

FINANCIAL INFORMATION  
at 31 December 2005  
of  
**TRANSPARENCY INTERNATIONAL e.V.**  
**BERLIN**  
(with Independent Auditor's Report thereon)

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**TRANSPARENCY INTERNATIONAL e.V., BERLIN**  
**STATEMENT OF INCOME AND EXPENDITURE**

**For the year ended 31 December 2005**

	2005	2004	Note
	Euro '000		
Donor contributions	6,853	6,184	3
Other operating income	193	304	8
<b>Total Revenues</b>	<b>7,046</b>	<b>6,488</b>	
Personnel expenses	-2,891	-2,687	7
Depreciation of fixed assets	-229	-112	5
Other operating expenses	-3,176	-3,549	9
<b>Operating Result</b>	<b>750</b>	<b>140</b>	
Interest income	22	12	
<b>Net Surplus before contribution to designated funds</b>	<b>772</b>	<b>152</b>	
Reserve for TI Network support	-150	-	
Special fund	-250	-	
<b>Net Surplus after contribution to designated funds</b>	<b>372</b>	<b>152</b>	

## TRANSPARENCY INTERNATIONAL e.V., BERLIN

### ADDITIONAL FINANCIAL INFORMATION AT 31 DECEMBER 2005

#### 1. General, Legal and Tax Affairs

Transparency International e.V. – in the following referred to as TI-S - is a not-for-profit association registered in Berlin, Germany. Transparency International is the leading global non-governmental organisation devoted to combating corruption. It brings civil society, business and government together in a powerful global coalition, in order to create change towards a world free of corruption. TI-S comprises the movement's secretariat which supports over 90 National Chapters and leads the implementation of the organisation's international agenda.<sup>1</sup>

In compliance with its Charter, TI-S serves solely charitable purposes and is officially recognised by the Berlin tax authorities as exempt from corporate and trade tax liabilities. The latest triennial exemption is valid until 31 December 2007.

The following individuals served on the Board of Directors during 2005:

Huguette Labelle (Canada) – Chair (since November 2005)  
 Akere T. Muna (Cameroon) – Vice Chair (since November 2005)  
 Sion Assidon (Morocco) (since November 2005)  
 Jermyn Brooks (UK)  
 Boris Divjak (Bosnia and Herzegovina) (since November 2005)  
 Geo-Sung Kim (South Korea)  
 Chong San Lee (Malaysia) (since November 2005)  
 Valeria Merino-Dirani (Ecuador)  
 Laura Puertas Meyer (Peru) (since November 2005)  
 Frank Vogl (USA) (since November 2005)  
 Gerard Zovighian (Lebanon) (since November 2005)  
 Nancy Zucker Boswell (USA)  
 Peter Eigen (Germany) – Chair (until November 2005)  
 Rosa Inés Ospina Robledo (Colombia) – Vice Chair (until November 2005)  
 Laurence Cockcroft (UK) (until November 2005)  
 John Makumbe (Zimbabwe) (until November 2005)  
 Ram H. Tahiliani (India) (until November 2005)  
 Inese Voika (Latvia) (until November 2005)

Members of the Board of Directors are elected by the Annual Membership Meeting of TI-S, which membership consists of accredited National Chapters and Individual Members. Travel and out-of-pocket expenses are reimbursed, but no remuneration or other fees are paid to the Board members by TI-S.

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<sup>1</sup> The current Charter and further details on TI governance can be found at [http://www.transparency.org/about\\_us/organisation/charter](http://www.transparency.org/about_us/organisation/charter)

TI-S is guided by its Charter, the Umbrella Statement of vision, values and guiding principles, a Code of Conduct and the TI Conflict of Interest Policy.<sup>2</sup>

## 2. Accounting Principles

The Balance Sheet and the Statement of Income and Expenditure have been drawn up in accordance with §§ 238 – 263 German Commercial Law (HGB). For TI-S the Net Surplus of the year would not be materially different based on International Financial Reporting Standards (IFRS).

## 3. Donor Funding

Donor funds are recognised as income either in the year for which the grant is made (unrestricted funding) or in line with the progress of specifically funded projects.

Disbursements by TI-S of donor funds to National Chapters and others are initially recorded as receivables from National Chapters or as advances to projects. They are recorded as income (Donor Contribution) only once they have been accounted for by the recipients of the funds. Funds received from donors which have not yet been utilised for projects are deferred as liabilities to donors, whereas funds disbursed but not yet accounted for by the recipients (at 31 December 2005: Euro 1,715,000 (2004: Euro 1,154,000 )) are transferred to Other Liabilities. To the extent that funding commitments have been received and that are due at the balance sheet date, these are recorded as receivables from donors - Donor commitments.

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<sup>2</sup> See [http://www.transparency.org/about\\_us/organisation](http://www.transparency.org/about_us/organisation)

Donor	2005 Euro			2004 Euro
	Total Disbursements of donor funds	Changes in accrued disbursements	Recorded as Income	
<b><u>Governmental Agencies</u></b>				
Ministry of Foreign Affairs, The Netherlands	750,000		750,000	320,105
European Commission	1,019,245	-428,071	591,174	738,925
Department for International Development, UK (DFID)	449,014	122,086	571,101	272,177
Canadian International Development Agency (CIDA)	561,892	-21,173	540,719	432,344
Ministry for Foreign Affairs of Finland	531,910	-55,514	476,396	434,418
Ministry for Economic Cooperation and Development (BMZ), Germany	412,424	-38,796	373,628	558,592
Swedish International Development Cooperation Agency (SIDA)	340,524	-9,100	331,424	217,037
Norwegian Agency for International Development (NORAD)	315,897		315,897	256,062
Foreign & Commonwealth Office, UK (FCO)	273,556	-1,639	271,917	
Swiss Agency for Development and Cooperation (SDC)	269,074		269,074	416,142
Royal Danish Ministry of Foreign Affairs	233,689		233,689	201,599
Australian Agency for International Development (AusAID)	297,686	-64,692	232,994	112,909
Federal Foreign Office, Germany	67,957	122,650	190,607	141,419
Irish AID	150,545	-15,919	134,626	75,411
Royal Danish Ministry of Foreign Affairs (DANIDA)	190,294	-61,625	128,669	40,367
U.S. Agency for International Development (USAID)	47,678	69,163	116,842	456,035
Government of Guatemala	105,281		105,281	
Ministry for Foreign Affairs, Norway	31,295	-23,513	7,783	35,572
The Ministry of Foreign Affairs and Trade, New Zealand (NZAID)		7,566	7,566	21,179
Organisation for Economic Co-operation and Development, France (OECD)				38,100
	<b>6,047,961</b>	<b>-398,575</b>	<b>5,649,386</b>	<b>4,768,392</b>
<b><u>Foundations</u></b>				
OSI Development Foundation, Switzerland	160,037	-39,359	120,678	44,436
AVINA Group, Switzerland	111,358	165	111,523	254,833
The Ford Foundation, USA	80,773		80,773	274,521
Starr Foundation, USA	29,489		29,489	
Tinker Foundation, Inc., USA	10,128		10,128	13,057
Foundation Pro Victimis, Switzerland	6,000		6,000	
The Charles Stewart Mott Foundation, USA				64,039
John D. and Catherine T. MacArthur Foundation, USA				56,253
	<b>397,784</b>	<b>-39,194</b>	<b>358,591</b>	<b>707,140</b>
<b><u>Other development Organisations</u></b>				
Christian Michelsen Institute (CMI), Norway	124,234	-195	124,039	125,694
United Nations Development Programme (UNDP)	46,194		46,194	6,430
European Investment Bank (EIB)	30,000		30,000	
United Nations Foundation	29,116		29,116	2,730
German Corporation for Technical Cooperation (GTZ), Germany	23,587		23,587	94,351
Tsinghua University, China	14,500		14,500	10,000
Stockholm International Water Institute, Sweden	9,036		9,036	
Center for International Private Enterprise (CIPE), USA	8,060		8,060	
European Bank for Reconstruction and Development (EBRD)	7,833		7,833	2,917
Partners of the Americas, USA	7,803		7,803	
TI Germany	6,500		6,500	10,000
Gesamtverband Kommunikationsagenturen, Germany (GWA)	5,000		5,000	
Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany (DEG)	5,000		5,000	
IHK Frankfurt, Germany	3,000		3,000	
Basel Institute on Governance, Switzerland	2,462		2,462	2,728
The World Bank (IBRD)	1,178		1,178	41,095
African Development Bank				49,556
Conseil de l'Europe				13,685
TI UK				1,873
Redaktion Menschen bei Maischberger, Germany				1,000
TI Korea				7,714
Ashoka				2,990
	<b>323,503</b>	<b>-195</b>	<b>323,308</b>	<b>372,761</b>

<b><u>Corporate Donors / Contributions to Project Outlays</u></b>				
Sovereign Global Development Ltd.	101,129		101,129	77,146
SAP AG	109,033	-35,000	74,033	2,917
Deutsche Bank	50,000		50,000	25,000
Shell International Ltd.	42,233		42,233	45,917
UBS	40,000		40,000	
Nexen Inc.	32,637		32,637	
Amanco	31,180	-2,614	28,566	
Pfizer Inc.	19,752		19,752	3,450
General Electric Corporation	12,499		12,499	15,947
Rio Tinto London Ltd.	10,483		10,483	2,917
Norsk Hydro	7,833		7,833	52,917
SGS, Switzerland	7,833		7,833	2,917
Merck, USA	8,140	-486	7,654	
KPMG	6,000		6,000	6,000
PricewaterhouseCoopers	6,000		6,000	2,917
Motorola Inc.	4,083		4,083	2,917
BP International	4,083		4,083	2,917
Bombardier Inc.	4,083		4,083	2,917
Calvert Asset Mgt.	3,814		3,814	
SIKA	3,350		3,350	1,250
ABB Ltd.	2,400		2,400	2,130
Hilti Corporation	2,400		2,400	2,130
Hochtief AG	2,400		2,400	2,130
Skanska	2,400		2,400	2,130
SNC Lavalin International	2,400		2,400	2,130
Trace International	2,230		2,230	
Consolidated Contractors	2,124		2,124	2,130
Lahmeyer International	2,000		2,000	
International Federation of Inspection Agencies	1,750		1,750	1,250
ISIS	1,750		1,750	1,250
F&C Asset Management PLC	1,600		1,600	
Fluor Corporation	1,299		1,299	6,101
Halcrow Group Ltd.	1,299		1,299	6,101
Anglo American				29,186
Novo Nordisk				5,835
LaFarge				5,000
Obayashi Corporation				2,130
AMEC				2,129
	<b>530,221</b>	<b>-38,100</b>	<b>492,121</b>	<b>319,804</b>
<b><u>Individual Donors</u></b>				
William F. Biggs, USA	9,589		9,589	3,097
Hartmut Fischer, Germany	4,000		4,000	3,000
Arnesto Goncalves Segredo, The Netherlands	1,500		1,500	
Gabriele Geyer, Italy				4,050
George Gund III, USA				1,637
Anonymous contributions (more than Euro 1,000 each)	7,054		7,054	
Other (less than Euro 1,000 each)	7,057		7,057	3,889
	<b>29,200</b>		<b>29,200</b>	<b>15,673</b>
<b>Totals</b>	<b>7,328,669</b>	<b>-476,063</b>	<b>6,852,606</b>	<b>6,183,770</b>



#### 4. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are stated in accordance with the principle of the lower of cost or market except for cash and bank balances, which are stated at current market value at 31 December 2005. Advances to National Chapters and others as well the Liabilities to Donors and Other liabilities are stated at the exchange rate used when the payment was effected.

#### 5. Fixed Assets

Fixed Assets are depreciated using the straight-line method, mainly between 3 and 5 years.

**Fixed Assets analysis at 31 December 2005**

Euro '000	01.01.05		31.12.05		01.01.05		31.12.05		01.01.05		31.12.05		01.01.05		31.12.05	
Intangible Assets	Acquisition costs		Depreciation		Book values											
	Additions	Disposals	Additions	Disposals	01.01.05	31.12.05	01.01.05	31.12.05	01.01.05	31.12.05	01.01.05	31.12.05	01.01.05	31.12.05	01.01.05	31.12.05
Property, Plant and Equipment	242	10	193	59	81	153	193	41	161	18						
	268	101	130	239	199	76	130	145	69	94						
	510	111	323	298	280	229	323	186	230	112						

## 6. Funds

The Funds of the association are classified into Free Reserves and Reserve for TI Network support. Reserves are set up in accordance with German tax law. In the year 2005 funds developed as follows:

Euro '000	Balance at 01.01.05	Appropriation from Net Surplus of the year	Balance at 31.12.05
<b>Reserves</b>			
Free Reserves	284	622	906
<i>Thereof : Special fund</i>	-	250	250
Reserve for TI Network support	-	150	150
<b>Funds</b>	<b>284</b>	<b>772</b>	<b>1.056</b>

Euro '000	Balance at 01.01.04	Appropriation from Net Surplus of the year	Balance at 31.12.04
<b>Funds</b>	<b>132</b>	<b>152</b>	<b>284</b>

The special fund is created for the long-term needs of TI-S.

The Reserve for TI network support is established for the purposes of strengthening TI's National Chapter network.

## 7. Personnel

In 2005 TI-S employed an average of 55 employees (2004: 59). In addition it benefited from a number of interns who contributed to its activities throughout the year.

## 8. Other Operating Income

Other Operating Income	Euro '000	2005	2004
Reimbursement of travel expenses by third parties		89	82
Foreign exchange translation gains		74	115
Rental income		15	6
Speakers' fees		12	27
Publications		1	9
Contribution to moving costs		-	30
Other		2	35
		193	304

## 9. Other Operating Expenses

Other Operating Expenses	Euro '000	2005	2004
Projects and meetings *		926	1,374
Travel expenses		789	834
Consultancy and other services		679	426
Publications and communications		309	294
Maintenance, rent and leasing costs		296	297
Foreign exchange translation loss		10	46
Other		167	278
		3,176	3,549

\* Many of these expenses were incurred by TI National Chapters, and the costs involved were reimbursed by TI-S

## 10. Cash-Flow Statement

Euro '000	2005	2004
Net Surplus	772	152
Depreciation of fixed assets	229	112
Increase in liabilities	689	38
Increase/ Decrease in receivables	-222	485
Subtotal	1,468	787
Investments in fixed assets	-111	-45
Change in Cash and Bank	1,357	742
Cash and Banks at beginning of the year	1,794	1,052
Cash and Banks at end of the year	3,151	1,794

# 11. TI Endowment Fund

## Contribution from U.S. Agency for International Development

The TI Endowment Fund, set up in 2004, is excluded from the accounts of TI-S being established outside TI-S for the long-term benefit of the movement. The contribution to date is USD 2 million from USAID. These Funds are maintained in US Dollars, with a memorandum note of the equivalent in Euros. TI may use the Fund earnings but in 2004 and 2005 these have been reinvested in the Fund.

	<u>USD</u>	
Balance of Fund 01 January 2005	2,004,973	
Interest received in 2005	16,967	
Service charges in 2005	-60	
Balance of Fund 31 December 2005	<u>2,021,880</u>	
		<u>Euro equivalent</u>
Represented by		
Investments, at cost	2,021,058	1,705,773
Cash at bank	822	694
	<u>2,021,880</u>	<u>1,706,467</u>
Market value of investments at 31 December 2005	<u>2,043,599</u>	<u>1,724,797</u>
Redemption value	<u>2,144,000</u>	<u>1,809,536</u>

The investments comprise four US treasury notes of approx. USD 500.000 each, maturing respectively in May and November 2006 and in May and November 2007. The interest income is recorded on redemption.

Berlin, 10 May 2006



Huguette Labelle  
Chair of the Board

## Independent Auditors' Report

To Transparency International e.V.

We have audited the accompanying balance sheet of Transparency International e.V., Berlin, as of December 31, 2005, the related statement of income and expenditures for the year then ended and the additional financial information (financial information). The financial information is the responsibility of the association's management. Our responsibility is to express an opinion on the financial information based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information presents fairly, in all material respects, the financial position of Transparency International e.V. as of December 31, 2005, and the results of its operations for the year then ended in accordance with sec. 238-263 German Commercial Law (HGB).

Our assignment and professional liability is governed by the General Conditions of Assignment for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2002. By reading and using the information contained in this report, the recipient confirms notice of the provisions of the General Conditions of Assignment (including the limitation of our liability as stipulated in No. 9) and accepts the validity of the attached General Conditions of Assignment with respect to us.

Berlin  
May 11, 2006

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

  
Graf von Hardenberg  
Wirtschaftsprüfer

  
Mellage  
Wirtschaftsprüfer

# General Engagement Terms

for

## Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

### 1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

### 2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

### 3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

### 4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

### 5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

### 6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

### 7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

### 8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

### 9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence. The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits within statutory liability limits.



## 10. Supplementary provisions for audit engagements

- (1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.
- (2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.
- (3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

## 11. Supplementary provisions for assistance with tax matters

- (1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.
- (2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.
- (3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:
  - a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
  - b) examination of tax assessments in relation to the taxes mentioned in (a)
  - c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
  - d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
  - e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

- (4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.
- (5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:
  - a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
  - b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
  - c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

## 12. Confidentiality towards third parties and data security

- (1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.
- (2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.
- (3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

### 13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

## 14. Remuneration

- (1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.
- (2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

## 15. Retention and return of supporting documentation and records

- (1) The Wirtschaftsprüfer retains, for seven years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.
- (2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

## 16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.