



# **FINANCIAL ACCOUNTING MANUAL**

**Netherlands Film Fund**

**Version: 1 May 2019**

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## 1. Introduction

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The Netherlands Film Fund Foundation (hereinafter called: the Fund) gives financial support for the development, realisation and distribution of film productions. It is involved in the realisation of feature films, documentaries, experimental films, short film productions and animation and in high-end drama, animated and documentary series. The Fund also grants subsidy for film activities such as film festivals and film conventions, film theatres, publications and activities to promote the film climate in the Netherlands or the exchange of knowledge and the promotion and of Dutch films abroad. Resources are also made available for film professionals to promote expertise. The Fund makes financial contributions to production companies, film distributors, organisations in the film field established in the Netherlands or the EU and to a limited extent to individual filmmakers.

The Fund receives a subsidy from the Ministry of Education, Culture and Science based on the Cultural Policy Document.

In addition to Rules of Procedure, the General Regulations are the basic regulations for the Fund's Development, Realisation, Supplementary (to end 2017), Distribution and Film Activities Sub-Regulations and include all the provisions that apply for every film production or film activity for which subsidy is applied for. The starting point is as far as possible to shape the Sub-Regulations in line with the different phases of the production process: development, realisation including completion and distribution. In addition to this there are Netherlands Film Production Incentive Regulations, which do not fall under the General Regulations and therefore contain all the general provisions and requirements. The Film Activities Sub-Regulations focus primarily on film activities that do not relate directly to the production process of a film production.

### The Fund employs two Financial & Production Protocols:

1. The Financial and Production protocol applies to all film productions and film activities for which a financial contribution is requested and granted based on the General Regulations and/or the Development, Realisation, Supplementary, Distribution and Film Activities Sub-Regulations, though most of the provisions focus on the production process for film productions. This protocol sets out the financial and production regulations and obligations that subsidy applicants and recipients must take into account.
2. The Financial & Production Protocol Incentive applies specifically to contributions granted from the Film Production Incentive.

Where this Financial Accounting Manual mentions the Financial & Production Protocol this refers to both versions of the protocol. Which protocol applies depends on the regulations on the basis of which subsidy was granted in the specific subsidy case. If a subsidy has been provided for a particular project under both the Financial and Production Protocol and the Film Production Incentive, then both Financial and Production Protocols apply.

Based on the above Regulations and the Financial & Production Protocol the Financial Accounting Manual gives the frameworks within which the financial contribution granted by the Fund should be spent and, if the Fund stipulates this condition, how this should be accounted for. The Fund can impose the obligation to have the financial report provided with an audit report. If this is the case, the Audit Protocol for Financial Reporting and associated model audit report (Annex 1) must be used.

## **2. Benefit and need for financial accountability**

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The Ministry of Education, Culture and Science and the Court of Audit monitor the annual spending of subsidy. Since the Fund is one of the biggest public financiers of Dutch films the Fund performs an important function in the production and financial field in the review and control of film productions and film activities. Subsidy granted by the Fund must be spent in a correct and verifiable way for the intended purposes.

## **3. Obligations of financial implementation**

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The Fund decides on an application for subsidy on the basis of the General Regulations, the (Sub-) Regulations and the Financial & Production Protocol of the Fund. If it decides to grant a subsidy, the Fund will include in its Board decision whether the subsidy recipient must comply with the obligations and provisions set out in the General Regulations and the provisions of the Financial & Production Protocol, focusing in particular on proper implementation and accountability. Specific detailed provisions relating to implementation and accountability apply in the event of a contribution under the Film Production Incentive.

### *Conditions of Board decision and implementation agreement*

In the Board decision the Fund's Board may stipulate additional conditions or securities for the granting of the subsidy. These conditions and securities may also apply to any accountability and determination of subsidy. It may also include as a suspensory condition that an implementation agreement is concluded in which further conditions and obligations relating to implementation and accountability are indicated.

### *Duty to inform and correct use of subsidy*

The subsidy recipient ensures that the purposes, as stated in the film plan or activity plan, are pursued effectively. This means that the relevant efforts and expenditure actually contribute to achieving the intended purposes and the financial contribution provided by the Board may under no circumstances be used to cover the costs of other film productions or film activities.

The subsidy recipient has an active reporting duty if the film activity or film production is not carried out, in case of non-compliance with obligations or if substantial changes occur.

After subsidy is granted the applicant must immediately and with the right supporting evidence report:

- Changes in the so-called unique features on the basis of which the subsidy was granted. For film productions in addition to the applicant, the director, the script (including language and genre) the level of the budget and where applicable details mentioned in the decision are also counted among these unique features.
- Deviations with respect to the budget approved by the Fund (these are notified using a cost report).
- Deviations in the funding with respect to the approved finance plan.
- Deviations in the internal costs agreed with the Fund.
- Deviations in the regional, national and international spending agreed with the Fund.
- Circumstances that may seriously harm or jeopardise the production and financial implementation of the activity or film production.
- Circumstances that contravene Dutch law and regulations and/or the correct use of subsidy.
- Deviations (in a material sense) with respect to the statements submitted with the application by the applicant or co-producers relating among other things to their financial position.

Under the Netherlands Film Production Incentive Regulations the applicant must also report immediately and with the right supporting evidence:

- deviations with respect to the points system submitted by the applicant in the application;
- deviations with respect to the qualifying costs and non-qualifying costs approved by the Fund and deviations in spending in the Netherlands.

Discounts on services or goods, received directly or indirectly by the applicant, must transparently and directly benefit the film production or film activity for which subsidy was granted. Payments processed in the records for services and goods already supplied must comply with the agreements made for the film production or film activity. Any credit notes must benefit the film production or film activity and be processed at the latest upon delivery of a financial report. Insurance benefits relating to the film production or film activity must be credited to the film production.

The Fund may take unlimited random samples to check or have checked whether the obligations associated with the subsidy have been met. The applicant's records must be set up so that they can if necessary be checked by the Fund.

#### *Requirements for records*

If the Board states in its decision that all the provisions aimed at correct implementation and accountability apply, then the following requirements are made of the subsidy recipient's records:

- The records must be kept clearly and efficiently. In addition a records system that is acceptable to the Fund must be used. The coding of items within the applicant's records must in all cases be the same as the coding used within the budget.
- The records must give a true, full and up-to-date view of the applicant's performance.
- The records of the applicant's various film productions and film activities are kept separately for each film production or film activity. This will exclude mixing or double posting of costs.
- If subsidy is granted for which the Netherlands Film Production Incentive Regulations apply, for the film production in question with a production budget of EUR 2 million or more a single purpose company must be set up.
- The records must at detail level be in line with the detailed budget, spending breakdown and finance plan approved by the Fund and included in the implementation agreement. This means that all costs incurred and contributions received for the specific film production or activity are also posted to the correct budget items, and, if applicable a breakdown of regional or international spending obligations realised. The internal costs as set out in the Financial & Production Protocol at detail level and in total must also be clear. Within the Netherlands Film Production Incentive Regulations breakdowns of the total spending in the Netherlands, qualifying and non-qualifying costs must also be present, and it must be possible to provide supporting evidence for the points system approved upon granting of subsidy.
- Where the Fund's subsidy must be repaid the income and costs relating to exploitation shall also be included in the records.
- Clear documentary evidence must be present of all receipts and expenditure showing the nature, amount, time and address of the goods supplied or services performed. Quotations, reports, cost, spending and other breakdowns must be included in the applicant's records, as well as breakdowns for qualifying and non-qualifying costs if a contribution was granted under the Netherlands Film Production Incentive Regulations. Reports and breakdowns are understood to mean: the production and post-production planning, any call sheets and day reports and possibly other organisational documents.
- The records and corresponding documentary evidence must be kept for at least seven years after the subsidy is determined.

### *Advances*

The Board may make advances. Where applicable in the decision to grant a subsidy and the implementation agreement the rate of making advances and the level of the advance is determined. If subsidy was granted to a legal entity as applicant whose head office or place of business is not located in the Netherlands, then the applicant is obliged to demonstrate to the satisfaction of the Board that at the time the advance was made the applicant had a branch office in the Netherlands with at least one permanent employee.

### *General accountability*

Notwithstanding the provisions of Article 4:45 Awb (General Administrative Law) the subsidy recipient is obliged to submit the following documents:

- A report on the film activity or a film print of the film production for which subsidy has been granted.
- Reports of income from exploitation, the start and method of cinema release, as well as on the public viewing results and exploitation results from the time when the film production or film activity is accessible to the public. The proceeds generated with exploitation of the film production or film activity are distributed in accordance with the repayment schedule between the stakeholders and financiers. The applicant must inform the Fund in advance of the time when the film production or film activity is accessible to the public.

### *Financial accountability*

If the Board states in its decision that the financial reporting provisions apply, then a financial report on the actual costs, spending and proceeds shall be delivered:

- The financial report gives an understanding such that an informed opinion can be formed regarding the use and the regularity of the spending of the subsidy by the subsidy recipient and the finance received from third parties, the spending of the production costs in the Netherlands and in other countries or regions. The financial report also provides insight into the funds received from financiers and what portion is yet to be received.
- The term regularity means that the subsidy has been used for the purpose for which it was provided in accordance with the applicable regulations.
- In the case of a 100% national production or a majority Dutch co-production, the financial report must provide insight into the entire film production or film activity.
- In the case of a minority Dutch co-production, the financial report must provide insight into the Dutch costs. The majority cost report must also be provided, with a subdivision into territories with the Dutch territory matching the financial report.
- With regard to a contribution based on the Netherlands Film Production Incentive Regulations the financial report also gives an understanding such that an informed opinion can be formed regarding:
  - (i) the use and spending of the financial contribution by the recipient of the financial contribution in the Netherlands and the qualifying costs and non-qualifying costs.
  - (ii) the spending carried out by the recipient of the financial contribution and, if this is an international co-production, by the producers from countries of origin outside the Netherlands, and,
  - (iii) the funding from third parties received by the recipient of the financial contribution and, if this is an international co-production, by the producers from the countries of origin.
- The financial report is in line with the classification of the budget and the finance plan that were submitted prior to the subsidy being granted, approved by the Fund according to the

Financial & Production Protocol of the Fund and appended to the implementation agreement.

- Major differences between the financial report and the budget and/or finance plan approved by the Fund are also explained as regards costs not yet paid and the income not yet received.
- It is not in principle possible to submit a financial report containing estimated items or so-called Open Orders.
- The financial report must be accompanied by an audit report from the auditor as referred to in Article 393 (1) of Book 2 of the Dutch Civil Code. Based on the General Regulations and/or relevant (Sub-)Regulations and the Financial & Production Protocol the auditor follows the Fund's Financial Accounting Manual and relevant Audit Protocol for Financial Reporting and model audit report (Annex 1). If the applicant receives several contributions from the Fund for the same film production and film activity then the reporting and any accounting by an auditor must be provided on the total subsidies received. Subsidies already granted and costs for research, script and/or project development for relevant film productions must upon the determination of a realisation subsidy in any case be included in the reporting and accounting.
- Representatives of the Fund shall on first request be able to inspect the records relating to the film production or the film activity for which the subsidy was granted. The costs for such an inspection by representatives of the Fund shall be for account of the Fund unless unjustifiable irregularities are found. In such a case the costs are charged on to the subsidy recipient.

The Fund may take unlimited random samples to check whether the obligations associated with the subsidy have been met. This inspection may also relate to third parties and, if the financial contribution granted relates to an international co-production, to the co-producers involved in this. The auditor carrying out the audit may, for the issue of an unqualified audit report, be expected to arrange his work such that he has sufficient reason to give an opinion on the substance of the final account and its realisation. The Fund is also entitled to check or have checked the work of the auditor, for example by means of a file review.

#### *Determination*

Within four months of completion of the film production or film activity the subsidy recipient must submit an application to determine the subsidy, unless another deadline is stipulated in the implementation agreement or the subsidy has already been determined upon being granted. If this deadline is exceeded, the Board is authorised to determine the subsidy granted automatically. The application to determine the subsidy is accompanied by the documents referred to in the General Regulations and/or the specific regulations and in the implementation agreement. On determining the subsidy the Fund shall take into account all the obligations within the Financial & Production Protocol.

The subsidy recipient is obliged to submit to the Fund on request all documents and information it considers necessary to determine the subsidy. The recipient of a subsidy ensures that his auditor cooperates with any review by or on behalf of the Fund into the (audit) work performed by the applicant's auditor. The costs involved in the auditor's cooperation are charged to the applicant.

The Board sets the level of the subsidy at the latest 22 weeks after the submission date. The level of the subsidy determined may not be higher than the amount of the subsidy granted.

As an exception to the above the Board may in certain cases decide to grant a subsidy indicating the latest date by which the activities must be performed and the latest date on which the subsidy is determined by the Fund.

#### **4. Audit Protocol for Financial Reporting and model audit report**

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If an auditor has to issue an audit report with the financial report, the subsidy recipient instructs an auditor to audit this using the underlying records and additional data and documents (e.g. in relation to costs or proceeds still expected). The auditor also follows the Audit Protocol for Financial Reporting and draws up an audit report, in accordance with the Fund's model report (Annex 1).

The auditor must be able to carry out an audit based on the financial report, the underlying records and additional data and documents into qualifying and non-qualifying costs, income, spending and work. This also involves among other things the nature and scope of services and goods, but also by whom, where and when these services and goods were supplied. The financial report must also show what proportion of the costs has actually been paid and what proportion of the income has actually been received. The financial report must also show the amount of and the breakdown in spending that has taken place in the Netherlands and abroad.

The level of the accounts shown in the financial report that are yet to be paid should in a healthy financial situation not be higher than the funding contributions yet to be received.



## Annex 1

# AUDIT PROTOCOL FOR FINANCIAL REPORTING

*Pertaining to the 'Financial Accounting Manual' of the Netherlands Film Fund  
for the auditing of financial reports*

**Version: 1 May 2019**

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## 1. Starting points

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### 1.1 Background

The Fund gives film makers instructions on spending financial contributions made by the Fund and accounting for them in, for example, the 'General Regulations' and/or the Development, Realisation, Distribution, Film Activities and Supplementary (Sub-)Regulations and 'the Film Production Incentive Regulations' (hereinafter: (Sub-)Regulations), the 'Financial & Production Protocol' or the 'Financial & Production Incentive Protocol' (hereinafter: the Financial & Production Protocol) and the 'Financial Reporting Manual'.

This audit protocol has been drawn up to provide further information on the expected activities of the auditor in auditing the 'financial report'. The protocol is intended as a supplement to the Detailed Regulations on Audit and Other Standards (NV COS) that apply to the auditor.

### 1.2 Objective

The auditor performs its audit in accordance with the audit standards, with a view to gaining a reasonable degree of certainty that the 'financial report' does not contain any material inaccuracies and conforms to the requirements. The Fund requires the auditor to provide a report that the 'financial report' is accurate and in accordance with the law. These requirements are derived from the 'General Regulations', the '(Sub-)Regulations, the 'Financial & Production Protocol' and the 'Financial Reporting Manual' and, where necessary, are set out in more detail in this audit protocol. This audit protocol aims to give direction to the audit strategy and is not an (exhaustive) audit programme.

The auditor must also verify the regularity of financial support spending. To this end it confirms that the expenses and any revenues shown in the 'financial report' conform to the requirements of financial regularity. This means that these amounts are in accordance with the provisions of the Fund's regulations and any additional obligations set out in the implementation agreement.

The Audit Protocols Guide of the NBA (Netherlands Institute of Chartered Accountants) was among the items used in drafting this audit protocol.

### 1.3 Definitions

In this audit protocol the terms below have the following meanings:

<i>Auditor</i>	The expert with certifying authority, as referred to in Section 393(1) of Book 2 of the Dutch Civil Code.
<i>Audit report</i>	The auditor's reporting format, in which the auditor formulates its conclusion as a result of the activities it has carried out that also comply with the provisions of NV COS 800.
<i>Manual</i>	The 'Financial Reporting Manual' April 2019.
<i>Granting</i>	The decision to grant or award a financial contribution, issued by the Fund.

For the sake of brevity, see the 'Financial & Production Protocol' for further definitions.

#### *1.4 Procedures*

The Fund can require the subsidy recipient to provide the 'financial report' with an auditor's report, as referred to in Section 393(1) of Book 2 of the Dutch Civil Code, under the provisions of the General Regulations and/or provisions of (Sub-)Regulations.

The applicant submits a confirmation application to the Fund within four months of completion of the film production or film activity, unless some other date has been laid down in the implementation agreement or the subsidy has previously been confirmed when granted.

The confirmation application is accompanied by the documents referred to in the 'General Regulations' or the (Sub-)Regulations concerned and in the implementation agreement. If the Fund so wishes, an auditor issues an audit report for the accounting according to the prescribed model. The prescribed audit report models can be found in the annex to this audit protocol.

The auditor organises the audit file in such a way that it provides scope for a review of its activities by or on behalf of the Fund. In all cases compliance with this audit protocol must be explicitly evident from the auditor's file.

The Fund can arrange for a review to be carried out by its auditor, or by an auditor or financial expert appointed by the Fund, of the activities serving as a basis for the audit report issued. The applicant as accountable person and its auditor must cooperate with this.

The Fund can in the interim arrange for its auditor, or an auditor or financial expert appointed by the Fund, to verify compliance with Article 13(4) of the Film Production Incentive Regulations.

## **2 Audit approach**

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### *2.1 Audit strategy*

The audit strategy is the auditor's primary responsibility. This audit protocol has no intention therefore of prescribing an audit strategy. The auditor usually bases its activities on a (risk) analysis of the administrative organisation and the internal control measures and uses it as a basis for arriving at an optimum consideration of the means of verification to be used. Since this strategy leads to customisation, the prescription of a strategy is not actually possible.

In the risk analysis the auditor must at least identify the following risks:

- Shift risk between different productions;
- Shift risk between different territories;
- Risk of irregularity of income and expenditure accounted for;
- Risk of errors in the accounting as a consequence of fraud.
- (not exhaustive)

The auditor assesses the financial management of the project by auditing the setup and the existence of the internal procedures that assure:

- the correctness and regularity of the costs and
- the completeness, correctness and regularity of the revenues, including the contributions of third parties.

Given the required reliability and accuracy, the auditor determines the combination of system and data-oriented activities on the basis of this assessment.

### *2.2 Reference framework*

The auditor carries out its audit in accordance with Dutch law, in particular the Code of Conduct and Professional Practice for Accountants Regulation, the Regulation regarding the Independence of Accountants in the case of Assurance Engagements and the Detailed Regulations on Audit and Other Standards (NV COS), and this audit protocol. This audit protocol gives detailed instructions, which the auditor must include in its audit strategy. The auditor charged with auditing the 'financial report' must ensure an adequate audit strategy and an audit programme tailored to the (client's) situation, which gives attention to the internal control measures and takes account of the audit tolerance as stated below.

### *2.3 Object of audit and system of standards*

The object of audit is the 'financial report' prepared by the subsidy recipient. The following system of standards applies to the audit by the auditor:

- The 'General Regulations' of the Netherlands Film Fund and/or
- The (Sub-)Regulations applicable to the granting.
- The 'Financial & Production Protocol' of the Netherlands Film Fund applicable to the granting.
- The 'Financial Reporting Manual' of the Netherlands Film Fund.
- The implementation agreement applicable to the granting.
- The present 'Audit Protocol for Financial Reporting' of the Netherlands Film Fund.

### *2.4 Reliability and accuracy*

The audit is aimed at the issue of an audit report on the accounting. In arriving at its report, the auditor aims for a reasonable degree of certainty. If this concept has to be quantified for the use of statistical techniques, a reliability of 95% must be taken as a basis.

The audit must be planned and conducted in such a way that material errors are identified. In order to issue an unqualified audit report, all the errors identified that are individually or collectively material must be corrected. If a correction is not made or not made adequately, this must be reflected by the provision of a qualified audit report.

### *Audit tolerance*

The following tolerances are decisive for the audit report:

	Onjuistheden (in de verantwoording)		Onzekerheden (in de controle)	
	Beperking	Afkeuring	Beperking	Oordeelonthouding
Rechtmatigheid bestedingen (% van de totale kosten)	> 1 en < 3	≥ 3	> 3 en < 10	≥ 10

Inaccuracies (in the accounting)

Uncertainties (in the audit)

Restriction

Rejection

Restriction

Disclaimer

Spending regularity (% of the total costs)

> 1 and < 3

> 3 and < 10

### *Dealing with errors (error definitions)*

The following course of action applies for dealing with errors identified. A distinction is made between errors having an impact and errors not having an impact on the financial regularity of the expenditure and income. Errors identified that do have an impact must as far as possible be corrected by the applicant. The errors in this case are the result of irregular spending of the subsidy. It is not important in this case whether the tolerance limits are exceeded. The tolerances in the diagram apply when dealing with errors identified that have no impact on the financial regularity. The applicant must correct these errors if the tolerance limit is exceeded.

The auditor enters all uncorrected errors greater than 0.1% of the total costs in the report of findings. It states the nature and the extent of the errors identified. Errors are interpreted in absolute terms, in so far as financial regularity is concerned. The balancing of errors is not permitted.

For an adequate substantiation of the auditor's report, the auditor must as far as possible quantify uncorrected errors. The auditor provides the report of findings to the Fund.

### *2.5 Specific areas of attention for the audit*

The Fund has formulated the following specific areas of attention with regard to the audit of the 'financial report'.

#### *Regularity*

The audit of regularity by the auditor involves verifying whether the costs and revenues have come about in accordance with the 'General Regulations', the (Sub-)Regulations applicable to the granting, the applicable 'Financial & Production Protocol', the 'Financial Reporting Manual' and the applicable implementation agreement.

#### *Structure and layout of the 'financial report'*

The auditor confirms that the 'financial report' has been prepared in the same format as the format of the budget the Fund used as a basis for granting a subsidy and which is appended to the

implementation agreement as an annex. The auditor also confirms that the amounts in this budget have been included correctly and in full in the 'financial report' and also the revenues and whether payments of costs and revenues have taken place.

### **3 Auditor's products**

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The auditor's activities result in an audit report. For this the auditor uses the applicable model that can be found in Annex A to this audit protocol.

The auditor uses the model texts appended to this audit protocol and includes the financial regularity in its report.

The auditor may choose to issue the Fund with a so-called "WG report", showing just the name of the auditor alongside the abbreviation "w.g." (meaning signed). The original signed audit report with the auditor's personal signature must be kept in the applicant's archive (see also NBA Practical Guide 1103).

## **Annex: Model audit report text**

### **AUDIT REPORT OF THE INDEPENDENT AUDITOR**

*Issued for the Netherlands Film Fund*

#### **Our report**

We have audited the enclosed 'financial report' pursuant to the contribution by the Netherlands Film Fund of .. (entity name) in .. (registered office) in respect of .. (film production name).

In our view the 'financial report' pursuant to the contributions by the Netherlands Film Fund for the film production ... (film production name) of .. (entity name) has in all material respects been prepared in accordance with the provisions of the 'Financial Reporting Manual' and the detailed obligations laid down in the implementation agreement(s) known to the Netherlands Film Fund under project number(s) ..... ..<sup>1,2</sup>

#### **The basis for our report**

We have conducted our audit according to Dutch law, including Dutch audit standards and the Audit Protocol for Financial Reporting as drawn up by the Netherlands Film Fund. Our responsibilities in this regard are set out in the section entitled 'Our responsibilities for the audit of the 'financial report''.

We are independent of .. (entity name) as required in the Regulation regarding the Independence of Accountants in the case of Assurance Engagements and other independence rules in the Netherlands relevant to the engagement. We have also complied with the Code of Conduct and Professional Practice for Accountants Regulation.

We believe that the audit information we have obtained is sufficient and suitable as a basis for our report.

#### **Emphasis of the basis for financial reporting and restriction in use and circle of distribution**

The 'financial report' has been drawn up to allow... (Entity Name) to comply with the provisions set out in the 'Financial Reporting Manual' of the Netherlands Film Fund. As a result, the 'financial report' may not be suitable for other purposes. Our audit report is therefore only intended for the Netherlands Film Fund (and if applicable other financier(s) being ..... (insert other financiers)) and must not be distributed to or used by others.

Our report has not been modified as a result of this matter.

#### **Responsibilities of the board for the 'financial report'**

The board is responsible for preparing the 'financial report' in accordance with the

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<sup>1</sup> To be supplemented with a reference to the subsidy scheme concerned and if necessary (additional) subsidy conditions.

<sup>2</sup> If several subsidy contributions have been made by the Fund, list them.

provisions of the Financial Reporting Manual issued by the Netherlands Film Fund and the detailed obligations laid down in the implementation agreement(s) with project number(s) ..... (insert project numbers). The board is also responsible for such internal control that the board deems necessary to make the preparation of the 'financial report' possible without material misstatements as a consequence of fraud or errors.

### **Our responsibilities for the audit of the 'financial report'**

Our responsibility is planning and conducting an audit engagement in such a way that it gives us sufficient and suitable audit information for the report to be issued by us.

Our audit has been conducted with a high degree but not an absolute degree of certainty, so failure on our part to identify all the material errors and fraud in the course of our audit is possible.

Misstatements can arise as a consequence of fraud or errors and are material if it is reasonable to expect that they, individually or collectively, may have an impact on the economic decisions that users make on the basis of the 'financial report'. The materiality affects the nature, timing and scope of our audit activities and the evaluation of the effect of identified misstatements on our report.

We have conducted this audit professionally and critically and where relevant have applied professional judgment in accordance with Dutch audit standards and the Audit Protocol for Financial Reporting, ethical regulations and the independence requirements. Our audit has included the following:

- identifying and assessing the risks of the 'financial report' containing material misstatements as a consequence of errors or fraud, in response to these risks determining and carrying out audit activities and obtaining audit information that is sufficient and suitable as a basis for our report. In the event of fraud, the risk of a material misstatement not being identified is greater than in the event of errors. In the case of fraud there may be conspiracy, forgery, deliberate failure to record transactions, deliberate false representation of matters or breach of internal control;
- acquiring insight into the internal control that is relevant for the audit with the aim of selecting audit activities that are appropriate in the circumstances. It is not the aim of these activities to pronounce judgment on the effectiveness of the organisation's internal control;
- evaluating the suitability of the principles used for preparing the 'financial report' and evaluating the reasonableness of assessments by the board and the notes thereon in the 'financial report';
- evaluating the presentation, structure and content of the 'financial report' and the notes thereon therein; and
- evaluating whether the 'financial report' represents the underlying transactions and events without material misstatements.

We communicate with the board about such matters as the planned scope and timing of the audit and about the significant findings emerging from our audit, including any significant failings in internal control.

Place and date

... (accountancy practice name)

... (auditor name)