Financial report 2015

RWE Finance II B.V.

's-Hertogenbosch, the Netherlands

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Directors' report

Directors' report

Main developments during the year

RWE Finance II B.V., the Company, was incorporated on 4 December 2015 under the laws of The Netherlands as a private company with limited liability. The Company has its corporate seat in 's-Hertogenbosch, The Netherlands. RWE Finance II B.V. is a wholly owned by RWE Gas International N.V. which is a subsidiary of RWE AG. The Company acts solely to facilitate the financing of RWE Group, and is one of the entities to carry out the external funding of RWE Group guaranteed by RWE AG. The funds are then lent from the Company to RWE Group companies.

At 31 December 2015 the Company took over from RWE AG a bond and the corresponding intercompany loan with RWE Innogy GmbH. The initial recognition at fair value results in a bond of EUR 740.6 million, a loan to group companies of EUR 743.2 million, and a share premium reserve of EUR 2.7 million.

Risk management

The risk appetite of the Directors of the Company can be described as risk averse. This is also embedded in the structure of the Company, in which external financing is applied for internal financing purposes with very limited risks. Reference is made to the disclosures below on the separate risks. Both an external and internal legal counsel continuously monitor the compliance to relevant regulations and the internal legal counsel informs the Board of Directors in case of any changes or other relevant information.

RWE Finance II B.V. has designed and implemented control measures in order to mitigate risks. These control measures are both automated and manual. Amongst others the control measures are monitoring, reviewing, 4-eye principles and authorization matrices. To ascertain the existence and correct execution of control measures, different types of control monitoring are executed. Most important example for 2015 is the independent audit performed by the external auditor. For upcoming years the Company will also be part of the process in which assessments on the controls are performed by RWE AG once a year.

Currency risk

Since the bond issued is in Euros, the Company has no currency risk.

Interest rate risk

The company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bond and loan issued have corresponding tenors and fixed interest rates.

Credit risk

The loan to group companies has been granted to RWE Innogy GmbH, a 100% group company. The actual long-term rating for RWE AG provided by S&P is BBB; Moody's rate RWE AG with Baa2. In February 2016, both Moody's and S&P put the rating on watch negative meaning that the group might be downgraded within next 3 months. As neither the outstanding bonds nor the corresponding loans have any kind of rating trigger, we do not expect any significant change for RWE Finance II B.V. The credit quality of the obligors and RWE AG as guarantor is still seen as unquestionable.

Financial Outlook

No further financing is currently planned for the remainder of the year 2016.

The Company intends to continue its operations as an intragroup finance company for the foreseeable future.

Responsibility Statement

"The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces."

's-Hertogenbosch, the Netherlands, 31 March 2016

Board of Directors,

O. Wessel H. Dullens

Financial statements

Balance sheet (before appropriation of result)

	Ref.		31 December 2015
		EUR'000	EUR'000
Assets			
Non-current assets			
Financial assets	5.1		743,191
Current assets			
Receivables	5.2	30,407	
Cash and cash equivalents		-	
			30,407
			773,598
Equity and liabilities			
Shareholder's equity	5.3		
Share capital		-	
Share premium reserve		2,708	
Retained earnings		-	
Profit for the year		(9)	
			2,699
Non-current liabilities	5.4		740,640
Current liabilities	5.5		30,259
			773,598

Income statement

	Ref.		2015
		EUR'000	EUR'000
Interest and similar income		-	
Interest and similar expenses		-	
Total financial result			-
General and administrative expenses	6.1		(12)
Operating income			(12)
Income tax expense	6.2		3
Net result after taxation			(9)

Cash flow statement

	Ref.	2015
		EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received		-
Interest paid		-
Expenses paid		-
Income tax paid		-
Guarantee fee paid		-
Net cash from operating activities		-
Cash flows from investment activities		-
Cash flows from financing activities		
Issuance of long-term bonds		-
Issuance of long-term loans		-
Repayment of long-term bonds		-
Repayment of long-term loans		-
Dividends paid		
Net cash used in financing activities		-
Net cash flows		-
Exchange and translation differences on cash and cash equivalents		-
Net increase/(decrease) in cash and cash equivalents		-
Cash and cash equivalents		
Opening balance		-
Closing balance		-
Net increase/(decrease) in cash and cash equivalents		-

Notes to the financial statements

1 General

1.1 Activities

The activities of RWE Finance II B.V. are to facilitate the financing of companies within the RWE group.

1.2 Group structure

RWE Finance II B.V., incorporated on 4 December 2015, is a private limited liability company. The parent company of RWE Finance II B.V. is RWE Gas International N.V. in 's-Hertogenbosch. The financial statements of the Company are included in the consolidated financial statements of RWE AG available via www.rwe.com.

RWE Finance II B.V. is seated at Willemsplein 4, 's-Hertogenbosch, the Netherlands.

1.3 Accounting policies

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

1.4 Notes to the cash flow statement

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks and current liability group companies.

Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities. Dividends paid have been included in the cash flow from financing activities.

1.5 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes. The financial statements are expressed in EUR'000.

2.2 Foreign currencies

Transactions, receivables and payables

Transactions denominated in foreign currencies during the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to the income statement.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of RWE Finance II B.V.

2.3 Financial assets

Loans to group companies

Loans to group companies included in financial assets are initially recognized at fair value, and subsequently carried at amortized cost.

Deferred premiums and discounts on loans to group companies are amortized over the term of the loans using the effective interest method. The deferred part of the premiums and discounts is included under the receivables and current liabilities.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

2.4 Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a trade receivable is not collectible, it is written off against the allowance account for trade receivables.

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with a maturity of less than twelve months. Current account liabilities at banks are recognized under bank overdrafts forming part of current liabilities. Cash and cash equivalents are stated at face value.

2.6 Non-current liabilities

Bonds included in non-current liabilities are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently carried at amortized cost.

Deferred premiums and discounts on bonds are amortized over the term of the loans using the effective interest method. The deferred part of the premiums and discounts is included under the receivables and current liabilities.

2.7 Current liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.

3 Accounting policies for the income statement

3.1 General

Results on transactions are recognized in the year in which they are realized; losses are accrued as soon as they are foreseeable.

3.2 Foreign currencies

Exchange differences resulting from settlement and translation are charged or credited to the income statement.

3.3 Interest income and expense

Income from financing activities is determined as interest income received from inter-company financing activities. Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for the transaction costs on loans received as part of the calculation of effective interest.

3.4 Taxation

Corporate income tax is calculated on the profit/loss before taxation in the income statement, taking into account tax-exempt items and non-deductible expenses, and using current tax rates.

3.5 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized to provide for temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income taxes are recognized at face value.

4 Financial instruments and risk management

4.1 Market risk

Currency risk

Since the bond and loan issued are in Euros, the Company has no currency risk.

Price risk

The Company's price risk is limited as the bond issued by the Company has been one on one used to finance the loan to group companies. As a result a natural hedge has been obtained.

4.2 Interest rate risk

The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing long-term and current liabilities is limited as the bond and loan issued all have fixed interest rates.

4.3 Credit risk

The loan to group companies has been granted to RWE Innogy GmbH, a 100% group company. The actual long-term rating for RWE AG provided by S&P is BBB; Moody's rate RWE AG with Baa2. In February 2016, both Moody's and S&P put the rating on watch negative meaning that the group might be downgraded within next 3 months. As neither the outstanding bonds nor the corresponding loans have any kind of rating trigger, we do not expect any significant change for RWE Finance II B.V. The credit quality of the obligors and RWE AG as guarantor is still seen as unquestionable.

We furthermore refer to paragraph 5.1 of the notes to these financial statements.

4.4 Liquidity risk

The liquidity risk is minimal, because the proceeds of the bond outstanding are one-on-one lent to RWE Innogy GmbH.

5 Notes to the balance sheet

5.1 *Financial assets*

Financial assets concern loans to group companies and are specified as follows:

	2015
	EUR'000
4 December	
Book value	-
Movements financial year	
Loans issued	743,191
Short-term loans transferred to receivables	-
	743,191
31 December	
Book value	743,191

At 31 December 2015 the Company took over from RWE AG the intercompany loan with RWE Innogy GmbH, a 100% group company. The initial recognition is at fair value. The loan has to be repaid in 2033.

Currency

The nominal amount of the loan to RWE Innogy GmbH is contracted in Euros and amounts to EUR 600 million.

Interest

The interest rate is fixed:

Loan	Amount	Interest rate
EUR	600,000,000	5.780%

5.2 Receivables

	31 December 2015	
	Total	**Term > 1 year**
	EUR'000	EUR'000
Short-term part of group loans	-	-
Interest receivable from group companies	30,404	-
Current income tax receivable	3	-
	30,407	-

The fair value of the receivables is in line with their carrying amount.

The income tax receivable will be settled on an annual basis with RWE Gas International N.V.

5.3 Shareholder's equity

Share capital

The authorized share capital as at 31 December 2015 amounts to EUR 100.

		2015
	Shares	**Share capital**
		EUR'000
4 December		
Issued and fully paid-up	-	-
Movements financial year		
Additionally paid-in capital	1	-
31 December		
Issued and fully paid-up	1	-

Share premium reserve	**2015**
	EUR'000
Balance as at 4 December	-
Addition share premium reserve	2,708
Balance as at 31 December	2,708

Profit for the year	**2015**
	EUR'000
Balance as at 4 December	-
Profit for the financial year	(9)
Balance as at 31 December	(9)

The difference between the fair value of the intercompany loan and the fair value of the bond at initial recognition date, as well as the difference between interest receivable and interest payable at this date, is added to the share premium reserve.

5.4 Non-current liabilities

	2015
	EUR'000
4 December	
Book value	-
Movements financial year	
Bonds issued	740,640
Short-term part of bonds transferred to current liabilities	-
	740,640
31 December	
Book value	740,640

This item relates to the issued bonds and is specified as follows:

At 31 December 2015 the Company took over from RWE AG a bond listed at the Luxembourg Stock Exchange. The initial recognition is at fair value. The bond matures in 2033. The payment obligation towards bond holders is covered by the fact that all proceeds are used for loans to related parties and covered by a guarantee from RWE AG.

Currency

The nominal amount of the bond contracted in Euros amounts to EUR 600 million.

Interest

The interest rate is fixed:

Bond	Amount	Interest rate
EUR	600,000,000	5.750%

5.5 Current liabilities

	31 December 2015	
	Total	**Term > 1 year**
	EUR'000	EUR'000
Short-term part of bonds	-	-
Interest payable	30,247	-
Accrued liabilities	12	-
	30,259	-

The fair value of the liabilities is in line with their carrying amount.

6 Notes to the income statement

6.1 General and administrative expenses

	2015
	EUR'000
Audit fees	12
	12

In 2015 the remuneration of the Board of Directors was nil.

PricewaterhouseCoopers Accountants N.V. is the auditor of the financial statements of the Company. The composition of the fees paid to the auditor is as follows:

	2015
	EUR'000
Audit of the Financial Statements	12
Total audit fees	12

6.2 *Income tax expense*

	2015
	EUR'000
Current tax:	
Current income tax	(3)
Income tax expense	(3)
Income before tax	(12)
Effective tax rate	25.0%

The statutory tax rate is 25% for the year 2015.

6.3 *Employees*

RWE Finance II B.V. had no employees in 2015.

6.4 *Related parties*

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors, other key management of RWE Finance II B.V. or the ultimate parent company and close relatives are regarded as related parties.

The ultimate parent company RWE AG, the direct parent company RWE Gas International B.V., and RWE Innogy GmbH qualify as related parties.

Transactions carried out by the Company with related parties are all based on arm's length terms and conditions.

The related party positions within the balance sheet as at 31 December can be specified as follows:

	2015
	EUR'000
Loan	743,191
Interest receivable on the above loan	30,404
Total related parties in the balance sheet	773,595

There are no related party positions within the income statement 2015.

6.5 Commitments and contingencies

Fiscal Unity

Clearance was received from the Dutch Tax Inspector to create a fiscal unity for CIT between the RWE subsidiaries in the Netherlands based on European and Dutch jurisprudence. As a result of this, RWE Finance II B.V. will be part of the fiscal unity RWE Gas International N.V. with effective date 4 December 2015. The company and its fellow group members are jointly and severally liable for all tax-liabilities within the fiscal unity.

's-Hertogenbosch, the Netherlands, 31 March 2016

Board of directors,

O. Wessel *H. Dullens*

Other information

Proposed profit appropriation

According to article 27 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Events after the balance sheet date

No events after the balance sheet date occurred, which should be included in these accounts.

The actual long-term rating for RWE AG provided by S&P is BBB; Moody's rate RWE AG with Baa2. In February 2016, both Moody's and S&P put the rating on watch negative meaning that the group might be downgraded within next 3 months. As neither the outstanding bonds nor the corresponding loans have any kind of rating trigger, we do not expect any significant change for RWE Finance II B.V. The credit quality of the obligors and RWE AG as guarantor is still seen as unquestionable.

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Independent auditor's report

To: the general meeting of RWE Finance II B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of RWE Finance II B.V. as at 31 December 2015, and of its result for the period 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 2015 of RWE Finance II B.V., Den Bosch ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the income statement for the period then ended;
- the cash flow statement for the period then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of RWE Finance II B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0376582

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Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the RWE AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by RWE AG as disclosed in note 5.4 to the financial statements. The company facilitates the RWE AG group in its financing activities for which it receives a margin.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €7,735,000. The benchmark applied is 1% of total assets. We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that total assets is an important metric for the financial performance of the company.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the directors that we would report to them misstatements identified during our audit above €386,750 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to the RWE AG group. As part of our testing procedures we tested the existence of the loans by requesting the auditors of the counterparties belonging to the RWE AG group to confirm the outstanding intercompany loans.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Valuation and existence of the loan issued We consider the valuation and existence of the loan issued, as disclosed in notes 2.3, 4.3 and 5.1 to the financial statements for a total amount of €743,191,000, as a key audit matter. This is due to the size of the loan and because an impairment may have a material effect on the income statement. Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method. The directors did not identify any impairment triggers regarding the loan issued.	We have performed audit work addressing the valuation and existence of the loan issued to RWE AG group companies, through: • testing input of contracts in RWE Finance II B.V.'s treasury management system; • reconciliation of the treasury management system with the general ledger; • confirmation procedures with the counterparties of the loans; • margin analysis; • recalculating the amortised cost value based on the effective interest method; • analysis of the financial situation of the group companies to which loans have been provided; • assessing whether there were any impairment triggers; • audit of data input to calculate the fair value, including cash flows based on underlying contracts, credit spread and market interest; and • testing interest receipts. We concur with the position taken by the directors as set out in the financial statements with respect to the valuation of the loan.

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for

- such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The directors 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 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.

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

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of RWE Finance II B.V. following the passing of a resolution by the shareholders at the meeting held in 2015 representing a total period of uninterrupted engagement appointment of one year.

Rotterdam, 31 March 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.J. van Groenestein RA

Appendix to our auditor's report on the financial statements 2015 of RWE Finance II 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 directors.
- Concluding on the appropriateness of the directors' 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 directors 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.

We provide the directors 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 directors, 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.