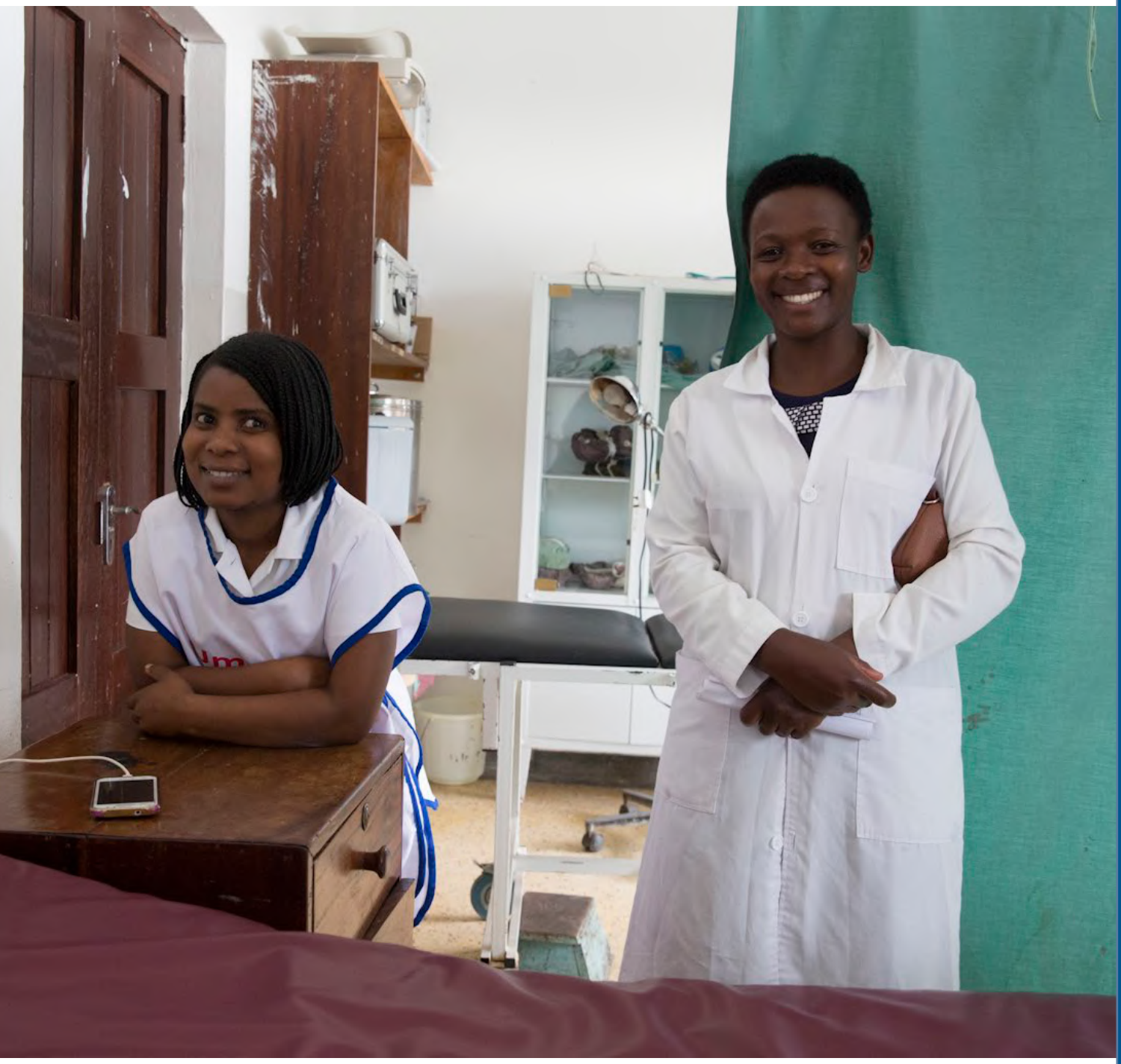

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