

FINANCIAL INFORMATION

at 31 December 2004

of

**TRANSPARENCY INTERNATIONAL e.V.**

**BERLIN**

(with Independent Auditor's Report thereon)

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## TRANSPARENCY INTERNATIONAL e.V., BERLIN

## BALANCE SHEET at 31 DECEMBER 2004

ASSETS	2004		2003		LIABILITIES AND FUNDS		2004		2003	
	Euro '000		Euro '000				Euro '000		Euro '000	
<b><u>Current Assets</u></b>					<b><u>Liabilities</u></b>					
<b>Cash and Bank</b>					Donors - Note 3	1,750	1,422			
Cash on hand	4		4		Other liabilities - Note 3	1,154	1,537			
Bank balances	1,790	1,794	1,048	1,052	Accounts payable	307	241			
<b>Receivables</b>					Other accruals	103	76			
Advances to National Chapters and others - Note 3	1,092		1,590		<b><u>Funds</u></b> - Note 6					
Donor commitments - Note 3	266		364							
Travel, rent deposit and other	216	1,574	105	2,059						
<b>Subtotal Current Assets</b>		<b>3,368</b>		<b>3,111</b>				<b>284</b>		<b>132</b>
<b><u>Fixed Assets</u></b>										
Intangible assets - Note 5	161		200							
Office equipment - Note 5	69	230	97	297						
		<b>3,598</b>		<b>3,408</b>				<b>3,598</b>		<b>3,408</b>

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

**For the year ending 31 December 2004**

	2004	2003
	Euro '000	
Donor contributions - Note 3	6,184	5,847
Other operating income - Note 8	304	523
<b>Total Revenues</b>	<b>6,488</b>	<b>6,370</b>
Personnel expenses – Note 7	-2,687	-2,563
Depreciation of fixed assets – Note 5	-112	-64
Other operating expenses - Note 9	-3,549	-3,736
<b>Operating Result</b>	<b>140</b>	<b>7</b>
Interest income	12	7
<b>Result from Ordinary Activities</b>	<b>152</b>	<b>14</b>
Movement on reserves for		
Unamortised donor funded fixed assets	-	44
<b>Net Surplus of the year</b>	<b>152</b>	<b>58</b>

**TRANSPARENCY INTERNATIONAL e.V., BERLIN**  
**ADDITIONAL FINANCIAL INFORMATION AT 31 DECEMBER 2004**

1. General, Legal and Tax Affairs

Transparency International e.V. – in the following referred to as TI e.V. - 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 e.V. supports over 90 National Chapters and leads the implementation of the organisation's international agenda. <sup>1</sup>

In compliance with its Charter, TI e.V. 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 2004. The Berlin tax authorities are presently working on its renewal until 2007.

The following individuals served on the Board of Directors during 2004:

Peter Eigen (Germany) – Chair  
Rosa Inés Ospina Robledo (Colombia) – Vice Chair  
Jermyn Brooks (UK)  
Laurence Cockcroft (UK)  
Geo-Sung Kim (South Korea) (since October 2004)  
Huguette Labelle (Canada)  
John Makumbe (Zimbabwe)  
Valeria Merino-Dirani (Ecuador) (since October 2004)  
Akere T. Muna (Cameroon) (since October 2004)  
Ram H. Tahiliani (India)  
Inese Voika (Latvia)  
Nancy Zucker Boswell (USA)  
Claudio W. Abramo (Brazil) (until October 2004)  
Adame Gueye (Senegal) (until October 2004)  
Emilia Sicakova (Slovakia) (until October 2004)

Members of the Board of Directors are elected by the Annual Membership Meeting of TI e.V., which membership consists of accredited National Chapters and Individual Members. Travel and out-of-pocket expenses are reimbursed, no remuneration or other fees are paid to the Board members by TI e.V.. TI e.V. is guided by its Charter, the Umbrella Statement of vision, values and guiding principles, a Code of Conduct and the TI Conflict of Interests Policy. <sup>2</sup>

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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\\_ti/organised.html](http://www.transparency.org/about_ti/organised.html)

<sup>2</sup> See [http://www.transparency.org/building\\_coalitions/conduct.html](http://www.transparency.org/building_coalitions/conduct.html)

## 2. Accounting Principles

The Balance Sheet and the Statement of Income and Expenditure have been drawn up in accordance with sec. 238 – 263 German Commercial Law (HGB). For TI e.V. the Net Surplus of the year would not be significantly different according to the 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 e.V. of Donor funds for National Chapters and others are initially recorded as receivables from Chapters or as Advances to projects. They are recorded as Income from Donor contributions 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 2004: Euro 1,154,000 (2003: Euro 1,537,000)) are transferred to Other liabilities. To the extent that funding commitments have been received at the balance sheet date, these are recorded as Donor commitments.

Donor	2004 Euro			2003 Euro
	Total Disbursements	Changes in accrued disbursements	Recorded as Income	
<b><u>Governmental Agencies</u></b>				
European Commission	623,714	115,210	738,925	359,442
Ministry for Economic Cooperation and Development (BMZ - Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung), Germany	451,452	107,140	558,592	688,144
U.S. Agency for International Development (USAID)	410,269	45,766	456,035	660,542
Ministry for Foreign Affairs of Finland	482,841	-48,424	434,418	253,550
Swiss Agency for Development and Cooperation (SDC)	416,142		416,142	304,342
Canadian International Development Agency (CIDA)	285,289	147,054	432,344	263,444
Ministry of Foreign Affairs, The Netherlands	320,105		320,105	332,377
Department for International Development, United Kingdom (DfID)	365,217	-93,040	272,177	521,615
Norwegian Agency for International Development (NORAD)	239,392	16,670	256,062	242,127
Swedish International Development Cooperation Agency (SIDA)	217,037		217,037	217,623
Royal Danish Ministry of Foreign Affairs	201,599		201,599	
Federal Foreign Office, Germany	176,500	-35,081	141,419	36,782
Australian Agency for International Development (AusAID)	112,909		112,909	
Ireland AID	65,734	9,677	75,411	47,170
Royal Danish Ministry of Foreign Affairs (DANIDA)	134,823	-94,455	40,367	249,457
Organisation for Economic Co-operation and Development, France	38,100		38,100	
Norway Ministry for Foreign Affairs	35,572		35,572	
The Ministry of Foreign Affairs and Trade, New Zealand (NZAID)		21,179	21,179	7,934
	<b>4,576,696</b>	<b>191,696</b>	<b>4,768,392</b>	4,184,549
<b><u>Foundations</u></b>				
The Ford Foundation, USA	224,084	50,437	274,521	267,025
AVINA Group, Switzerland	223,993	30,840	254,833	400,713
The Charles Steward Mott Foundation	64,039		64,039	60,716
John D. and Catherine T. MacArthur Foundation, USA		56,253	56,253	68,220
OSI Development Foundation, Switzerland	47,568	-3,132	44,436	
Tinker Foundation, Inc., USA	13,057		13,057	4,199
	<b>572,741</b>	<b>134,398</b>	<b>707,140</b>	800,874
<b><u>Other development Organizations</u></b>				
Christian Michelsen Institute (CMI), Norway	125,694		125,694	85,188
German Corporation for Technical Cooperation (GTZ), Germany	63,836	30,515	94,351	17,538
African Development Bank		49,556	49,556	17,538
The World Bank	41,095		41,095	208,868
Conseil de l'Europe, France	13,685		13,685	
Tsinghua University, China	10,000		10,000	
TI Germany	10,000		10,000	6,000
TI Korea	7,714		7,714	
United Nations Development Programme (UNDP)	6,430		6,430	24,774
European Bank for Reconstruction and Development	2,917		2,917	4,286
Ashoka	2,990		2,990	23,076
United Nations Foundation	2,730		2,730	
Basel Institute on Governance, Switzerland	2,728		2,728	
TI UK	1,873		1,873	
	<b>291,691</b>	<b>80,071</b>	<b>371,762</b>	466,365
<b><u>Individual Donors</u></b>				
Gabriele Geyer, Italy	4,050		4,050	4,374
William F. Biggs, USA	3,097		3,097	
Hartmut Fischer, Germany	3,000		3,000	7,000
George Gund, USA	1,637		1,637	
	<b>11,783</b>	<b>0</b>	<b>11,783</b>	11,374

Donor	2004 Euro			2003 Euro
	Total Disbursements	Changes in accrued disbursements	Recorded as Income	
<b>Corporate Donors / Contributions to Project Outlays</b>				
Sovereign Asset Management	77,146		77,146	
Norsk Hydro Asa Konsern	52,917		52,917	12,448
Shell International Ltd.	45,917		45,917	7,496
Anglo American	29,186		29,186	
Deutsche Bank, Germany	25,000		25,000	
General Electric Corporation, USA	15,947		15,947	20,633
Halcrow Group Ltd.	6,101		6,101	
Fluor Corporation	6,101		6,101	
KPMG, Germany	6,000		6,000	7,000
Novo Nordisk	5,835		5,835	19,780
LaFarge	5,000		5,000	
Pfizer Incorporation	3,450		3,450	
BP International	2,917		2,917	12,448
SGS, Switzerland	2,917		2,917	
Motorola Inc.	2,917		2,917	6,042
PricewaterhouseCoopers	2,917		2,917	12,084
Rio Tinto London Ltd.	2,917		2,917	12,522
SAP AG	2,917		2,917	8,689
Bombardier Inc.	2,917		2,917	5,974
ABB Ltd.	2,130		2,130	2,870
Consolidated Contractors	2,130		2,130	2,870
Hilti Corporation, Liechtenstein	2,130		2,130	2,870
Hochtief AG, Germany	2,130		2,130	2,870
Obayashi Corporation	2,130		2,130	2,870
Skanska, Sweden	2,130		2,130	2,870
SNC Lavalin International	2,130		2,130	2,870
AMEC	2,129		2,129	2,877
International Federation of Inspection Agencies	1,250		1,250	12,448
SIKA	1,250		1,250	5,367
ISIS	1,250		1,250	4,776
Redaktion Menschen bei Maischberger, Germany	1,000		1,000	
	<b>320,804</b>	<b>0</b>	<b>320,804</b>	170,672
Other	3,889		3,889	212,769
<b>Totals</b>	<b>5,777,605</b>	<b>406,165</b>	<b>6,183,770</b>	5,846,603



#### 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 2004. Advances to National Chapters and others as well the Liabilities to Donors and Other liabilities are stated at the exchange rate used when making the transfer.

#### 5. Fixed Assets

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

**Fixed Assets analysis at 31 December 2004**

Euro '000	<u>Acquisition costs</u>		<u>Depreciation</u>		<u>Book values</u>	
	01.01.04	31.12.04	01.01.04	31.12.04	01.01.04	31.12.04
	01.01.04	31.12.04	01.01.04	31.12.04	01.01.04	31.12.04
Intangible Assets	228	242	28	81	200	161
Property, Plant and Equipment	293	268	196	199	97	69
	521	510	224	280	297	230

## 6. Funds

The Funds of the association are classified into Surplus Reserves and Unappropriated Surplus. Surplus reserves are set up in accordance with German tax law. In the year 2004 funds developed as follows:

Euro '000	Balance at 01.01.04	Release of Reserves	Net Surplus of the year	Appropriation to Reserves	Balance at 31.12.04
	EUR	EUR	EUR	EUR	EUR
Surplus Reserves					
Reserves for Operating Resources	115	-115	-	-	-
Free Reserves	17	-	-	267	284
Unappropriated Surplus	-	115	152	-267	-
Funds	132	-	152	-	284

## 7. Personnel

In 2004 TI e.V. employed an average of 59 employees (2003: 56). In addition it benefitted from a number of interns who contributed to its activities throughout the year.

## 8. Other Operating Income

Other Operating Income	Euro '000	2004	2003
Income 11th IACC		-	396
Rental income		6	-
Publications		9	6
Speakers' fees		27	15
Contribution to moving costs		30	-
Other		35	20
Reimbursement of travel expenses by third parties		82	81
Foreign exchange translation gains		115	5
		304	523

## 9. Other Operating Expenses

Other Operating Expenses	Euro '000	2004	2003
Foreign exchange translation loss		46	59
Other		278	310
Publications and communications		294	292
Maintenance, rent and leasing costs		297	302
Consultancy and other services		426	763
Travel expenses		834	1,123
Projects and meetings *)		1,374	887
		3,549	3,736

\*)Many of these expenses were incurred by TI National Chapters, and the costs involved were reimbursed by TI e.V.

## 10. Cash-flow Statement

	2004 Euro '000	2003 Euro '000
Net Surplus of the year	152	58
Depreciation of fixed assets	112	64
Movement on reserves for unamortized donor funded fixed assets	-	-44
Increase in liabilities	38	160
Decrease in receivables	485	42
<b>Subtotal</b>	<b>787</b>	<b>280</b>
Investments in fixed assets	-45	-95
<b>Change in Cash and Bank</b>	<b>742</b>	<b>185</b>
<b>Cash and Bank at beginning of the year</b>	<b>1,052</b>	<b>867</b>
<b>Cash and Bank at end of the year</b>	<b>1,794</b>	<b>1,052</b>

## 11. TI Endowment Fund

Endowment Fund from U.S. Agency for International Development

The TI Endowment Fund is not included in the accounts of TI e.V. because TI e.V. has no access to the Fund itself and only restricted access to its earnings. But the fund is treated separately. The only contribution to date is USD 2 million from USAID, and these Funds are recorded in Dollars, with a memorandum note of the equivalent in Euros.

Due to the change in the value of the Dollar and the low interest rates on Dollar investments during 2004 there was no contribution to the financial results of TI e.V.

from the Endowment Fund in 2004.

	<u>USD</u>	
Contribution received in April 2004	2,000,000	
Interest received in 2004	<u>4,973</u>	
Balance of Fund at 31 December 2004	<u><u>2,004,973</u></u>	
		<u>Euro equivalent</u>
Represented by		at 12/31/04
Investments, at cost	2,004,302	1,468,999
Cash at bank	<u>671</u>	<u>492</u>
	<u><u>2,004,973</u></u>	<u><u>1,469,491</u></u>
Market value of investments at 31 December 2004	<u><u>2,003,693</u></u>	<u><u>1,468,553</u></u>
Redemption value	<u><u>2,078,000</u></u>	<u><u>1,523,014</u></u>

The investments comprise four US treasury notes of approx. USD 500,000 each, maturing respectively in May and November 2005, May 2006 and May 2007.



Peter Eigen

Chairman of the Board

## Independent Auditor's Report

To Transparency International e.V.

We have audited the accompanying balance sheet of Transparency International e.V., Berlin, as of December 31, 2004 and the related statements of income and expenditures for the year then ended and the additional financial information (financial information). These financial information are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial information based on our audit.

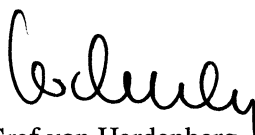
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial information are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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 present fairly, in all material respects, the financial position of the Company as of December 31, 2004, 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, April 26, 2005

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

  
Graf von Hardenberg  
Wirtschaftsprüfer

  
Mellage  
Wirtschaftsprüfer

# General Engagement Terms

for

## Wirtschaftsprüfer and 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 with 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.