

# Other information

## **STATUTORY PROVISION WITH RESPECT TO APPROPRIATION OF RESULT**

The Executive Board, with the approval of the Supervisory Board, may decide that the profits realized during the financial year fully or partially appropriated to increase and/or for reserves. Profits remaining shall be put at the disposal of the General Meeting.

The Executive Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.

## INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of Refresco Group N.V.

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

#### Our opinion

We have audited the financial statements 2016 of Refresco Group N.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Refresco Group N.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Refresco Group N.V. as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2016
- The following statements for 2016: the consolidated income statement, the consolidated statements of other comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2016
- The company income statement for 2016
- The notes comprising a summary of the accounting policies and other explanatory information

#### Basis for our opinion

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

We are independent of Refresco Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

## Materiality

<b>Materiality</b>	€ 9.1 million
<b>Benchmark applied</b>	1 per cent of consolidated gross margin.
<b>Explanation</b>	<p>The users of the financial statements of a for-profit entity typically focus on operating performance, particularly profit before tax. However, given the significant exceptional amounts in profit before tax over recent years, we applied the materiality based on gross margin.</p> <p>Gross margin is the most important parameter for (local) management for directing and supervising the company. All significant decisions, such as investment decisions, are based on gross margin.</p>

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 365,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

#### Scope of the group audit

Refresco Group N.V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Refresco Group N.V.

Our group audit included all eight European components of Refresco Group N.V. This means that an audit has been performed on the complete set of financial information of each European component, thereby obtaining more than 95% coverage over the group's total assets, revenue and result.

All European components are audited by EY, whereby we used the work of local EY auditors when auditing foreign entities. The group audit team provided detailed instructions to all European component auditors, that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited certain component auditors, based on a rotation scheme. In addition the group audit team attended all closing meetings of the European component audit teams during the hard close and the year-end audit. During these visits and calls, the findings and observations reported to the group audit team were discussed in more detail. Any further work deemed necessary by the group audit team was subsequently performed.

Furthermore, based on our assessment of the newly acquired US entities, we concluded that specific procedures are required for these

components. The group audit team therefore visited the US in October 2016 and January 2017. During these visits the group audit team audited the purchase price allocation including the opening balance sheet and had several meetings with local management and the local auditor.

Finally, The group audit team performed audit procedures with respect to certain accounts on the consolidated level, such as the valuation of goodwill.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's

financial information to provide an opinion on the consolidated financial statements.

#### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Risk

#### The measurement of revenue

Refer to note 3.5 (Use of estimates and judgments) and note 2.14 (Significant accounting policies – Revenue) and note 4.2 (Revenue).

Refresco Group N.V. has individual contracts with clients which are unique for its co-packing and private label businesses. The uniqueness is borne by e.g. different delivery terms and rebates. We identified revenue recognition as a fraud risk, requiring special audit attention.

### Our audit approach

In our audit we have applied a mix of control-based audit procedures and substantive audit procedures on the revenue and revenue related accounts such as cost of goods sold, inventory and rebate accruals. These procedures, among others, consist of a detailed assessment of sales contracts, credit notes, detailed analytical reviews, cut off testing in order to verify that sales have been recorded in the correct year, attendance of inventory counts in order to verify the existence and valuation of inventory and detailed testing of revenue related rebate accruals. We also tested manual journal entries around year-end to ensure that revenue journals were approved and supported with underlying documentation.

#### Valuation of goodwill

Refer to note 3.5 (Use of estimates and judgments) and note 5.2 (Intangible assets)

Refresco Group N.V. has a significant amount of goodwill on its balance sheet amounting to € 529.0 million. In accordance with EU-IFRS, Refresco Group N.V. is required to perform a goodwill impairment test on an annual basis. The goodwill is allocated to nine Cash Generating Units (CGU). The annual goodwill test was performed in October 2016 and updated to 31 December 2016, consistent with prior year, and Refresco Group N.V. concluded that there is no impairment.

These impairment tests are significant to our audit because the assessment process is complex and requires management judgment, and is based on assumptions that are affected by expected future market conditions.

As part of our audit procedures we focused on the assumptions and methodologies used by the company, and also on the robustness of the planning process to evaluate whether the company is able to prepare reliable estimates. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodologies.

The company uses assumptions with respect to Weighted Average Cost of Capital, future market and economic conditions such as expected inflation rates, economic growth rates, volumes, gross margin and expenses. In order to assess the reasonability of input data, the valuation model and the Weighted Average Cost of Capital we have, among others, compared the data with external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the company's valuation model. With regard to the sensitivities we specifically focused on the available headroom present in the CGUs and whether a reasonable possible change in assumptions (assumed to be 1%), such as the discount rate and the growth rate could cause the carrying amount to exceed its recoverable amount. We also focused on the adequacy of the company's disclosures regarding assumptions.

As the goodwill test was performed in October 2016 and updated to 31 December 2016, we have re assessed management's analyses per 31 December 2016.

## Risk

## Our audit approach

**Accounting treatment acquisitions**

Refer to note 6.1 (Acquisition of subsidiaries and non/controlling interests)

In 2016 Refresco Group N.V. completed the acquisition of DIS International B.V. and Whitlock Holding Corporation. As of 31 December 2016, Refresco completed the initial acquisition accounting on a preliminary basis. Therefore the amounts recorded as of 31 December 2016 could change.

We focused on these transactions because it is material to the consolidated financial statements as a whole. In addition, determining the assumptions that underlie the initial acquisition accounting and the useful lives associated with the acquired tangible and intangible assets involves significant management judgment.

We evaluated management's process and methodology applied relating to the purchase price allocations. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodology.

We have tested the allocations against the applicable IFRS standards and purchase agreements, assessed whether the correct accounting treatment has been applied. We have assessed the valuation and accounting for the consideration paid.

We have audited the identification of fair values of the assets and liabilities acquired and assessed the valuation assumptions such as discount and growth rates. In addition, we have tested the supporting calculations for mathematical accuracy.

We also evaluated the adequacy of the disclosure (note 6.1) of these acquisitions in the financial statements.

**Report on other information included in the annual report**

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

- The executive board report
- The supervisory board report
- The remuneration report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Corporate Governance

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

**Report on other legal and regulatory requirements****Engagement**

We were engaged by the supervisory board as auditor of Refresco Group N.V. on 25 June 2014, as of the audit for year 2014 and have operated as statutory auditor since that date.

**Description of responsibilities for the financial statements****Responsibilities of management and the supervisory board for the financial statements**

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to

be carried out on the complete set of financial information or specific items.

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

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 8 March 2017

**Ernst & Young Accountants LLP**

Signed by M. Bangma-Tjaden