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Annual Report and Accounts 2016

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1. Management Report

1.1 Introduction

The Hague Academy is a foundation that aims to strengthen local democracy worldwide. We do this by offering practice oriented short courses and multi annual training programmes for people working in the field of local governance. In addition, we offer our scholarship programme Talent for Governance to support young municipal talents from developing and transitional countries.

In 2016, we organised ten open subscription courses, realised six short tailor made programmes and implemented 25 training activities for nine multi annual programmes. mostly as part of multi annual programmes. We trained 863 people from national governments (25%), local governments (30%), local NGOs (25%) and donor- and development organisations (20%), coming from 54 countries. The turnover was 1,75 mln (1,88 in 2015). In addition to our training work, we invested in project management skills, improved (financial) administration, staff specialisation and quality management.

1.2 Open training courses (OT)

In 2016, ten open subscription courses were organised with a total of 140 participants, an average of 14 participants per course and 40 more than in 2015. The turnover from these courses was € 511,000.-, which is about € 190,000 more than budgeted. It has to said though that € 94,000 was compensation of costs that were made for fellowships but were not budgeted.

The courses organised in the beginning of the year (Local Economic Development and Gender Responsive Governance) attracted less participants than expected, as was the case for the Local Service Delivery course. The courses on Multilevel Water Governance, Citizen Participation & Inclusive Governance, Decentralisation (summercourse), Local Economic Development and Conflict & Local Security received much more participants than budgeted. Moreover, an extra course Peacebuilding & Local Governance was organised in Barcelona in cooperation with the Barcelona Peace Centre.

The average number of participants per course increased from 11,2 in 2015 to 14 in 2016, but is still less than in 2014, when we had an average of 15,1 participants per course. The number of Nuffic-fellowship-holders increased from 39 in 2015 to 45 in 2016. This increase was caused mainly by the new fellowships that became available for professionals from the MENA-region, where we have a relatively strong network. The number of Talent for Governance-scholarships was seven this year, four less than in 2015.

1.3 Multi-annual tailor made training programmes (TMT-M)

Most of our multi-annual programmes were about to end in 2016, as a result of which many final activities took place this year. New multi-annual programmes that started late 2016 were Shiraka

and Every Voice Counts, whereas the programmes for the Eastern European region could not yet start due to a delay in tender procedures. The following activities took place:

- A training and pilot on disaster management (in Serbia), a training on local leadership and gender (in Albania) and study visits on Local Security and on Integrity (in The Netherlands) were organised as part of the extension of the MATRA COPROL-programme “Leadership for Security & Rule of Law” for civil servants from Turkey, Serbia and Albania.
- The final part of the CARE “Peace Under Construction”-programme was realised by The Hague Academy: a training on Leadership, Citizenship, Non-violent Communication and Gender in Burundi; a training on local economic development and entrepreneurship for women in South Sudan; a training on the use of citizen scorecards for women and youth in South Sudan and a closing conference in partnership with CARE in The Hague.
- The final round of the training programme on “Peacebuilding” and “Lobby and Advocacy” took place in 2016, as part of the Diaspora Academy Programme “Empowering Agents of Change”. Target group were people from diaspora organisations in Europe.
- For the NWO funded-project ‘Looking through the Lens of Land’, we facilitated a workshop in Congo with researchers from CICAM and Wageningen on local land governance.
- Coaching was provided to local authorities and NGOs in EU-countries on “Development Education and Awareness Raising”, as part of the LADDER-project managed by ALDA.
- 2016 was the second year of the EC-funded two-year training programme ‘Strengthening Local Economic Development in Jordan’. Basic and advanced courses were organised on Decentralisation, Local Economic Development and Urban Planning, including an exchange visit to The Netherlands.
- The new project with CARE “Every Voice Counts” started late 2016 with inception missions to the target countries Burundi, Rwanda, Somalia, Sudan, Afghanistan and Pakistan. We also conducted a Training of Trainers for local trainers from Rwanda, Burundi, Somalia and Sudan.
- The first part of two Shiraka-courses was implemented as follow-up of the MATRA South-programme: one on “Social Affairs & Employment” and one on “Local Governance for two groups of 25 civil servants from Tunisia, Libya, Morocco, Egypt, Algeria and Jordan.
- For the Local Government Resilience Programme (LOGOREP) run by VNG International in Jordan and Lebanon, we conducted one pilot training and developed a Training-of-Trainers programme.

The total turnover from multi-annual training programmes in 2016 was € 894,000, much less than the 1,2 mln that was budgeted. Reason for this was the fact that the start of two new multi-annual programmes was delayed and other expected grant programmes were not tendered yet.

1.4 Short Tailor Made Courses (TMT-S)

Six short tailor made programmes were organised in 2016, with a total revenue of € 317,000, which was significantly higher than the estimated € 130,000:

- A three week training and exchange programme on “Smart Cities”, in cooperation with the Delft University of Technology and KING, for staff of the Technical Institute Bandung (ITB), (local) government representatives and representatives of the private sector (Telecom providers), funded by Nuffic NESO Indonesia;
- Training and coaching on “Lobby and Advocacy” and “Project Management” as well as Training-of-Trainers for staff of the Anti-Corruption Coalition in Uganda, funded by Nuffic;
- Three short courses for the local security committees in Burundi on the following topics: “Decentralisation, Communication and Leadership”, “Gender, Conflict and Peacebuilding” and “Gender analysis and mainstreaming of security plans”, for VNG International and Cordaid and funded by the Netherlands’ Ministry of Foreign Affairs;
- Training and advice for staff of the Rwanda Local Government Training Institute on new modes of training delivery, for VNG International and funded by the Netherlands’ Ministry of Foreign Affairs;
- Three-day training on “Decentralisation and Local Economic Development” for the government of the State of Sikkim (India);
- Training on “Conflict Prevention” for members of the parliament of Ethiopia, for GIZ Ethiopia.

1.5 Talent for Governance (TfG)

In 2016, seven local talents participated in the Talent for Governance-programme. The talents came from Kyrgyzstan, Peru, Kenya, Botswana, Palestinian Territories, Liberia and Argentina. They could join the programme thanks to the donations of the Dutch municipalities of Medemblik, Hoorn, Stede Broec, Enkhuizen, Drechterland, Meppel, Steenwijkerland, and Amstelveen. Three new municipalities supported the programme as result of the Christmas call for support, made by the director of the Association of Netherlands Municipalities in 2015.

Still, budget cuts and reorganisations within Dutch municipalities remain an obstacle for municipalities to donate to the Talent programme. However, we do see new opportunities to attract more donations from municipalities, for instance via the efforts of our partner VNG

International that will promote Talent for Governance to municipalities that already are involved in the Sustainable Development Goals campaign.

In addition to the municipal donations, we received a small amount of donations from private persons. To increase private donations, we launched an online campaign in December with a new banner to be put on websites of supporting organisations (Dutch municipalities, magazines, companies etc.) and a social media image to be shared with contacts.

Besides the valuable support of Hotel Court Garden, which offers accommodation for our talents for a reduced price, we have not received any business donations in 2016. An increase of this type of business donation is not to be expected as long as we don't have the resources to invest in fundraising activities.

1.6 Organisational development

In the past year, we adopted our multi-annual strategy 2016-2020 and formulated our main ambition for this period: innovation of our training programmes and strengthening the quality of our organisation. This is reflected in our human resource policy, knowledge management activities and communication efforts.

Human resources

In our multi-annual strategy plan, we formulated several actions to enhance the knowledge and skills of our staff, both in project management, finances, training skills, reporting skills and local governance content. We introduced staff specialisation with respect to regions and themes, which will be further developed in 2017. To support the new Shiraka-programmes and increase the number of French speaking trainers at the Academy, we hired a new French speaking programme officer in 2016.

Financial administration and management information

In the first half of 2016, the administrative and internal control procedures were elaborated in a comprehensive AO/IC-document. Furthermore, considerable progress was made in aligning the financial administration with management information such as fee calculations, productivity rates and hour reporting.

Budgeting and monitoring of project finances by programme managers has also improved. Programme managers are more aware of the importance of planning and reporting project hours in time and in a proper way, and are increasingly able to use the new budget format. The implementation though still has to be improved to increase insight in project costs (including staff hours), both in the general budget and the quarterly accounts.

Quality system

As part of the process-mapping activities that started in 2015, the TMT-process was described and completed with internal procedures, guidelines and quality criteria. Some parts still have to be elaborated in 2017. Furthermore, to improve monitoring of project finances and quality

guidelines, project managers and project officers since 2016 have quarterly meetings with their Team Manager.

Communication and relation management

To strengthen our profile with external stakeholders, we developed a Theory of Change for THA. This document outlines by which interventions we want to achieve our goals and describes underlying assumptions. It will help us in engaging with potential donors and partners and provides the basic ingredients for drafting project proposals. This 'story' of our work will also be used for website, brochure and other external communication materials.

In 2016, we attended several events to strengthen our relations with important partners and donors: the European Development Days in Brussels, the UCLG World Congress in Bogota, the kick off of the African Local Government Academy in Rabat and the Nuffic-alumni event in Amman. We also drafted a list of around 10 key contacts for each staff member to maintain a structural relationship with. By doing this, we will be better aware of new developments and priorities of important (donor) organisations and at the same time be able to inform these contacts about our work. We also had several meetings with our partner VNG International to explore ways to strengthen our cooperation

As for the communication tools, a special marketing-module was added to our customer relations database by which different categories of our target groups can be classified and approached in a more tailored way.

1.7 Finances

See the accounts and notes to the accounts in chapter 2.

1.8 Future development

The financial forecast for 2017 can be found in the figures below:

Budget 2017

Income open courses and other projects	€ 1,827.945
Donations	€ 38,200
Total income	€ 1,866.145
Direct costs	€ 799,675
Personnel costs	€ 877,802
Other operating costs	€ 169,727
Total expenses	€ 1,847.204
Result	€ 18,941

As can be learned from the budget 2017 and accounts of 2016, we expect an increase in income of around € 100,000.- compared to the income realised in 2016. This is because the new multi-annual

programmes are now well under way: the new MATRA Rule of Law Training-programme (ROLT) for Eastern Europe started in March 2017 and one or two other MATRA-programmes are expected to start in 2017. For the open subscription courses we expect to realise at least an average of 13,2 participants, which is a total of 132 participants. We strive for at least eight Talent of Governance-scholarships.

Risks are primarily concerned with the implementation of the Every Voice Counts-programme in Afghanistan (security situation in the country) and Pakistan (government approval of the local partner is not yet received). We will therefore monitor closely the planning of days in this programme.

According to the budget 2017, around € 148,000 still has to be acquired to cover staff days (around 180 days). 80 days are budgeted for the new MATRA-programme for Eastern Europe that will be tendered in 2017, 40 days for other multi-annual programmes (Burundi, Rwanda) and 60 days for short courses that still have to be acquired.

1.9 Management

Per 31 December 2016 the executive board of The Hague Academy for Local Governance consists of Mr. Peter Knip (chair), Mr. Frank Burgers (treasurer). They do not receive a remuneration for their activities. The function of secretary is vacant. Director is Ms. Cecile Meijs.

2. Annual Accounts

2.1 Balance sheet per 31 December 2016

(after appropriation of result)

Assets

(in euros)

	<u>2016</u>	<u>2015</u>
Current assets		
1. Receivables		
Debtors	30,829	78,347
Taxes and social securities		
Other receivables	<u>344,377</u>	<u>208,727</u>
	375,206	287,074
2. Cash at bank and in hand	296,754	324,396
Total current assets	<u>671,960</u>	<u>611,470</u>
Total assets	<u><u>671,960</u></u>	<u><u>611,470</u></u>

Equity and liabilities

(in euros)

	<u>2016</u>	<u>2015</u>
3. Equity		
General reserve	208,947	143,033
	208,947	143,033
4. Current liabilities		
Creditors	110,494	87,454
Taxes and social securities	60,228	51,945
Pensions	8,278	8,467
Accruals and other liabilities	<u>284,013</u>	<u>320,571</u>
	463,013	468,437
Total equity and liabilities	<u><u>671,960</u></u>	<u><u>611,470</u></u>

2.2 Profit and loss account 2016

	Actual	Budget	Actual
(in euros)	<u>2016</u>	<u>2016</u>	<u>2015</u>
5. Income			
Income open courses	511,436	322,624	380,700
Income Tailor made projects	1,210,570	1,372,500	1,442,994
Donations	<u>28,944</u>	<u>37,200</u>	<u>52,205</u>
Total income	1,750.950	1,732.324	1,875.899
6. Direct costs			
Open courses and project expenses	781,551	721,300	832,461
Talent for Governance	36,509	42,000	55,229
7. Personnel expenses	709,426	781,605	809,636
8. Other expenses	<u>156,975</u>	<u>165,668</u>	<u>165,487</u>
Total expenses	<u>1,684.461</u>	<u>1,710.573</u>	<u>1,862.816</u>
Operating result	66,489	21,751	13,083
9. Financial result			
Finance income	-	-	-
Finance expenses	<u>575</u>	<u>575</u>	<u>557</u>
	575-	-	557-
Total result	<u><u>65,914</u></u>	<u><u>21,751</u></u>	<u><u>12,526</u></u>

2.3 Cash flow statement 2016

in euros	2016	2015
Cashflow from regular activities		
Operating result	66,489	13,083
Changes in working capital:		
Taxes	8,283	71,890
Changes in receivables	88,132-	13,298-
Changes in liabilities	<u>13,708-</u>	<u>186,262</u>
	93,556-	244,854
	27,067-	257,937
Received interest	-	-
Paid interest	<u>575</u>	<u>557</u>
	575-	557-
Cash flow from regular activities	<u>27,642-</u>	<u>257,380</u>
Changes in cash at bank and in hand	<u><u>27,642-</u></u>	<u><u>257,380</u></u>
Amount cash at bank and in hand per January 1st, 2016	324,396	67,016
Amount cash at bank and in hand per December 31st, 2016	<u>296,754</u>	<u>324,396</u>
Changes in cash at bank and in hand	<u><u>27,642-</u></u>	<u><u>257,380</u></u>

2.4 Notes to the accounts

General

The financial statements are prepared in accordance with the Guideline for annual reporting for small organisations not-for-profit (RJKC1) of the Dutch Accounting Standards Board.

Activities

The foundation The Hague Academy for Local Governance aims to strengthen local democracy worldwide by offering practice oriented training courses for professionals.

The foundation aims to achieve its goal by increasing knowledge and skills, in the area of local governance, of people working for local governments in developing and transition countries, by raising funds and offering practice oriented training and other projects, which contribute to the goal of the foundation.

Accounting principles of valuation

Receivables

Receivables are included at nominal value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Pensions

The pension plan can be defined as a defined contribution plan. Contributions are included in the financial year in which the contributions are paid. Outstanding contributions are included in current liabilities.

All other accounts are valued at nominal value.

Accounting principles of revenue recognition

Income

Income consists of:

- Subsidies, these are allocated to the financial year in proportion to the actual spent costs;
- Donations, these are included in the financial year in which the donations are received;
- Revenues for services rendered, these are included in the financial year in which these revenues are rendered.

Costs/Expenses

Costs or expenses are recognised in the year in which the costs or expenses are incurred. Provisions for estimated losses, if any, are made in the period that such losses are determined.

Accounting principles of the cash flow statement

The cash flow statement is drafted using the indirect method. Cash at bank and in hand consists of the amounts held at the bank accounts of the foundation. Received and paid interest is included in the cash flow from regular activities.

Related parties

The Hague Academy for Local Governance is housed in the building of the Association of Dutch Municipalities (VNG) at Nassaulaan 12 and is charged for housing costs, ICT-support and other services. The Hague Academy sometimes works together with the international agency of VNG (VNG International) in implementing international development projects in the field of local governance.

	<u>2016</u>	<u>2015</u>
Invoiced to THA (paid by THA)	€ 119,350	€ 137,870

2.5 Notes to the balance sheet per 31 December 2016

	<u>2016</u>	<u>2015</u>
1. Receivables		
Debtors	30,829	78,347
Taxes and social securities		
Receivables short term projects and others	111,583	112,426
Receivables subsidies	28,981	5,829
Receivables long term projects	203,813	90,472
	<u>375,206</u>	<u>287,074</u>

No provision for bad debtors is deemed necessary.

2. Cash at bank and in hand

Cash in hand	1,391	1,033
Banks	295,363	323,363
	<u>296,754</u>	<u>324,396</u>

Cash at bank and in hand consists of amounts at the foundation's bank accounts. All amounts are free at disposal of the foundation.

3. Equity

General reserve		
As at January, 1st	143,033	130,507
Current year result	65,914	12,526
As at December, 31st	<u>208,947</u>	<u>143,033</u>

4. Current liabilities		
Creditors	110,494	87,454
Taxes and social securities	60,228	51,945
Pensions	8,278	8,467
Other current liabilities	98,247	80,606
Accruals	185,766	239,965
	<u>463,013</u>	<u>468,437</u>

Accruals

Subsidies received in advance	100,466	104,299
Other amounts received in advance	33,295	91,769
Accrued Holiday allowance	22,735	20,934
Accrued Holidays	29,044	20,604
Net salaries	226	2,359
	<u>185,766</u>	<u>239,965</u>

Ultimately an amount of € 60,316 to related parties is included in the current liabilities.

Contingent asset and liabilities

The foundation entered into a service level agreement with VNG-International for financial, administrative, ICT and personnel support. The agreement ends on December 31st, 2016.

2.6 Notes to the profit and loss account for 2016

	Actual	Budget	Actual
(in euros)	<u>2016</u>	<u>2016</u>	<u>2015</u>
5. Income			
Income open courses	511,436	322,624	380,700
Income tailor made projects	1,210.570	1,372.500	1,442.994
Donations Talent for Governance	28,944	37,200	52,205
Total	<u>1,750.950</u>	<u>1,732.324</u>	<u>1,875.899</u>

Income and material costs open courses

In 2016 there were 140 participants in ten open subscription courses. Of the participants, 45 people received a fellowship from Nuffic. The result from open courses was € 75,000 higher than budgeted and the costs were well monitored.

Income and material costs tailor made projects

The income from multi-annual Tailor Made-programmes was € 350,500 less than budgeted. € 160,000 relates to the fact that less material costs were made (and thus not received) and € 190,500 were less man hours than budgeted for. The main reason for this was the fact that the multi-annual programmes Every Voice Counts and Shiraka started much later than foreseen and that the MATRA Eastern Partnership Programme was postponed to 2017.

For short tailor made training income was € 187,000 higher than expected, of which € 103,000 was income to cover material costs and € 83,000 for man hours.

Donations Talent for Governance

The Talent for Governance-programme received less donations than expected (€ 8,300 less) but costs were also a little below budget (€ 5,500 less). Seven municipalities donated in 2016 and private donations were € 743 in total.

	<u>2016</u>	<u>2016</u>	<u>2015</u>
7. Personnel expenses			
Wages and salaries	475,804	568,367	575,860
Defined contribution pension costs	73,151	79,879	89,530
Social security costs	80,839	96,799	89,691
Staff costs Talent for Governance	35,553	-	35,032
Travel and accommodation costs	9,282	10,000	-
Other staff costs	34,797	26,650	19,526
	<u>709,426</u>	<u>781,605</u>	<u>809,639</u>

Personnel expenses

The personnel expenses are € 72,000 less than budgeted. Because of the delay in several multi-annual programmes, less staff was hired than budgeted for.

	<u>2016</u>	<u>2016</u>	<u>2015</u>
8. Other expenses			
Services third parties	11,860	12,000	13,236
Housing costs	51,775	53,168	61,100
Office costs	48,836	49,000	
Automation expenses	-	-	45,004
Consulting and auditor's fees	8,850	8,000	10,500
Communication and funding expenses	40,961	18,500	17,699
Other expenses	5,307-	25,000	17,948
	<u>156,975</u>	<u>165,668</u>	<u>165,487</u>

Other expenses

The other expenses were € 9,000 less than budgeted. However, because of a shift in budget lines and cost codes that was realised in 2016 for administrative purposes, it is difficult to compare the costs for 'communication' and 'other expenses' with the previous year.

	<u>2016</u>	<u>2016</u>	<u>2015</u>
9. Financial result			
Finance income	-	-	-
Finance expenses	575	-	557
	<u>575-</u>	<u>-</u>	<u>577-</u>

Staff members

Per 31 December 2016 thirteen staff members were working for the foundation (2015: thirteen).

Remuneration of executives

The remuneration of the current members of the executive which are included in the current year financial statements, amounts to € 0.

Appropriation of result

The result for 2016 amounts to € 65,914 and will be added to the general reserve.

Subsequent events

Between the time of preparing the financial statements and the balance sheet date there have been no events that give a different view on the annual result for 2016.

Thus made, June 2017, The Hague

Director

2.7 Auditor's report

See next pages.

Independent auditor's report

To: the Board of The Hague Academy for Local Governance

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of The Hague Academy for Local Governance, based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of The Hague Academy for Local Governance as at 31 December 2016, and of its result for 2016 in accordance with the Guideline for annual reporting for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board.

The financial statements comprise:

- ▶ The consolidated and company balance sheet as at 31 December 2016
- ▶ The consolidated and company profit and loss account for 2016
- ▶ The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of The Hague Academy for Local Governance 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 other information included in the annual report

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

- ▶ The management board's report
- ▶ Other information pursuant to the Guideline for annual reporting for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board

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 Guideline for annual reporting for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Guideline for annual reporting for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board 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.

Management is responsible for the preparation of the other information, including the management board's report and other information in accordance with the Guideline for annual reporting for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with and other information. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company'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 company 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 company'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.

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 judgment 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 company'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 company'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 a company 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

We communicate with management 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.

The Hague, June 30, 2017

Ernst & Young Accountants LLP



E.A.D. Buitelaar