

# General Meeting of Shareholders TIE Kinetix N.V.

Audit of financial statements 2013-2014 by BDO Audit & Assurance B.V.

27 March 2015



# Agenda

- ❑ Introduction to the audited financial statements 2013-2014
- ❑ Our key audit matters
- ❑ Extended auditor's report in 2015 - examples



# Introduction to the audited financial statements 2013-2014

- Financial statements
  - Consolidated
  - Company only
  
- Management board report
  - Legal requirements
  - Consistency with financial statements
  - Corporate Governance
  
- Opinion
  - True and fair view



# Our key audit matters

- ❑ Acquisition of TFT
- ❑ 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
- ❑ Accounting for the legal claim in respect of Samar

# Extended auditor's report in 2015 - examples (I)

## Acquisition TFT

- ❑ On 2 December 2013 the company completed the acquisition of Tommorrow Focus Technologies GmbH (“TFT”), located in Munich, Germany.
- ❑ We reviewed the accounting treatment, including the fair value of the consideration, effective date of the acquisition, provision for deferred consideration and goodwill arising from the acquisition.

## Extended auditor's report in 2015 - examples (II)

### 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.
- ❑ 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. 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 2015 - examples (III)

### 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 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 2015 - examples (IV)

### 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 2015 - examples (V)

### The accounting for the legal claim in respect of EU's FP7 program

- ❑ In October 2014, the company received a notice from the EC for a partial repayment of EU development grants. The company reached an agreement in November 2014 with one of the shareholders to act as guarantor up to an amount of € 2,0 million in case the claim will have financial consequences.
- ❑ Management disclosed this claim as contingent liability in the financial statements as they believe that at the stage of completing the financial statements the outcome could not be estimated reliably.
- ❑ We considered the legal advice in connection with management's disclosure for the legal claim in the financial statements in respect to the EC's FP7 program. We challenged the position by lawyer's letter confirmation, reviewing communication between the EU and the company, assessing going concern implications and inquiries at appropriate management levels within the company.

## Extended auditor's report in 2015 - examples (VI)

### The accounting for the legal claim in respect of Samar

- ❑ Since December 2007, the company has been involved in legal proceedings with Samar, a former supplier of catering services.
- ❑ Management disclosed this claim as contingent liability in the financial statements as they believe that at the stage of completing the financial statements the outcome could not be estimated reliably.
- ❑ We considered the legal advice in connection with management's disclosure for the legal claim in the financial statements in respect to Samar. We challenged the position by lawyer's letter confirmation and inquiries at appropriate management levels within the company.