



Annual Report
Vereniging HZPC
2017/2018



KPMG Audit
Document to which our report
18W00161234GRN dated
4 October 2018
also refers.
KPMG Accountants N.V.

VERENIGING HZPC

CREDITS

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The original financial statements were drafted in Dutch.
This document is an English translation of the original.
In the case of any discrepancies between the English and
the Dutch text, the latter will prevail.



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PERSONNEL DETAILS

BOARD OF DIRECTORS

J.J.M. van der Heijden, Chairman	Kruisland
S.G. Andringa, Vice-chairman	Oosterbierum
P.C.M. Haenen, Secretary	Luttelgeest
R.P. Smith	Terheijden
E.P. de Vries	Kantens

BOARD OF GROWERS

J. Bonnema, Chairman	Ens
N. Hoornsman, Vice-chairman	Wieringerwerf
N. Giliam, Secretary	Pingjum
R. Clevering	Den Andel
L. Dijkstra	Anjum
E. Maerman	Emmeloord
G. Miedema	Stiens
R. Rozema	Niezijl
N.J. Slot	De Cocksdorp
A. Vael	Zaamslag
P.K. Westerhuis	Usquert

BOARD OF BREEDERS

P. Thijssen, Chairman	Slochteren
K. Hiddema, Vice-chairman	Emmeloord
M. Hommes-Gesink	Lauwerzijl
M. Maes-De Vries	Marknesse
Y.P. van der Werff jr.	Oude Bildtzijl
F.P. van der Zee	Kloosterburen

SUPERVISORY COMMITTEE

A. van Zadelhoff, Chairman	Mantgum
J.H. te Raa	Blankenham
T. de Vries	Hallum

YOUTH BOARD

D. Bouwsema, Chairman	Eenum
R. Wiersema, Secretary	Groningen
G.J. Haenen	Luttelgeest
V. van den Hoek	Creil
P. Meijer	Kloosterburen
R. v.d. Noort	Hoeven
M. Remijn	Eenrum
T. Sinnema	Dronrijp
G. Smits	St. Annaparochie
T. Smits	Luttelgeest
E. van der Star	Oosterend
A. Steeghs	Engwierum
P. de Wit	Wieringerwaard
J. van der Zee	Tzummarum



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The Association holds 783,725 shares in the Company and is therefore sole shareholder of HZPC Holding B.V. The name HZPC Holland B.V. was changed to HZPC Holding B.V. as of 1 July 2016. HZPC has issued all the shares in the form of certificates to natural persons and legal entities that comply with specific requirements. On behalf of its members, the Board carries out the duties of shareholder at the General Meeting of Shareholders of HZPC Holding B.V. The activities of HZPC Group are focused on the potato product. HZPC carries out research, breeds varieties and grows seed potatoes, ware potatoes and mini-tubers.

SPREAD OF RISKS

Eighty percent of the purchases are based on variable price contracts, which ensure there are few risky buying/selling positions. Sales could be influenced by phytosanitary barriers or political measures. These business risks, however, are spread across the more than 80 countries HZPC exports to, limiting the risk impact per country. HZPC often delivers a large quantity of potatoes to its customers in a relatively short time frame. Although HZPC regularly uses collateral in the form of prepayments, LC's and bank guarantees, the result is sensitive to payment risks.

The provision of information is of crucial importance to managing the risks in the organisation. Properly functioning ICT systems are most important in connection with this. Investment in this area will take place over the next few years. The export of seed potatoes and ware potatoes takes place almost exclusively in euros. This makes the risks occurring with fluctuating exchange rates low. The risks associated with fluctuating exchange rates have, however, increased due to international growth. This increase is also due to participating interests in countries outside the Euro zone. The valuation of these participating interests is partially dependent on the development of the local currency.

STRATEGY AND STRUCTURE

This year, the Board of the Association, together with the Supervisory Board and the Executive Board of HZPC Holding B.V. paid particular attention to the corporate strategy for the coming five years for the HZPC Group. In addition, the board received proposals for investments in expanding the R&D facilities and production facilities in Russia.

The Board has also been provided with comprehensive information by the Executive Board regarding activities in important future markets such as China and India. Developments in 'hybridisation' and technological developments in gene-editing are also monitored closely as a result of the legal ruling. The Board shares the view of the Holding's executive team that modern breeding techniques, such as cisgenesis and genetic modification pose a negligible risk. The Board considers the ruling by the European Court to be extremely negative in terms of progress in plant breeding/development within Europe. The Board thus supports the executive team as it considers the consequences of this legal ruling on HZPC Group's international strategy.

There have also been extensive discussions regarding the role of the various boards in the Netherlands in relation to growers abroad. As a result of the international expansion of the HZPC Group, topics are becoming increasingly internationalised and no longer focussed on the interests of Dutch growers. The Board is expected to represent the interests of all members both nationally and internationally. The autonomy and continuation of the HZPC organisation are therefore a guiding principle for the Board.

RESULTS

HZPC Holding B.V. achieved a net result of 4.7 million euros for the fiscal year 2017/2018. The return on shareholders' equity is 9.6%. The supervisory board has made 66.6% of the company's net revenue available to the shareholders. This is consistent with an amount of 3.1 million euros. This means a dividend of 4.00 euros per share certificate. This dividend has been incorporated in the annual accounts of the Association.

In 2017/2018 the prices of ware potatoes in Western Europe were a little lower than in the previous year. This had an impact on the price of, and the margins achieved for, seed potatoes. The scope of the European market for seed potatoes has expanded; it has been primarily driven by an increase in worldwide demand from the processing industry.

The markets in the Middle East and North Africa were tricky but similar to last year. The Russian market was also difficult with regard to imports. Activities in China and India demand lots of attention, which they are receiving.



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In India, after a meltdown last year, we again saw lower prices for ware potatoes as a result of the huge supply offering and therefore a lower demand for seed potatoes. The result of this participation in India thus came under pressure. Despite all this, HZPC was able to once again increase its volume of sold potatoes or seed potatoes grown under licence; this was for the third year and is a new record. However, turnover and gross margins are a little lower than last year. As a result of market conditions, the result is lower than forecast, however the Board is content with the way in which HZPC Holding operated within this challenging market.

GROWTH FIGURES

Over the last decade, HZPC has seen constant growth in tonnage. Seed potatoes sold and tons produced under licence have been aggregated for the total tonnage.

Year	Seed potatoes sold and produced under licence
2013/2014	675,000 tonnage
2014/2015	642,000 tonnage
2015/2016	677,000 tonnage
2016/2017	797,000 tonnage
2017/2018	816,000 tonnage

The tonnage achieved in 2017/2018 is the result of autonomous growth and acquisitions in previous years. This would bring the 5 year average figure for growth in volume above the long-term objective of 4% once again.

ACQUISITION

In 2017/2018, there were no acquisitions and the group focussed on national and international, autonomous growth

LEGAL RESTRUCTURING OF HZPC

The legal restructuring was completed on 1 July 2016. HZPC now consists of a holding company with five subsidiary companies:

- HZPC SBA Europa B.V.
- HZPC SBA Development B.V.
- IPR B.V.
- HZPC Research B.V.
- STET Holland B.V.

In 2017/2018, the name of HZPC IPR B.V. changed to IPR B.V.

GENERAL MEETING OF SHAREHOLDERS

The HZPC Holding B.V. Articles of Association stipulate which decisions have to be presented to the General Meeting of Shareholders and, therefore, to the Board for approval.

The General Meeting of Members was held on one occasion last year. The meeting agenda included the progress of the company's results. The Board met on six occasions and two general meetings of shareholders were held.

Year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Net profit (x EUR 1,000)	9,199	4,494	6,998	8,477	4,706
Return on Equity (in %)	23.7	10.6	15.9	18.3	9.6%
Net profit per share (x EUR 1)	11.74	5.73	8.93	10.82	6.00
Dividend per share (x EUR 1)	7.50	3.75	5.75	7.00	4.00
Dividend as % of the profit (in %)	64	65	64	65	67
Share price as of 30 June (x EUR 1)	93.5	113.15	136.90	165.65	200.00
Dividend as % of that price (in %)	8.0	3.3	4.2	4.2	2.0



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NOMINATIONS

In the general members' meeting on November 2017, Board members J.P. Lindenbergh and S. Wijma stepped down and succeeded respectively as chairman by Mr J.J.M. van der Heijden and by Mr R.P. Smith. The Board is very grateful for the efforts of Mr Lindenbergh and Mr Wijma.

Mr E.P. de Vries joined the Board as a new member.

In November 2017, Mrs M. Hommes-Gesink joined the Association of Breeders.

In June 2018, Mr R. Rozema succeeded Mr J. van 't Westeinde on the Board of Growers.

STOCK TRADING DAY

Two stock trading days for HZPC certificates were also held this financial year. The market rose by 10% in November and in May by 9.77% to a rate of exactly 200 euros. At the end of the 2017/2018 financial year, the Association has no certificates in its possession.

The Supervisory Committee oversees the implementation of the procedures for trading in certificates as laid down in the stock trading regulations.

This financial year, six certificate holders have taken advantage of the opportunity to take out a loan for the purchase of certificates. Nine loans have now been fully repaid. At the end of the financial year, 29 certificate holders are participating in this scheme. The total amount involved was 248,884 euros (302,518 euros last year) on the balance sheet date.

The total number of certificate holders has remained almost the same. There were 1,308 certificate holders as of 30 June 2018, four more than the year before. The number of members of Vereniging HZPC is currently 1,039 (79% of the number of certificate holders).

The organisation of the stock trading days in the 2017/2018 financial year was conducted by ING.

FINANCIAL YEAR 2017/2018

The financial year 2017/2018 shows a neutral operating result for the Association. This is due to the pledge by HZPC Holding that it will fully cover the costs of the Association. As Vereniging HZPC no longer owns any certificates, the income will be limited to the interest received on the cash and cash equivalents. The representative Boards of HZPC Growers and Breeders regularly met with members of the Executive Committee and HZPC staff over the past financial year. On these occasions, the HZPC arrangements with growers and breeders were reviewed and, where necessary, adapted to the developments in the sector and in the company.

Finally, the Board wishes to thank everyone for their efforts during the past financial year.

Joure, 4 October 2018

On behalf of the Board,

J.J.M. van der Heijden, Chairman
P.C.M. Haenen, Secretary



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BALANCE SHEET

(AFTER RESULT APPROPRIATION)

x eur 1,000	Explanatory notes	30-06-2018	30-06-2017
ASSETS			
Fixed assets			
Financial fixed assets			
Shares of HZPC Holding B.V. on behalf of certificate holders	1	15,675	15,675
Receivables from certificate holders	2	249	302
Total fixed assets		15,924	15,977
Current assets			
Receivables			
Dividend to be received from HZPC Holding B.V.	3	2,665	4,663
Current account of HZPC Holding B.V.		-	220
Current account of HZPC Holland B.V.		295	-
Other receivables		-	3
		2,960	4,886
Cash and cash equivalents			
Banks		23	98
Total current assets		2,983	4,984
Total assets		18,907	20,961
LIABILITIES			
Equity			
General reserve	4	318	318
Long-term liabilities			
Share certificates issued		15,675	15,675
Other long-term liabilities	5	249	302
		15,924	15,997
Current liabilities			
Dividend to be paid to certificate holders		2,665	4,663
Other liabilities		-	3
		2,665	4,666
Total liabilities		18,907	20,961



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PROFIT AND LOSS ACCOUNT

x eur 1,000	Explanatory notes	2017/2018	2016/2017
REVENUES			
Dividend return certificate of shares under HZPC Holding B.V. control		-	-
Other revenues		-	-
Total revenues		-	-
COSTS			
Other operating expenses	6	56	59
Charged to HZPC Holding B.V.		-56	-59
Total expenses		0	0
Interest income and charges		-	-
Net income		0	0



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FOUNDATION OF THE HZPC ASSOCIATION

The Association was founded on 29 November 1999 by means of a legal merger between Coöperatie De ZPC Pootgoed Belangen B.A. and Stichting Administratiekantoor Hetteema, which were both converted to form part of the Association.

The HZPC Association has the legal ownership of 100% of the shares in HZPC Holding B.V. in Joure.

ACTIVITIES

The objective of the Association is:

- a. the issuing and management of share certificates in the Company;
- b. promoting certain material interests of its members/certificate holders;
- c. promoting certain material interests of its growers;
- d. promoting certain material interests of its breeders.

REPORTING PERIOD

The financial year of the Association runs from 1 July up to and including 30 June.

APPLIED STANDARDS

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

The accounting policies applied for measurement of assets and liabilities and determination of result are based on the historical cost convention, unless otherwise stated in the further accounting principles.

CONTINUITY

These financial statements have been prepared on the supposition of continuity.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES AND THE GENERAL DETERMINATION OF THE RESULT

GENERAL

Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is included in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the value of the asset can be measured reliably. An obligation is included in the balance sheet if it is probable that the processing of it will be linked to an outflow of resources which contain economic benefits and the total amount can be reliably established. Income is included in the profit and loss account when an increase in future economic potential related to an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability. Expenses are processed when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability. If a transaction results in almost all or all future economic benefits and when all or virtually all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Furthermore, assets and liabilities are no longer included in the balance sheet starting from the time at which the conditions of probability of the future economic benefits and reliability in determining the value are no longer satisfied.

DETERMINATION OF THE RESULT

Revenues and expenses are allocated to the period to which they relate. Revenues are accounted for if all important risks with regard to the commodities are transferred to the purchaser.

The operational expenses are borne by HZPC Holding B.V.

ROUNDING

The financial statements are presented in thousands of euros, the Association's functional currency.



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USE OF ESTIMATES

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

FINANCIAL INSTRUMENTS

Financial instruments include primary financial instruments such as receivables and payables, as well as derivative financial instruments. Reference is made to notes as per the balance sheet item for the accounting principles of the primary financial instruments.

FINANCIAL FIXED ASSETS

Equity interests and certificates where no significant influence is exercised are stated at cost or realisable value.

Loans are included at amortised cost using the effective interest method, less impairment losses.

The other financial fixed assets are valued at fair value on initial processing, plus transaction costs (if material). After initial processing, the assets are measured at amortised cost using the effective interest method, less any impairment losses.

Income from receivables and other securities allocated to financial fixed assets are accounted for in the year to which they relate.

Dividends are accounted for in the period to which they relate. Interest income is accounted for in the period to which it relate, using the effective interest rate method. Any profit or loss is accounted for under financial income or expenses.

RECEIVABLES

Receivables are measured at fair value on initial processing, plus transaction costs (if material). After initial processing, the assets are measured at amortised cost using the effective interest method, less a provision for non-collectable debts. These provisions are determined by individual assessment of the receivables.

CASH AND CASH EQUIVALENTS

The liquid assets, insofar as not stated otherwise, are freely available to the Association.

EQUITY

Financial instruments taking the legal form of equity instruments are presented under equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments taking the legal form of a financial obligation are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are accounted for as financial income or expense in the profit and loss account.

LONG-TERM AND CURRENT LIABILITIES

Long-term and current liabilities and other financial liabilities are valued at fair value on initial processing. After initial processing, the assets are measured at amortised cost using the effective interest method. If there are no premiums or discounts and transaction costs, the amortised cost equals the nominal value of the debt.

REVENUE RECOGNITION

The Association includes the revenues under net sales when all significant rights to economic benefits as well as all significant risks with regard to the transactions are transferred to the purchaser, when delivery has taken place, the price has been or can be determined, and there is reasonable certainty that the sales price can be collected. These criteria are generally satisfied at the moment the product or service is delivered and a balance, if required, is obtained.



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EXPENSES

Expenses are allocated to the period to which they relate.
The operational expenses are borne by HZPC Holding B.V.

TAX ON THE RESULT

The Association is not independently liable for taxation.



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1. Shares of HZPC Holding B.V. on behalf of certificate holders

Name	Statutory head office	Number of shares	Participation in %
HZPC Holding B.V.	Joure	783,725	100

There have been no changes in the number of HZPC Holding B.V. shares for certificate holders (783,725). These shares are valued at the nominal value of 20 euros per share.

x eur 1,000	30-06-2018	30-06-2017
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2. Receivables from certificate holders

Loans issued to certificate holders for the acquisition of certificates

Opening balance	302	349
Additions: new loans	73	80
Deductions: repayments	-126	-127
Closing balance	249	302

The interest rate applied varies from 0.0% to 1.0%.
The term of the loan is a maximum of 5 years.

3. Dividend to be received from HZPC Holding B.V.

The HZPC Association receives a dividend from HZPC Holding B.V., after deduction of the dividend tax, and pays this to the certificate holders in full.

4. General reserve

Reserves

Opening balance	318	318
Deductions: the results of the financial year	-	-
Closing balance	318	318

Proposal for result appropriation

At the General Meeting, it will be proposed to present the 2017/2018 result as follows: an amount of EUR 0 to be added to the other reserves.

5. Long-term liabilities

Other long-term liabilities

Subject to loan to HZPC Holding B.V. to finance the loans granted to certificate holders. The loans are granted for a maximum of 5 years. The interest rate applied varies from 0.0% to 1.0% (2016/2017: 0.1 tot 2.8%).

Opening balance	302	349
Additions: new loans	73	80
Deductions: repayments	-126	-127
Closing balance	249	302



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NOTES TO THE PROFIT AND LOSS ACCOUNT

x eur 1,000	2017/2018	2016/2017
6. Other operating expenses		
Cost of trading days	13	27
Organisation costs	43	32
Bank charges	-	-
	56	59
Charged to HZPC Holding B.V.		
Operational expenses	-56	-59

Post-balance sheet events

No significant financial events have occurred following the balance sheet date.

Joure, 4 October 2018

The board of the association,

JJ.M. van der Heijden, Chairman
S.G. Andringa, Vice-chairman
P.C.M. Haenen, Secretary
R.P. Smith
E.P. de Vries



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Profit distribution by virtue of the Articles of Association

The articles of association of the Association state the following with regard to the result.

Article:

- 3.3 To this end, the Association exercises its influence in the General Meeting of the Company.
- 3.4 The Association does not intend to distribute profits among its members.
- 3.5 The Association may not dispose of or pledge the shares in its possession, other than by way of cancellation, without the approval of the General Meeting.



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To: the Board of Vereniging HZPC

REPORT ON THE ACCOMPANYING FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements for the year ended as at June 2018 of Vereniging HZPC, based in Joure.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vereniging HZPC as at 30 June 2018, and of its result for the year ended on 30 June 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at 30 June 2018;
- 2 the profit and loss account for the year ended on 30 June 2018; 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 Vereniging HZPC in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

- report of the board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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 Part 9 of Book 2 of the Dutch Civil Code.

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 Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The board is responsible for the preparation of the other information, including the report of the board, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF THE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the board for the financial statements

The board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the board is responsible for assessing the association'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 association or to cease operations, or has no realistic alternative but to do so. The board should disclose the reasons and circumstances that may cast significant doubt on the

association'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 have detected all material errors and fraud during our audit.

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

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

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association'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 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 association'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 association ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Groningen, 4 October 2018

KPMG Accountants N.V.

R.W. van Dijk RA



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Vereniging HZPC
Edisonweg 5, 8501 XG Joure
Postbus 88, 8500 AB Joure

Phone +31 (0)513 489 888
Fax +31 (0)513 489 800
E-mail info@hzpc.nl



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