



# **ANNUAL REPORT VERENIGING HZPC 2018 | 2019**



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keeps you growing

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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  
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## PERSONNEL DETAILS

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### BOARD OF DIRECTORS

J.J.M. van der Heijden, Chairman	Kruisland
E.P. de Vries, Secretary	Kantens
R.P. Smith	Terheijden
S.G. Andringa	Oosterbierum
Vacancy	

### BOARD OF GROWERS

J. Bonnema, Chairman	Ens
N. Hoornsman, Vice-chairman	Wieringerwerf
G. Miedema, Secretary	Stiens
R. Clevering	Den Anel
L. Dijkstra	Anjum
N.J. Slot	De Cocksdorp
A. Vael	Zaamslag
P.K. Westerhuis	Usquert
R. Rozema	Niezijl
J.M. Hendrikse	Creil
W. Sijtsma	Pingjum

### BOARD OF BREEDERS

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

### SUPERVISORY COMMITTEE

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

### YOUTH BOARD

V. van den Hoek, Chairman	Creil
P. de Wit, Secretary	Groningen
R. v.d. Noort	Hoeven
J. van der Zee	Tzummarum
P. Meijer	Kloosterburen
T. Sinnema	Dronrijp
G. Smits	St. Annaparochie
A. Steeghs	Engwierum
E. van der Star	Oosterend
T. Smits	Luttelgeest
M. Remijn	Eenrum
M. Duisterwinkel	't Zandt

## Introduction

Last year was another exceptional year for us; a long, dry period in Europe and lower yields. The yields in Europe also varied considerably as some growers were able to irrigate and some were not. Ultimately, this led to a shortage of seed potatoes. However, it also generated higher prices for our growers across Europe. In Russia, we were also able to increase sales. Even though it is becoming increasingly difficult to export initial material. North America, by contrast, struggled with the heat. After a long winter and dry spring, yields remained low. In South America, we were able to further increase licence fees. In China, we noted an increased demand for our varieties. This is due to the expansion of the processing industry however there is also increased interest in our varieties within the fresh market. The ownership rights for our varieties offers a challenge in China. The licence fees, by contrast, are increasing significantly.

Despite our great results, our certificate holders were faced with two instances of a 10% decrease in stock price. This happened after nine years of flourishing stock markets. Throughout these years, the demand for certificates was higher than the supply. Now, it is the other way around. As the Board of Vereniging HZPC, we follow this process very carefully to ensure that shares trading runs smoothly.

Last year, we were faced with the termination of our certificate trading programme MyLeo, by ING. We then chose another trading partner: Captin (an offshoot from Van Lanschot). The transition offered various challenges. We tried to keep these to an absolute minimum. From October 2019, trading will take place via Captin. The world of regulations relating to shares trading is constantly changing. The board fully expects to make further changes in the trading context over the coming years as a result of increased regulation.

## Strategy

This year the Board of Vereniging HZPC, together with the Supervisory Board and the Executive Board of HZPC Holding B.V., have paid particular attention to

the relationships with growers/certificate holders within HZPC on both a national and international level. This group is very valuable to us. Many of these growers founded HZPC. We also need our growers/certificate holders so that we can realise national and international growth.

The board has received additional proposals for investments and expansion of the HZPC Research facilities. Over the coming three years, this will be developed into a modern HZPC Research centre and function as an important 'business card' for the organisation. The Board has also been provided with comprehensive information by the Executive Board regarding activities in important future markets such as China and India.

As a result of the global expansion of the HZPC Group, topics are becoming increasingly internationalised and no longer solely focussed on the interests of Dutch growers. The Board is expected to represent the interests of all members both nationally and internationally. These members include (former) growers, (former) breeders and personnel members. The autonomy and continuation of the HZPC organisation are therefore a guiding principle for the Board.

## Structure

The Association holds 783,725 shares in the Company and is therefore sole shareholder of HZPC Holding B.V. 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. Our activities focus on the potato and encompass:

- research;
- breeding and growing varieties;
- (facilitating) growing, trading and distribution of seed and ware potatoes;
- enabling all other processes in a commercial, industrial and financial context;
- developing concepts.

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## Spreading of risks

Eighty percent of the purchases are based on variable 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 90 countries that we export to, limiting the risk impact per country. We often deliver a large quantity of potatoes to our customers in a relatively short time frame. Although we regularly use 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. We have made significant investments in this area over the past 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 of the Eurozone. The valuation of these participating interests is partially dependent on the development of the local currency.

## Results

HZPC Holding B.V. achieved a net result of EUR 9,353,000 million for the fiscal year 2018/2019. The return on shareholders' equity is 18.6%. The Supervisory Board has made 64.9% of the company's net revenue available to the shareholders. This is consistent with an amount of EUR 6,074,000. This means a dividend of EUR 7.75 per share certificate. This dividend has been incorporated in the financial statements of the Association.

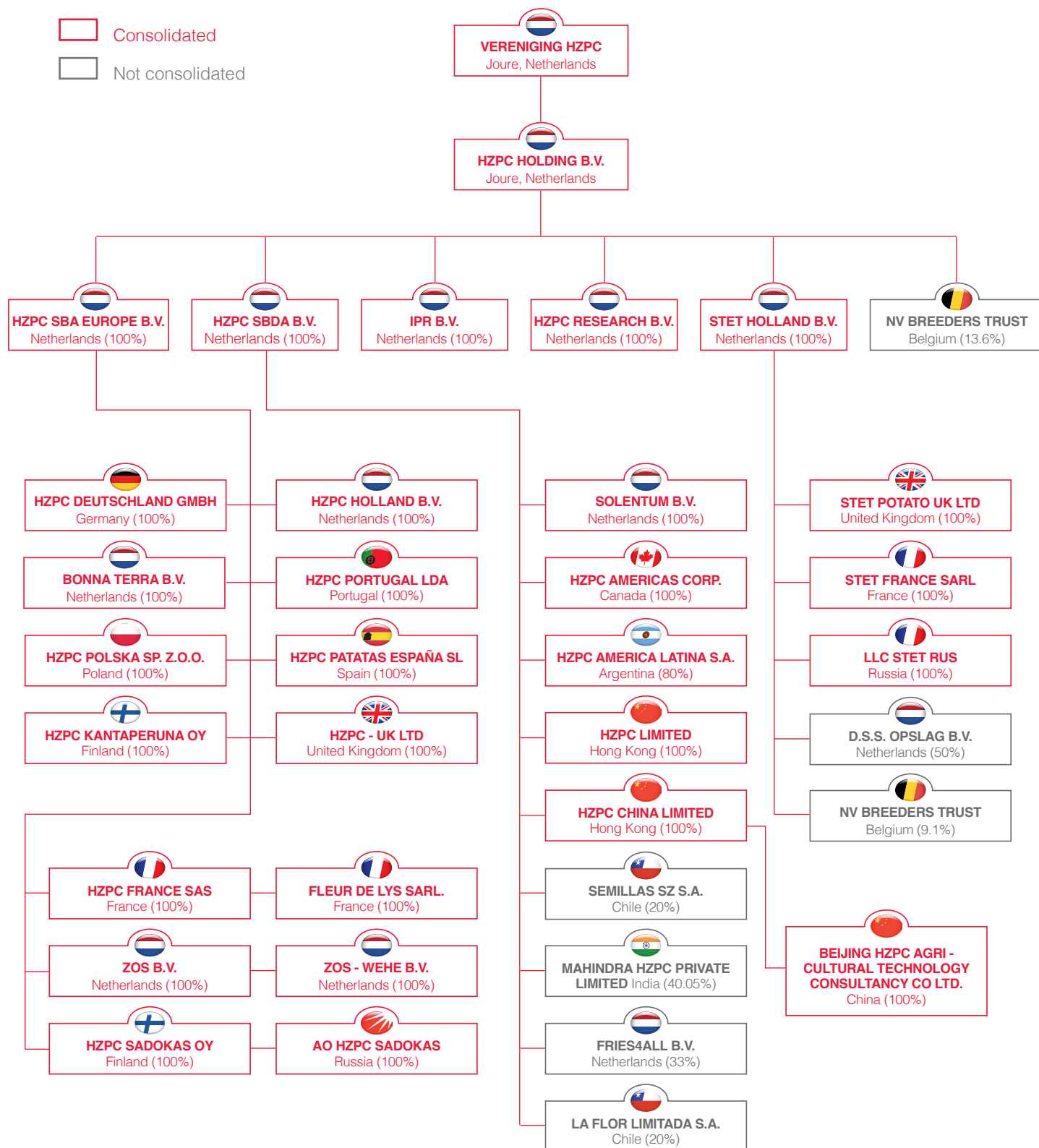
## Growth figures

Over the last decade, we have seen constant growth in tonnage. Seed potatoes sold and tons produced under licence have been aggregated for the total tonnage. In 2013/2014, we sold or licensed to cultivate 675,000 tons. In 2014/2015 that figure dropped to 642,000 tons but we have not changed our long-term plans for continued growth. In 2015/2016 we saw further growth to 686,000 tons. This was also the case in 2016/2017: 797,000 tons. This was exceeded in 2017/2018 by 19,000 tons, with a total of 816,000 tons. In 2018/2019, despite the drought, we were able to more or less maintain this volume. The expectations for 2019/2020 are high and forecasts from HZPC show that we aim to realise the 1 million tons milestone in 2022/2023. This will be achieved due to autonomous growth over the coming years.

## Acquisition

In 2018/2019, there were no acquisitions and the group focussed on national and international autonomous growth.

## Legal structure of HZPC Group as of 1 July 2019



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## Board

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 Shareholders/Certificate Holders was held twice last year.

Among other things, the progress of the business results was discussed at these meetings. The Board met on seven occasions.

## Appointments

At the general members' meeting in November 2018, Mr. P. Haenen stepped down as chairman and secretary for the Association. In the same month, the Articles of Association were amended so that Mr. J.J.M. van der Heijden could be appointed as chairman of the board for a period of four years. This was to ensure the continuity of the Association. At the same meeting, Mr. E. de Vries was appointed as the new secretary. There were no changes in the Board of Breeders.

Mr. E. Maerman and Mr. N. Giliam resigned from the Board of Growers. Mr. J. M. Hendrikse and Mr. W. Sijtsma were appointed to the Board of Growers. Mr. J. Bonnema is chairman, Mr. N. Hoornsman is vice-chairman. Mr. G. Miedema is secretary. Mr. D. Bouwsema and Mr. G. J. Haenen resigned from and Mr. M. Duisterwinkel joined the Youth Board. Mr. V. van den Hoek has been the chairman since 2018. Mr. P. de Wit has been the secretary since 2018.

## Stock trading day

Also this financial year two stock trading days for HZPC certificates were held. The value fell by 10% in November and by 10% in May to a rate of EUR 162. At the end of the 2018/2019 financial year, the Association owns no certificates. The Supervisory Committee oversees the implementation of the procedures for trading in certificates as stipulated in the stock trading regulations.

As a result of legislation, it was no longer possible to borrow money from the Association to finance the purchase of HZPC certificates. 23 grower-certificate holders are currently participating in this scheme. The total amount involved was EUR 137,000 (EUR 249,000 last year) on the balance sheet date.

There were 1335 certificate holders as of 30 June 2019, 27 more than the year before. The number of members of the Association is currently 981 (73.5% of the number of certificate holders). The organisation of the stock trading days in the 2018/2019 financial year was conducted by ING Bank.

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## Financial year 2018/2019

The financial year 2018/19 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, 3 October 2019

On behalf of the Board,

J.J.M. van de Heijden,  
Chairman

# BALANCE SHEET AS OF 30 JUNE 2019

[AFTER PROFIT APPROPRIATION]

ASSETS	notes	30-06-2019	30-06-2018
<i>(in EUR x 1,000)</i>			
<b>FIXED ASSETS</b>			
<b>Financial fixed assets</b>			
Shares of HZPC Holding B.V. on behalf of certificate holders	1	15,675	15,675
Receivables from certificate holders	2	137	249
<b>Total Fixed Assets</b>		<b>15,812</b>	<b>15,924</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Dividend to be received from HZPC Holding B.V.	3	5,163	2,665
Current account HZPC Holding B.V.		300	-
Current account HZPC Holland B.V.		-	295
		<b>5,463</b>	<b>2,960</b>
<b>Cash and cash equivalents</b>			
Banks		18	23
<b>Total Current Assets</b>		<b>5,481</b>	<b>2,983</b>
<b>TOTAL ASSETS</b>		<b>21,293</b>	<b>18,907</b>
<b>LIABILITIES</b>			
<b>Equity</b>			
General reserve	4	318	318
<b>Long-term liabilities</b>			
Share certificates issued		15,675	15,675
Other long term liabilities	5	137	249
		<b>15,812</b>	<b>15,924</b>
<b>Current liabilities</b>			
Dividend to be paid to certificate holders		5,163	2,665
<b>TOTAL LIABILITIES</b>		<b>21,293</b>	<b>18,907</b>

# PROFIT AND LOSS ACCOUNT OVER THE FINANCIAL YEAR 2018/2019

(in EUR x 1,000)

	notes	2018 / 2019	2017 / 2018
<b>REVENUES</b>		-	-
<b>COSTS</b>			
Other operating costs	6	87	56
Charged to HZPC Holding B.V.		-87	-56
<b>Total expenses</b>		-	-
<b>Net result</b>		-	-

## Foundation of the HZPC Association

Vereniging HZPC 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;

## Financial 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 Dutch Civil Code.

The applied accounting policies to the valuation of assets and liabilities and result determination are based on the historical cost convention unless stated otherwise.

## Going concern

These financial statements have been prepared on the basis of going concern, given the positive equity.

## Accounting policies for the measurement 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 recognised 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 cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be determined with sufficient reliability. Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be reliably determined. Expenses are recognised 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 a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. In addition, assets and liabilities are not included in the balance sheet from the date upon which economic benefits are not probable and/or cannot be determined with sufficient reliability.

### 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.

## Rounding

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

## 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 expenditures. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are included 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 for the guiding principles of primary financial instruments is made to the individual treatment per line item on the financial statements.

## Financial fixed assets

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

The loans are initially recorded at fair value, including discount or premium and directly attributable transaction costs. After initial inclusion, loans are shown 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 profit and loss account on an accrual basis, using the effective interest 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

Cash and cash equivalents are valued on the basis of nominal value. If cash and cash equivalents are not freely available, this is taken into account during the valuation.

## Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity.

Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recorded in the profit and loss as financial income or expense.

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### Long-term and current liabilities

Long and short-term debts and other financial obligations are initially recorded at fair value, including discount or premium and directly attributable transaction costs.

After initial inclusion, the long and short-term debts and other financial obligations are valued at an amortised cost on the basis of the effective interest method.

### Revenue recognition

The Association HZPC 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. Generally these criteria are satisfied at the moment the product or service is delivered and acceptance, if required, is obtained.

### 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 HZPC is not independently liable to taxation.

### Related parties

Transactions with related parties will be explained if they are not entered into under normal market conditions. The nature and scope of the transaction and other information will be provided for these transactions in order to provide further insights.

### Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

# NOTES TO THE BALANCE SHEET

## 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.

(in EUR x 1.000)

30-06-2019

30-06-2018

## 2. Receivables from certificate holders

Loans issued to certificate holders for the acquisition of certificates

Opening balance	249	302
Additions: new loans	-	73
Deductions: repayments	-112	-126
Closing balance	137	249

The interest rate applied varies from 0.0% to 1.0%.

The loans are granted for 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 2018/2019 result as follows: an amount of EUR 0 to be added to the other reserves.

## 5. Long-term liabilities

### Other long-term liabilities

Concerns the 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% (previous financial year: 0.0 to 1.0%).

Opening balance	249	302
Additions: new loans	-	73
Deductions: repayments	-112	-126
Closing balance	137	249

## NOTES TO THE PROFIT AND LOSS ACCOUNT

(in EUR x 1,000)

2018 / 2019

2017 / 2018

### 6. Other operating expenses

Cost of trading days	12	13
Organisation costs	75	43
	<u>87</u>	<u>56</u>

### Charged to HZPC Holding B.V

Operational expenses	<u>-87</u>	<u>-56</u>
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### Subsequent events

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

Joure, 3 October 2019

The Board of Vereniging HZPC

J.J.M. van der Heijden, Chairman

E.P. de Vries, Secretary

S.G. Andringa

R.P. Smith

### Profit distribution by virtue of the Articles of Vereniging HZPC

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 transfer or pledge the shares in its possession, other than by means of withdrawal, without the approval of the General Meeting.

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 of 30 June 2019 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 of 30 June 2019, and of its result for the year 2018/2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as of 30 June 2019;
- 2 the profit and loss statement for the year 2018/2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

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

We are independent of 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 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 events 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.

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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, 3 October 2019

KPMG Accountants N.V.  
R.W. van Dijk RA



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