

# ANNUAL REPORT 2018





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VEI IS THE WORLD'S  
LEADING PROMOTOR  
AND IMPLEMENTOR  
OF WATER OPERATOR  
PARTNERSHIPS (WOPS)



## VEI IN 2018: STRATEGY IN MOTION

Looking back, 2018 can be marked as the year when we made large strides in realizing our strategic VEI#2020 agenda. VEI lived as such, the words of former General Electric CEO Jack Welch: *"In real life, strategy is actually very straightforward. You pick a general direction and implement it like hell"*.

Three pillars guide our actions according to the VEI#2020 strategy, i.e. 1) engagement, 2) building VEI, and 3) project excellence.

Our VEI#2020 strategy sets out our course for the years to come, which in itself is incredibly valuable. However, the true art, and the hard work, is in making it real. To make our dream of where we would like to go, come true in real day-to-day practices requires hard work, patience, perseverance and true commitment. That was our daily life in 2018. All of us, with the team at our headquarters in Utrecht, with our board of shareholders, with all our staff spread over 20 countries, with more than 200 short term experts that are committed to make a change, and with all our Water Operator Partners, supporters, donors and contractors. Thanks to the the commitment of all engaged in VEI, VEI is nowadays the largest organization involved in Water Operator Partnerships worldwide.

With pride, I can introduce this 2018 annual report to you. You will find that in 2018, the team of VEI was able to

have a sustainable impact on the day-to-day lives of 315,000 people in 20 countries by enabling them to access improved water/sanitation service provision. This is a major accomplishment in the history of VEI, as it provides a boosting increase from 2017 of almost 30%. We find that everybody in the world deserves proper, adequate and sustainable water services delivery. Being able to make a practical difference in the lives of so many is what makes us tick, and what gives meaning to our organization and the reason we go to work every day.

Another key figure, I would like to highlight in this introduction to the 2018 annual report is that we were able to further unlock the strengths of our five Dutch partner water operators, and herewith enabling them in the effectiveness of their Corporate Social Responsibility programs. In 2018, we managed to increase the total number of short-term input of experts from the Dutch water operators with 20% compared to 2017 to an unparalleled total of 3.412 days.

I wish you a lot of reading pleasure, and please while reading it, take at heart that your continued support is essential in making the dream come true of universal sustainable water services.

MARCO SCHOUTEN, CEO VEI



**MARCO SCHOUTEN, CEO VEI**

*TO MAKE  
OUR DREAM  
COME TRUE  
REQUIRES HARD  
WORK, PATIENCE,  
PERSEVERANCE  
AND TRUE  
COMMITMENT.*

## ABOUT VEI

### VEI is the world's leading promotor and implementor of WOPs

WOPs are peer support partnerships between water and sanitation utilities aiming to share knowledge and skills to make utilities stronger, healthier and more resilient. WOPs work through peer-to-peer exchange of skills, knowledge and goodwill to build the capacity of a utility that demands for assistance or guidance.

Across the world, water utilities are struggling to provide safe water services. Almost one billion people still lack access to good water, while 2,4 billion people lack access to proper sanitation. Despite different circumstances, utilities in a partnership share common concerns and challenges: about human resources development, daily operations of production and distribution systems, and investment planning.

Established in 2004 by Dutch water operators, Vitens and Evides Waterbedrijf (both shareholders) have developed into an effective organisation with a stable annual turnover of € 20 million that is engaged in implementing WOPs with dozens of water operators over more than 20 countries worldwide, capacitating hundreds of employees from water utilities, and providing over 300,000 people with improved access to water services, mostly from low-income areas in Africa, Asia and South America.

VEI is firmly rooted in the Dutch water sector. Through VEI, the Dutch water operators are committed to achieve the Sustainable Development Goal 6 of the United Nations: sustainable water and sanitation services for all.

The Netherlands has a long history when it comes to water. Over the past 160 years Dutch water operators have establis-

hed themselves as the best in-class water providers. Five Dutch water operators (Vitens, Evides Waterbedrijf, WML, Waterbedrijf Groningen and Brabant Water) share their expertise with their colleague water operators around the world. With a joint workforce of 3,600 utility employees, a distribution network of more than 102,700 kilometres, five million customer connections and an annual production capacity of 880 million m<sup>3</sup> tap water in the Netherlands, they have extensive and lasting experience that is worth sharing.

### Ownership and sustainability

WOPs of VEI focus on building the resident capacity of water operator staff, rather than doing it for them. VEI arranges on the spot assistance by deploying water operator experts to their colleague local water operator. This peer-to-peer interaction ensures that knowledge and the wealth of operational expertise can be shared with water operators abroad. The results are impressive: tangible change, improved operational performance and, ultimately, universal and equitable access to safe and affordable drinking water for more people.

### Attracting investments

Based on solid business cases multilateral and bilateral financiers will be attracted to invest in hardware and corresponding technical assistance of water operators. A WOP may increase sustainability and quality of an investment program and ensure caretaking extends service life time of the assets. The combination of additional investment and peer-to-peer support at operational level acts as a kick-start for local economic development and growth. Moreover, VEI can exclusively tap into the fund in which Dutch water consumers donate voluntarily, Water for Life, to raise water services access to the (peri)urban poor.

WATER AND SANITATION FOR ALL:  
AS COMMITTED DUTCH WATER  
OPERATORS, WE EMBRACE OUR  
RESPONSIBILITY TO MAKE THIS  
DREAM COME TRUE.



# RESULTS 2018

In 2018, VEI worked on:  
46 projects in 20 countries,  
12 projects were completed.

Dutch Caribbean  
Surinam  
Colombia  
Bolivia

Ghana  
Uganda  
Rwanda  
Ethiopia  
Kenya  
Tanzania  
Malawi  
Mozambique  
Zimbabwe  
Zambia  
Angola  
Bangladesh  
Myanmar  
Vietnam  
Philippines  
Indonesia

People that gained access to water/  
sanitation in 2018

321,711



2017: 225,312 2016: 192,846

Turnover 2018



19,722,000

2017:  
17,525,000

2016:  
21,475,000

ALMOST 1  
BILLION  
PEOPLE STILL  
LACK ACCESS  
TO WATER  
AND/OR  
SANITATION



# DIRECTOR'S REPORT

2018 was probably the most successful year in the history of VEI. VEI made large strides in realizing its' strategic agenda as set out in the VEI#2020 strategy, while at the same time realizing record numbers in impact and engagement of the Dutch operator' employees.

The VEI#2020 agenda guides our actions in the years to come and is composed of three strategic pillars: 1) the engagement of the Dutch operators 2) the building of VEI, and 3) project excellence.

The first strategic pillar of 'engagement' concerns explicitly the need of VEI to pro-actively stimulate engagement of the Dutch water operators with the mission and vision of VEI. Such includes action, like a stronger support to the Foundation Water for Life, and the strengthening of the resourcing process of the short-termers from the water companies. In 2018, VEI managed to engage a record number of 217 individual employees of the five partnering Dutch water operators directly engaged in work for VEI. Looking at the total number of days that were spent by these employees on short mission assignment, the total count is 3.399 days, which is a 30% increase compared to the year 2017. An important strategic action in 2018 with respect to the engagement of the Dutch partner water operators was the novelty to host a meeting in which the directors of the five Dutch water operators, were inspiring one another how and why they were engaged in the international CSR work. A key element in that respect was the position of the drinking water customers' fund Water for Life, to which VEI is strongly related. VEI has its own CSR policy which can be found on the VEI website.

2018 has been a significant year in the building of VEI. Building VEI refers to continuing our path in professionalizing VEI in its operations, its accountability and transparency, effectiveness and efficiency. This includes elements such as an ICT improvement process, more tailor-made attention to the human resources involved in VEI, and an internal re-organization of tasks and responsibilities. Notably, in 2018 VEI succeeded in transferred our 'old' brand of 'Vitens-Evides International' to a new branding of 'VEI'. The branding of VEI included the introduction of a new corporate design: a new website, new brochures, a new company video, and all other communication means. Apart from the branding of VEI, also a key change occurred in the HR organization as VEI started to be an employer.

Before, all people working for VEI, were either seconded to VEI by the Dutch water companies, or they were hired through payroll companies or consultancy type of arrangements. During 2018, we succeeded in having all the HR and administrative requirements ready to directly employ our core staff, including for example the registration of VEI as a member of the Employers' association Water Companies (WWb - Werkgeversvereniging Waterbedrijven). Hence, at the end of 2018, VEI employed 12 employees directly.

With respect to VEI's third strategic pillar, project excellence, 2018 has been an absolute record year for VEI. The 'Project Excellence'-pillar encompasses elements as continuously innovating our products and diversifying our financial sources, centralizing our project-portfolio around the realization of Sustainable Development Goal 6 and the forming of project teams, and of course a successful implementation of our new strategic WaterWorX program. In 2018, our flagship program WaterWorX came up to steam in its' 2nd year of implementation. Staffing arrangements were finalized for the 16 Water Operator Partnerships under the program, and the first results on direct impact of improved water provision were noted. This has amongst others resulted in an increase in turnover of 12,6% in comparison to 2017 to 19.7 million Euro in 2018. Notably, impact-wise VEI succeeded during 2018 in contributing to give 315,000 people access to improved water and/or sanitation. A staggering number. For interpretation: the city of Utrecht in which our headquarter is based has approximate a same population.

Financially, VEI is doing well: no external financing is needed, activities can be financed with own resources. The negative result over 2018 will be covered from the own reserves and has no further consequences. Our solvency, expressed as

shareholders' equity in relation to the balance sheet total, was 14% (compared to 13% in the previous year). The company's liquidity, expressed as current assets relative to current liabilities, was 1.24 (compared to 1.21 in the previous year). Finally, no unforeseen items of extraordinary expenditure had to be accounted for in relation to 2018 or influenced the future expectations.

#### LOOKING FORWARD TO 2019

The project portfolio is targeted in the coming years, to stabilize around a volume of €20 million, which will accordingly result in stable turnover and costs. However, given our strategy of "a bigger bang for the buck", VEI strives to give access to 321.000 people to water/sanitation services as a direct result of our activities (compared to the 315.000 achieved in 2018). Due to the execution of our flagship program WaterWorX, we are able to boost the impact on this key indicator, growing in 2020 to a total annual amount of 350,000 people which we can give access to improved water services. The support to the local utilities and thus the contribution to the Sustainable Development Goals can only be reached by actively sharing long-standing expertise and experience of the Dutch drinking water utilities. VEI is strongly rooted in the Dutch drinking water companies and is from and for drinking water utilities. The unlocking of the expertise of the Dutch utilities is most directly personified in the staff that has worked before for the Dutch utilities and are now directly involved in VEI activities. Therefore, target for 2019 is to increase the number of days spent by short term experts from the Dutch water operators to 3.500 days (compared to 3.412 days in 2018), and to increase the number of individual Dutch water utility staff that are involved in short term assignments to 185 individuals. Also, for the number of long-term experts an increase is targeted from 20 persons in 2018 to 21 persons from the Dutch water utilities in 2019.







Risk inventory and risk management are important topics at VEI. Generally speaking, VEI is exposed to three categories of risk: risk related to health and safety, operational risk and financial risk.

# RISK MANAGEMENT

Choices relating to contract types and project sites are key elements in managing the risk profile of the commitments we enter into. Selection is executed through a criterion-based filtering process weighing impact, financial risks, operational risks and risks relating to employees' occupational health and safety. A prime condition to weigh our possible involvement is that there must be a reasonable expectation that our efforts will have a sustainable and lasting impact. The motivation of our foreign partner water company (and its management) is an important indicator in respect of this condition. Other considerations relate to the safety situation of the project site, such as indicated for example by the presence of other international organisations, travel infrastructure and accommodation facilities and advice provided by our partner Control Risks. Control Risks is an independent, global risk consultancy specializing in helping organizations manage political, integrity and security risks in complex and hostile environments. Related to this criterion, is that VEI explicitly condemns (and refuses to participate in) all forms of corruption and the presence of VEI employees in a country in no way indicates VEI's support of a local government's policy or an endorsement of its governance quality. With respect to the type of contract, VEI's policy is not to take a financial interest in local entities. VEI focuses its activities on providing technical support to their partners abroad to enable them to manage their service provision sustainably.

## HEALTH AND SAFETY RISK

Impact on the results and/or financial position: limited  
The health and safety of expatriate- and short-term staff is the main risk to which VEI is exposed. These risks mainly apply to international travel, local transportation (accidents, material damage), illness (nutrition, malaria, infectious diseases), safety

on the streets (theft), incidents (natural disasters, terrorism), and 'Occupational health': even though the expatriate- and short-term employees mainly fulfil an advisory role, many of them are also involved in the operations of the partner water operators. Cases of personal injury resulting from accidents or incidents causes in the first place personal hardship and inconvenience. But it also has a negative effect on the image of VEI and its shareholders, particularly if such situations are not handled professionally and effectively. Anticipating or reacting to these risks may result in the postponement or cancellation of missions. If this situation continues for a prolonged period, it may lead to delays in the implementation of the projects in question.

## Among other measures, VEI implements the following controls in order to minimise the risk associated with health and safety.

- The staff members (expatriates and short-termers) receive preventive information on the political, security and health situations in the countries where we are present;
- A Travel Handbook ('Veilig op Reis'), which contains instructions on behaviour and assistance relating to health and safety;
- Compulsory chauffeurs for short-termers;
- A crisis management organisation has been set up and an annual training is organised;
- A 'Duty of Care' policy clarifying the obligations of the employer and employee, which the employee must sign to indicate that he/she is aware of all the available information and has read the relevant instructions before being issued a ticket;
- VEI cooperates with Control Risks (crisis management) and International SOS (health) in order to optimally inform and prepare employees and, if necessary, provide guidance in the area of health and safety.

## OPERATIONAL RISK

Impact on the results and/or financial position: limited  
The operational risks relate to the quality and effectiveness of the project effort, issue management (water quality, reliability), political risks (human rights, corruption), and employee conduct (professionalism). These affect the reputation of VEI, the Dutch parent water companies and partners. Most VEI projects are partnerships which are entered into by both parties on a voluntary basis, or contracts that are awarded after a tender procedure. Neither poor performance nor bad publicity serves the interests of either of the parties and a critical selection process minimises the likelihood of occurrences of this nature. We know from experience that, when confronted by disappointing (initial) results, the first reaction of the two partners is to look for ways of improving those results. During VEI's involvement in international collaborative projects during the past 10 years, there has not been a single case of premature termination of a collaborative relationship without mutual consent.

VEI implements the following controls in order to minimise operational risk:

- Contract selection, a number of criteria is used such as country, contribution to the VEI mission, and project partners;
- Limitation in countries where projects are being operated;
- Selection of partners/alliances;
- Use of the KPI dashboard, financial reporting and performance reporting in the context of result accountability in respect of all stakeholders (not only the shareholders and financiers) in order contribute positively to developing relevant policy and encouraging broader social debate in this area;
- A standardised Financial Planning & Control cycle;

- The communication protocol agreed with the shareholders, which defines an approach and core message for each target audience;
- To reduce the risk of bribery VEI has a mandatory "code of conduct" for its staff and has also implemented procurement procedures. No violations of the code of conduct has been noted in 2018.

## STRATEGIC RISK

Impact on the results and / or financial position: limited  
The activities of VEI depend on the contributions and efforts of the Dutch water companies and available funds from the Ministry of Foreign Affairs and other (inter)national donors. The WaterWorX program ensures that the project portfolio is properly filled up until 2021, while the WaterWorX program will form a more important part of the total activities of VEI in the coming years. In 2021 an evaluation will take place on the further continuation of this project for another period until 2025. Because the activities of VEI contribute to the Dutch SDG objectives, the activities of VEI can be continued in the coming years. In addition, VEI is constantly looking for new cooperation and partnerships for other projects.

VEI implements the following control measures to minimize strategic risk:

- External monitoring of the WaterWorX program to ensure that project objectives are met and the program continues after 2021;
- Continuous search for new projects and project partners;
- Collaboration with partner Control Risks to identify strategic risks and to take appropriate measures.



The first water connections subsidized by WaterWorX in Zambia





### LAWS AND REGULATIONS

Impact on the results and / or financial position: limited  
Because VEI employees often work abroad for a short or longer period, VEI has to deal with foreign legislation, for example in the area of work visas, wage tax but also procurement guidelines for local investments.

VEI implements the following control measures to minimize laws and regulations risk:

- Presence of compliance officer function to chart risks in the field of legislation and regulations;
- Make RPM's constantly alert to foreign legislation.

### FINANCIAL RISK

Impact on the results and/or financial position: limited  
VEI is a project-based organisation and the associated financial risk is therefore typically related to individual projects. For example, risks associated with penalty clauses, bonus/malus agreements in performance-dependent projects, repayment of subsidies, debt-risks, liability for health damage or other damages (injury), unemployment, VEI employees becoming unfit for work and the risk of payment default on the part of the donor. In the event of early termination of the project, there are also financial consequences in that a suitable position must be found for the permanent staff returning to the parent company or partner company from abroad, or an outplacement procedure has to be initiated. Based on the assumption that not all projects will end at the same time and that new projects will arise or existing projects will be renewed, this risk is limited.

VEI implements the following control measures to minimise financial risk:

- The further pursuit of operational excellence in Project Management and Finance & Control, through optimisation of the administrative/Finance & Control systems and procedures among other measures;
- Registration/preparation of Utility Support Contracts with realistic performance targets and a good balance between fixed and variable rewards and bonus/malus arrangements;
- Demanding project finance payment in advance;
- A standard cooperation agreement has been drawn up in collaboration with Royal Haskoning DHV, a leading firm of consulting engineers and a VEI partner, which focuses on clearly defining liability;
- Restraint with regard to entering into long-term commitments in relation to rent, vehicles, etc.;
- Not participating or taking any financial position in local water operating partners;
- Externally recruited personnel, who mainly work as self-employed contractors or based on fixed-term contracts (duration is based on the contract period).

More about VEI's financial risk and risk management in chapter 5 of the Financial Statements.

Utrecht, 27 May 2019  
M.A.C. Schouten, PhD - CEO VEI

# FINANCIAL STATEMENTS

## Balance sheet as at 31 December 2018 (before proposed appropriation of result)

(x EUR 1,000)	Note	31-12-18	31-12-17
<b>CURRENT ASSETS</b>			
Construction contracts	1.	3,103	2,838
Accounts receivable	2.	615	696
Taxes and social security charges	2.	254	130
Other receivables, prepayments and accrued income	2.	1,703	1,010
Cash and cash equivalents	3.	5,420	7,408
<b>Total assets</b>		<b>11,095</b>	<b>12,082</b>
<b>LIABILITIES</b>			
Shareholders' equity	4.		
Paid-up and called share capital		36	36
Other reserves		1,539	1,496
Undistributed result		-26	43
		<b>1,549</b>	<b>1,575</b>
Provisions	5.	560	489
Current liabilities			
Construction contracts	6.	5,320	6,824
Taxes and social security charges	7.	29	64
Other current liabilities	7.	3,637	3,130
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,095</b>	<b>12,082</b>

## Income statement for the year ended 31 December 2018

(x EUR 1,000)	Note	2018	2017
Net turnover	9.	19,722	17,525
Cost of operations	10.	-18,112	-15,476
<b>Gross profit</b>		<b>1,610</b>	<b>2,049</b>
General and administrative expenses	11.	-1,642	-1,999
<b>Total costs</b>		<b>-1,642</b>	<b>-1,999</b>
<b>Operating profit/(loss)</b>		<b>-32</b>	<b>50</b>
Financial income and expenses	12.	-1	4
Result before tax		<b>-33</b>	<b>54</b>
Corporate income tax	13.	7	11
<b>Result after tax</b>		<b>-26</b>	<b>43</b>

## Cash flow statement for the year ended 31 December 2018

(x EUR 1,000)	Note	2018	2017
<b>Cash flow from operating activities</b>			
Operating profit/(loss)		-32	39
Adjustments for:			
Movement in provisions	5.	71	-59
		<b>39</b>	<b>-20</b>
Movements in working capital:			
Receivables	2.	-736	1,430
Construction contracts	1. & 6.	-1,769	326
Current liabilities	7.	532	-541
		<b>-1,973</b>	<b>1,215</b>
Cash generated from operations		<b>-1,934</b>	<b>1,195</b>
Financial income and expense	12.	-1	4
Corporate income tax paid	13.	-53	-
		<b>-54</b>	<b>4</b>
<b>Net cash generated from operating activities</b>		<b>-1,988</b>	<b>1,199</b>
The movement in cash at banks and in hand can be broken down as follows:			
<b>Balance as at 1 January</b>		<b>7,408</b>	<b>6,209</b>
Movements during the financial year		-1,988	1,199
<b>Balance as at 31 December</b>		<b>5,420</b>	<b>7,408</b>

## Notes to the balance sheet and income statement

### GENERAL NOTES

#### 1.1 Activities

Vitens-Evides International B.V. is a joint venture of Vitens N.V. and Evides N.V.. Vitens Evides International B.V. receives contributions from its shareholders and other donors in the context of development aid. It uses these contributions to finance its not-for-profit activities in the area of management support for water companies in developing countries. An own contribution is incorporated within a majority of the project contracts of VEI. This own contribution is sourced through the participating Dutch water companies, legitimized by the 1% CSR contribution of the Dutch drinking water law.

#### 1.2 Registered office and number at chamber of commerce

Vitens-Evides International B.V. registered office is located at the Reactorweg 47, 3542 AD, Utrecht, the Netherlands. Registered at the Chamber of Commerce under number 634832.

#### 1.3 Group structure

VEI B.V. consists of one legal entity. VEI B.V. is no part of a larger group.

#### 1.4 Changes in accounting policies

There are no changes in accounting policies compared to previous year.

#### 1.5 Changes in accounting estimates

There are no changes in accounting estimates have been made.

#### 1.6 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Entities which can exercise control over the Company are also considered to be a related party. In addition, statutory directors, other key management of Vitens-Evides International B.V. or the ultimate parent companies and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is necessary in order to provide the required insight.

#### 1.7 Estimates

Preparing annual financial statements involves the use of assumptions, judgment and estimates based on historical experience and factors that are acceptable in the management's opinion given specific circumstances. Such judgment and estimates (including relevant assumptions) affect the valuation and presentation of the assets and liabilities reported and also the result for the year. Actual results may differ from these estimates and assumptions applied. The nature of these estimates and this judgment, including relevant assumptions, are disclosed in the notes to the financial statement.

#### 1.8 Accounting policies for the cash flow statement

The cash flow statement has been prepared on the basis of indirect method. Items disclosed in the cash flow statement comprise the cash and cash equivalents. Cash flows in foreign currency are translated at an estimated average exchange rate. Inflow or outflow of cash related to interest is included in the cash flow from operating activities. Cash flows from investment and financing activities are not applicable.

## 2 GENERAL ACCOUNTING POLICIES

### 2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

### 2.2 Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year. In the disclosure notes. Compared to the previous year, the following change applies; as of August 2018 VEI has own personal, mainly active on support departments. The required disclosures have been included in the financial statements this year, but no comparative figures are available. Until August the cost of these people were charged by the water companies of payroll companies and included in the general and administrative expenses and cost of operations. Therefore no comparison is possible, so no comparative figures are included in the required disclosures for payroll costs.

Also the line items taxes and social security charges is adjusted in the financial statement under the current liabilities, the comparative figures have been adjusted.

### 2.3 Foreign currency

#### 2.3.1 Functional currency

The items in the financial statements are measured using the currency of the primary economic environment in which the company is based (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of Vitens-Evides International B.V.

#### 2.3.2 Translation of foreign currency

Transactions entered into by the company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled assets and liabilities are recognized in the company income statement.

## 3 ACCOUNTING POLICIES FOR THE BALANCE SHEET

### 3.1 Construction contracts

The item construction contracting by third parties consists of the balance of project costs and invoiced installments and if applicable allocated profit or recognized loss. Construction contracting's by third parties are presented separately in the balance sheet under current assets. If a credit balance is shown, it is presented under the current liabilities. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

### 3.2 Receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

### 3.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at nominal value.

### 3.4 Provisions

Provisions are recognized for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise. If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

### 3.5 Current liabilities

On initial recognition current liabilities are recognized at fair value. After initial recognition current liabilities are recognized at the amortized cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

## 4 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

### 4.1 General

The result is determined as the difference between the realizable value of goods/services delivered and costs and other expenses over the year. Income from transactions is recognized in the year in which it is realized. The project result is determined as the difference between project income and project costs. Project income is the contractually agreed income and income from supplemental and additional work, claims and fees, if and to the extent likely to be realized and able to be reliably determined. Project costs are costs relating directly to the project, which are generally allocated to project activities and can be apportioned to the project, and other costs that can be contractually allocated to the client. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

### 4.2 Net turnover

Net turnover consists of contributions of the Dutch water companies and subsidies received. Income is allocated to the relevant period. Subsidies are recognized as income in the income statement in the year in which the subsidized costs were incurred or income was lost, or in which a subsidized operating deficit arose. Income is recognized if it is likely to be received..

### 4.3 Contract revenue and costs

When the outcome of a contract can be reliably estimated, contract revenue and costs are recognized as revenue and costs in the income statement under the percentage-of-completion method. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognized as revenue in the income statement only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as expenses in the period in which they were incurred. When the outcome of a contract can be estimated reliably, revenue is recognized using the percentage-of-completion method by reference to the services provided up to the balance sheet date.

### 4.4 Cost of operations

Cost of (project) operations is defined as direct and indirect costs that can be allocated to the projects, which includes costs of raw materials and production supplies, costs of work contracted out and other external costs, personnel costs and other operating expenses that can be allocated to cost of sales.

### 4.5 General and administrative expenses

General and administrative expenses are defined as those costs chargeable to the year that are not directly attributable to cost of goods and services sold. In the case of VEI B.V., these costs are related to support departments and cannot be attributed to the cost of (project) operations. The general and

administrative expenses also consist the costs of own employees of VEI B.V.

#### **4.6 Employee cost (employee benefits)**

##### **4.6.1. General**

Employee costs (wages, salaries, social security contributions, etc.) are not presented as a separate item in the income statement. These costs are included in other components of the income statement, i.e. general and administrative expenses. For a specification, reference is made to the relevant note

##### **4.6.2 Short-term employee cost**

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

##### **4.6.3 Pensions**

VEI B.V. applies the liability approach for all pension schemes. The pension fund ABP is unable to provide the information which is necessary for the defined benefit plans which is actually the pension plan is what VEI B.V. has. Therefore, the defined benefit plan is treated as a defined contribution plan and the pension premiums owed for the financial year are entered as pension costs in the income statement. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. There are no other obligations in addition to the premiums paid, so no provision is included.

The coverage ratio of ABP was 103.8% at 31 December 2018 (31 December 2017: 101.5%). Due to the current financial situation, ABP is unable to increase the pensions in 2019 to. A reduction of the pensions in 2019 is no issue either.

#### **4.7 Financial income and expenses**

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest

expenses, recognized transaction expenses for loans received are taken into consideration.

#### **4.8 Currency translation differences**

Currency translation differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they are realized, unless hedge accounting is applied

#### **4.9 Corporate income tax**

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs.

### **5 FINANCIAL RISKS AND RISK MANAGEMENT**

Vitens-Evides International B.V. is exposed to the following financial risks, which are explained below:

#### **5.1 Market risk**

##### **5.1.1 Price risk**

The company deems the price risk related to items in the financial statements to be limited. This is mainly caused by the type of contract which enables VEI to pass such effects on to donor parties.

##### **Eligibility of project cost**

The company is involved in various projects for which audits are performed in order to check eligibility of project cost incurred. For some projects, audits are performed on a yearly basis, for others an audit is performed in case a new installment is requested and for some projects audits are performed at the end of the project. For the latter ones, for those projects where the subsidy funder may perform an audit after closing the project and for long-term projects, the company risks that, as a result of an audit, costs do not meet the conditions of the grant and can therefore not be claimed.

#### **5.1.2 Currency risk**

This is the risk that the value of a financial instrument will change due to fluctuations in the currency exchange rates. The company uses the euro as its functional currency. Exchange differences are calculated on a per-transaction basis and credited/charged to the income statement. For benefit of the projects, bank accounts abroad are held in foreign currencies to facilitate payments in foreign currencies. VEI B.V. is exposed to currency risk because of its projects in financially unstable countries and transactions in foreign currencies. Based on a risk assessment, the company does not use any forward currency contracts.

#### **5.1.3 Interest rate and cash flow risk**

No measures have been taken to mitigate interest rate risk. The company has no interest-bearing debts.

#### **5.2 Credit risk**

The company is exposed to risk in relation to valuation of receivables. The company manages this risk by assessing the recoverability of outstanding receivables periodically and takes adequate measures where necessary.

#### **5.3 Liquidity risk**

Cash and cash equivalents are at free disposal of the company. Many of the company's projects are financed on basis of pre-financing by financiers/donors.

## NOTES TO THE BALANCE SHEET

X EUR 1.000

### 1. CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise the balance of project costs and invoiced installments and if applicable allocated profit or recognized loss. Construction contracts are presented separately in the balance sheet under current assets. If it shows a credit balance, this will be presented under current liabilities.

	Invoiced Instalments	Project cost	31-12-18 Balance	Invoiced Instalments	Project cost	31-12-17 Balance
Africa	16,395	17,983	1,588	13,095	15,486	2,391
Asia	8,889	9,152	263	6,691	7,078	387
South America	431	722	291	-	-	-
WaterWorx (VEI)	2,653	3,606	953	589	615	26
WaterWorx (Consortium)	3,983	3,991	8	-	-	-
Other	-	-	-	10	44	34
<b>Total</b>	<b>32,351</b>	<b>35,454</b>	<b>3,103</b>	<b>20,385</b>	<b>23,223</b>	<b>2,838</b>

### 2. RECEIVABLES

All receivables have a remaining term of less than one year. The net present value of the receivables approximates the book value, due to their short-term nature and the fact that provisions for bad debt have been created where necessary. For 2018 no provision for doubtful receivables deducted on the receivables (2017: no deduction). The receivable relating to Taxes and social security charges relates to value added tax.

The other receivables, prepayments and accrued income consists of the following categories:

	31-12-2018	31-12-2017
Advances to personnel and projects	209	190
Other receivables and Prepaid costs	1,494	801
Current account WFL	-	-
Credit notes to be received	-	19
<b>Total</b>	<b>1,703</b>	<b>1,010</b>

### 3. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at the free disposal of the company.

### 4. SHAREHOLDERS' EQUITY

	31-12-2018	31-12-2017
Paid-up and called share capital	36	36
Other reserves	1,539	1,496
Unappropriated result	-26	43
<b>Total</b>	<b>1,549</b>	<b>1,575</b>

The authorized share capital amounts to € 90,000 consisting of 1,800 shares with a nominal value of € 50 per share. At the year ended 31 December 2018, 720 shares were issued and paid up. In 2018 no shares were issued. The movement in shareholders' equity is presented in the table below.

	Share capital	Other reserves	Undistributed result	Total
<b>Balance as at 1 January 2018</b>	<b>36</b>	<b>1,496</b>	<b>43</b>	<b>1,575</b>
Movements				
Appropriation of the result of previous financial year	-	43	-43	-
Distribution of dividend	-	-	-	-
Result for financial year	-	-	-26	-26
<b>Balance as at 31 December 2018</b>	<b>36</b>	<b>1,539</b>	<b>-26</b>	<b>1,549</b>

#### Proposed appropriation of result

Based on article 18 of the articles of association, the board of directors proposes to appropriate the result of 2018 as follows: to withdraw an amount of € 26.000 of the other reserves.



## 5. PROVISIONS

	31-12-2018	31-12-2017
Other provisions	560	489
<b>Total</b>	<b>560</b>	<b>489</b>

Other provisions are recognized for employees working abroad and relates to withholding taxes. The movement in the provision is presented in the table below.

	Other provisions
<b>Balance as at 1 January 2018</b>	<b>489</b>
Movements	
Additions	204
Utilisation	-133
<b>Balance as at 31 December 2018</b>	<b>560</b>

No amount of the provision can be classified as non-current (longer than one year).

## 6. CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise the balance of project costs and invoiced instalments and if applicable allocated profit or recognized loss. Construction contracts are presented separately in the balance sheet under current assets. The construction contracts with a credit balance are presented under current liabilities.

	31-12-18		31-12-17	
	Invoiced Instalments	Project cost	Invoiced Instalments	Project cost
Africa	13,882	12,333	11,187	7,775
Asia	4,536	2,650	2,887	1,426
South America	-	-	431	319
WaterWorx (Consortium)	-	-	1,033	926
Water for Life	2,582	732	3,046	1,402
Other	148	113	88	-
<b>Total</b>	<b>21,148</b>	<b>15,828</b>	<b>18,672</b>	<b>11,848</b>

## 7. TAXES, SOCIAL SECURITIES AND OTHER CURRENT LIABILITIES

	31-12-2018	31-12-2017
Wage tax	25	-
Corporate income tax	4	64
<b>Total</b>	<b>29</b>	<b>64</b>

Corporate income tax can be broken down as follows:

	31-12-2018	31-12-2017
Payable as at 1 January	64	53
Payable for financial year	-7	11
<b>Total</b>	<b>57</b>	<b>64</b>
Paid in 2018	53	-
<b>Payable as at 31 December</b>	<b>4</b>	<b>64</b>

The other current liabilities consists of the following categories:

	31-12-2018	31-12-2017
Trade creditors	933	1,053
Current account WFL	41	28
Other payables	2,663	2,049
<b>Total</b>	<b>3,637</b>	<b>3,130</b>

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

The other payables mainly consist of expenses to be paid (€ 2,485,000) and payroll related liabilities (€ 100,000).

### Debt to shareholders

The trade creditors and other payables include a debt to the shareholders:

	31-12-2018	31-12-2017
Vitens N.V.	733	527
Evides N.V.	249	348
<b>Total</b>	<b>982</b>	<b>875</b>

No interest is charged on the debt to shareholders. In respect of repayment the regular payment term for creditors is used. No other agreements have been made.

## 8. CONTINGENCIES AND COMMITMENTS

The company has concluded rental contracts with an total rental expenditure of approximately € 321,000 for the whole period. These contracts are related to projects and employees abroad.

Rental contracts	Due within 1 year	Due 1-5 years	> 5 year
as per 31 December 2018	€ 218.000	€ 209.000	-

The company provided the following guarantee:

Nr	Currency	Amount	Beneficiary
K699927	€	373,220	European Investment Bank

The guarantee is related to an advance payment guarantee, to ensure that contractual obligations are met. For employees who are fully employed by VEI but are hired from the water companies, VEI B.V. has the obligation to pay the costs of unused leave in the event of termination of employment with the water companies.

## Notes to the income statement

X EUR 1.000

### 9. NET TURNOVER

Net turnover from The Netherlands is recognized based on contracts and relates to contributions from Dutch partners with which the company cooperates for their projects.

Net turnover from other continents and other parties relate to contracts as well and comprises grants provided by funders like Dutch Embassies abroad, Ministry of Foreign affairs, Investment and Development Banks, EU etc.

	2018	2017
The Netherlands	4,684	5,036
Africa	9,241	6,768
Asia	1,444	3,078
South America	630	626
Water for Life	732	1,402
WaterWorx	2,991	615
Other	-	-
<b>Total</b>	<b>19,722</b>	<b>17,525</b>

	2018	2017
Net turnover - The Netherlands		
Contribution Vitens	2,000	2,000
Contribution Evides	1,750	1,750
Contribution WML	495	495
Contribution PWN	-	245
Contribution Brabant Water	200	300
Contribution WBG	185	160
Other turnover	54	86
<b>Total</b>	<b>4,684</b>	<b>5,036</b>

### 10. COSTS OF OPERATIONS

The costs of operations relate to the projects performed during the financial year. The costs of the Project Operations Department are also classified as cost of operations.

### 11. GENERAL AND ADMINISTRATIVE EXPENSES

The General and Administrative expenses relate to the support departments of Vitens-Evides International B.V.. The general and administrative costs consist of; costs of own personal, costs of hired staff and other operating expense.

#### Personnel costs

Until August 2018 the company does not have any employees of its own but hires personnel, mainly via its shareholders and partners. As of August 2018 VEI B.V. has a number of employees of its own besides the hired staff. The wages and salaries are included in the general and administrative expenses.

#### Wages and salaries own employees

	2018
Wages and salaries	265
Social security charges	30
Pension contributions	30
Other employee costs	10
<b>Total</b>	<b>335</b>

Until August the cost of these people were charged by the water companies of payroll companies and included in the general and administrative expenses and cost of operations. Therefore no comparison is possible, so no comparative figures are included for payroll costs. Most of these people were also working for VEI B.V. in 2017.

#### Average number of employees

At the end of 2018, 10 employees were employed on a full-time basis (2017: 0). Of these employees, 0 were employed outside the Netherlands (2017: 0).

#### Audit fees

The following audit fees were expensed in the income statement in the reporting period:

2018:	EY	PWC	Others	Totaal
Audit of the financial statements	-	33	-	33
Other audit services	1	29	29	59
Tax services	-	-	-	-
Other non-audit services	-	-	-	-
<b>2017:</b>	<b>1</b>	<b>62</b>	<b>29</b>	<b>92</b>
Audit of the financial statements	-	32	-	32
Other audit services	-	24	-	24
Tax services	-	-	-	-
Other non-audit services	61	-	-	61
	<b>61</b>	<b>56</b>	<b>-</b>	<b>117</b>

The fees listed above relate to procedures applied to VEI B.V. by accounting firms and independent external auditors as referred to in Section 1, subsection 1 of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

## 12. FINANCIAL INCOME AND EXPENSES

	2018	2017
Interest and similar income	-1	4
<b>Total</b>	<b>-1</b>	<b>4</b>

The cost of operations and the general and administrative expenses contains also an amount of € 160.000 related to exchange rate differences.

## 13. CORPORATE INCOME TAX

The Corporate income tax is based on the applicable corporate income tax rate in the Netherlands (25%). The effective corporate income tax rate on the company result is 20% (2017: 20%) due to a different applicable tax rate over the first € 200,000 (20%).

## 14. RELATED PARTIES

The company receives an annual contribution from its shareholders, which can be specified as follows:

	2018	2017
Vitens N.V.	2,000	2,000
Evides N.V.	1,750	1,750
<b>Total</b>	<b>3,750</b>	<b>3,750</b>

All costs from related parties are charged to the company based on actuals (e.g. hours and invoices), without profit margin. The company hires personnel from its shareholders, mainly as project-staff. Moreover VEI B.V. hires staff from Vitens and Evides for back-office activities (e.g. accounting, controlling, ICT, HR and marketing). The specification is as follows:

	2018	2017
Vitens N.V.	2,937	2,418
Evides N.V.	1,309	1,133
<b>Total</b>	<b>4,246</b>	<b>3,551</b>

## 15. DIRECTOR'S REMUNERATION

	2018	2017
Current and former directors	178	169
	<b>178</b>	<b>169</b>

The management board is charged with managing the company. The authority to determine the remuneration and other employment conditions of the members of the management board accrues to the General Meeting of Shareholders. The remuneration consists of a basic salary, holiday allowance, pension, social security and other expense allowances, and is in accordance with the requirements of the Executives' Pay (Standards) Act. No loans, advances or guarantees were provided to the management board member.

Utrecht, 27 May 2019

M.A.C. Schouten, PhD - CEO VEI

## OTHER INFORMATION

Provisions of the Articles of Association governing the appropriation of profits

The provisions of the Articles of Association relating to profit appropriation are as follows (article 18):

18.1 The profit achieved in a financial year is at the disposal of the general meeting.

18.2 Profits are paid out after adoption of the financial statements which indicate this is permissible.

18.3 The general meeting can adopt a resolution for payment of an interim dividend and/or distributions chargeable to a reserve maintained by the company.

18.4 Distributions on shares can only take place up to at most the amount of the distributable shareholders' equity.

18.5 A resolution aimed at distribution will not have any effect as long as the management board has not given its approval. The management board will only refuse to give its approval if it knows or should reasonably foresee that the company will be unable to continue to pay its eligible debts after the distribution.

### *Proposed appropriation of result*

The board of directors proposes to appropriate the result of 2018 as follows: to withdraw an amount of € 26.000 of the other reserves.



## Independent auditor's report

To: the general meeting of Vitens-Evides International B.V.

### REPORT ON THE FINANCIAL STATEMENTS 2018

#### Our opinion

In our opinion, Vitens-Evides International B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### What we have audited

We have audited the accompanying financial statements 2018 of Vitens-Evides International B.V., Utrecht ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the income statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

#### The basis for our opinion

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

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

#### Independence

We are independent of Vitens-Evides International B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten'

(ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

### 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:

- editorial;
- about VEI;
- results 2018;
- director's report;
- risk management;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

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

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### Responsibilities of the director

The director 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; and for
- such internal control as the director 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, the director is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The director 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 responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or

error. They are considered to be 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 27 May 2019

PricewaterhouseCoopers Accountants N.V.

Original signed by:

Drs. M. Hendriks RA

## APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2018 OF VITENS-EVIDES INTERNATIONAL B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### The auditor's responsibilities for the audit of the financial statements

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- 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 intentional 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 the director.
- Concluding on the appropriateness of the director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material

uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease 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 director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





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COLOPHON  
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