



# General Meeting of Shareholders TIE Kinetix N.V.

Audit of financial statements 2014-2015 by BDO Audit & Assurance B.V.

31 March 2016



# Agenda

- Introduction to the audited financial statements 2014-2015
- Our key audit matters
- Extended auditor's report



# Introduction to the audited financial statements 2014-2015

- Financial statements
  - Consolidated
  - Company only
  
- Management board report
  - Legal requirements
  - Consistency with financial statements
  - Corporate Governance
  
- Opinion
  - Materiality level
  - True and fair view
  
- Compliance with internal policies (i.e. remuneration)



## Our key audit matters

- Carrying value of goodwill and acquired intangible fixed assets
- Carrying value of internally developed intangible assets (R&D)
- Recoverability of deferred tax assets
- Accounting for the legal claim in respect of European Union's FP7 program and going concern considerations



## Extended auditor's report in 2016

### The assessment of the carrying value of goodwill and acquired intangible fixed assets

- ❑ The company has material amounts of goodwill and other intangible fixed assets resulting from acquisitions in the past.
- ❑ In previous financial year we used an auditor's expert to determine the appropriateness of the models and calculations used for the goodwill and intangible fixed asset impairment testing and we determined that the models did not change during this financial year.
- ❑ We challenged management's assumptions by corroborating them to historical budget achievement rates, market trends and available cash flow projections. Amongst others we focused on the accuracy of discount rates, growth rates, sensitivities used and available headroom.



## Extended auditor's report in 2016

### The carrying value of internally developed intangible assets

- The company capitalizes internal R&D if it can demonstrate the technical feasibility of completing the intangible asset.
- We reconciled capitalized hours to internal time registration and payroll output and determined adequate distinction in research and development stages.
- We challenged management's assessment as to whether development projects in-progress were still expected to deliver sufficient positive economic benefits to the combined businesses upon their completion, and for completed development projects, considered whether the useful economic lives selected remained appropriate. To this extent we have inquired at appropriate management levels within the company and reviewed sales forecasts and available business cases per project.



## Extended auditor's report in 2016

### The recoverability of deferred tax assets

- ❑ The company has material amounts of unutilized taxable losses in the US and the Netherlands.
- ❑ We considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets, challenging those assumptions and considering supporting forecasts and estimates. We also determined the availability of taxable losses by requesting confirmation letters from tax advisors and corroborated supporting forecasts with available long-term budgets, taking into account historical achievement rates.



## Extended auditor's report in 2016

### The accounting for the legal claim in respect of EU's FP7 program and going concern considerations

- ❑ In October 2014, the company received a notice from the EC for a partial repayment of EU development grants. The company received a claim of € 707,075 and was ordered to recalculate all current and past EU projects. The company was allowed to adjust all current projects, but was not able to adjust closed projects. As a result, the company calculated the additional damage at approx. € 400,000 which is recognized as provision in the balance sheet.
- ❑ The company reached an agreement in November 2014 with one of the shareholders to act as guarantor up to an amount of € 2,000,000. During this financial year a first draw down of € 700,000 took place.
- ❑ In December 2015 a second draw down took place for which the company received a total amount of € 650,000. This amount is expected to be sufficient to cover calculated (remaining) damages in respect of EU's FP7 program.





## Extended auditor's report in 2016

The accounting for the legal claim in respect of EU's FP7 program and going concern considerations

- We challenged the positions by reviewing communication between the EU and the company, obtaining a lawyer's letter confirmation, reviewing project recalculations and inquiries at appropriate management levels within the company. We assessed the financial capability of the guarantor to fulfill the commitment and reviewed cash flow forecasts, budgets and other information available to conclude that there are no material uncertainties over the going concern basis.

