

## **Report**

(only the German version is legally binding)

concerning the audit of the

Annual Financial Statements for December 31, 2018

of

**action medeor International Healthcare gGmbH**

**Tönisvorst**

**RSM GmbH** Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

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Die RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ist ein unabhängiges Mitglied des RSM Netzwerks, einem Zusammenschluss unabhängiger Wirtschaftsprüfungs- und Steuerberatungsgesellschaften. RSM International ist der Name eines Netzwerks unabhängiger Wirtschaftsprüfungs- und Steuerberatungsgesellschaften, in dem jede einzelne Gesellschaft als eigenständige unternehmerische Einheit operiert.



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Computational rounding differences of +/- 1 unit (EUR, % etc.) may occur in the tables.
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## **A. Audit assignment**

Through

**action medeor International Healthcare gGmbH, Tönisvorst,**

- hereafter "company" -

represented by the Management Board, we were assigned to audit the annual financial statements for December 31, 2018 including the bookkeeping system for the business year 2018 in accordance with the provisions of § 317 HGB (German commercial code) and to report the results to the company.

According to the size characteristics described in § 267 HGB, the company is classified as a small joint-stock company and is therefore not subject to audit. Pursuant to § 10 No. 2 of the articles of incorporation as of December 23, 2004, the annual financial statements should be audited on a voluntary basis.

The audit report was created in accordance with the principles of proper audit reports for annual audits (IDW PS 450 new version).

We will issue an explanatory report E. on the segmentation and explanations of selected items of the annual financial statements beyond the legal / industry standard as specified in the assignment.

We confirm in accordance with § 321 Para. 4a HGB that we have adhered to the applicable impartiality regulations in our audit.

The enclosed "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" in the version dated January 01, 2017 govern the execution of our assignment and our professional responsibility, also with respect to third parties.



## **B. Object, type and scope of audit**

In addition to the annual financial statements consisting of balance sheet, profit and loss statement, and the notes to the financial statements, the object of our audit was the bookkeeping system of the action medeor International Healthcare gGmbH for the business year ending December 31, 2018.

The assignment did not cover the verification of the type and suitability of insurance coverage, in particular whether all ventures were considered and sufficiently insured.

The audit of compliance with other legal regulations was part of our responsibilities for the audit of the financial statements only if these other regulations could affect the financial statements.

The legal representatives of the company are responsible for the bookkeeping and the preparation of the annual financial statements and the management report, the internal controls set up for this purpose, as well as the information provided to us. When preparing the annual financial statements, the legal representatives are responsible to assess the ability of the Management to continue as going concern. It is our responsibility to assess the documents including the bookkeeping, and statements provided to us by the legal representatives of the company as part of a dutiful audit.

We performed the audit work – with interruptions – from April until October 2019, mainly in the office of the company and in our office.

The starting point for our audit was the annual financial statements of the previous year for December 31, 2017 audited by us and issued an unqualified Auditor's Report. It was passed per shareholder decision on June 8, 2018 without changes.

We used in particular the accounting documentation, third-party confirmations, as well as the files and paperwork of the company as audit documentation.

We received all clarifications and evidence we requested to perform our assignment from the management as well as the identified employees.

In addition to that the legal representatives confirmed to us in writing in the standard professional completeness declaration that the books and the annual financial statements to be audited considered all assets, liabilities, risks, and accruals subject to financial accounting, contained all expenditures and revenues, provided all required information, and informed us of all existing liability relationships.

We conducted our audit of the annual financial statements in accordance with §§ 317 et seqq HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.

The audit did not include whether the status as going concern of the Company or the effectiveness or efficiency of the Management can be assured.

We point out that targeted audit activities to uncover embezzlement or other criminal acts by the company are not the object of the final audit.

Extended to whether the legal regulations applicable to the accounting and any supplementary regulations in the articles of incorporation, in particular the balancing, identification, and assessment regulations including the principles of proper accounting were followed.

The audit also included an assessment of the overall representation of the annual financial statements.

As part of our risk-based audit approach, we planned the audit activities ahead of time. The audit planning is based on:

- an assessment of the company environment and our industry knowledge,
- the information provided by the Management Board on business development, objectives, and strategies,
- the documentation submitted to us for the annual financial statements,
- a preliminary assessment of the accounting-related internal control system of the company,
- a preliminary assessment of the annual financial report data using analytical audit actions and
- our experience from the audit of the previous annual financial statements.

Using the obtained information, we identified company area / annual financial statement items with comparatively increased risk potential and entered them into the audit plan as focus areas. The following focus areas were determined for the reporting year:

- existence and valuation of prepayments and construction in progress,
- existence and valuation of inventories,
- existence and valuation of trade receivables,
- completeness and valuation of other provisions,
- development of liabilities from donations not yet disposed,
- revenue recognition,
- development of income from the use of donations,
- further circumstances and items that significantly affect the presentation of the Company's net assets, financial position and results of operations.

Starting from an assessment of the internal control system and the results of the analytical audit activities, we followed the principles of materiality and economy in determining the further audit activities. The individual case audits were thus selected in samples and performed by type and extent under consideration of the significance of the audit areas and the organization of accounting. The samples were selected in a way as to take into account the economic significance of the individual items of the annual financial statements and make it possible to verify compliance with the legal accounting regulations.

The credit institutes with business connections with the company were asked to send us as auditors bank confirmations concerning the balances and other liabilities of the company.

The audit of the other provisions was performed using the submitted evidence concerning the amount / determination of the obligations. We assessed the completeness of the provisions based on interviews, perusal of logs and contracts, etc. We included the run-off of last year's provisions into the audit.

We recorded type, extent, and result of the specific audit procedures we performed in our working papers.

## **C. Findings and explanations concerning accounting**

### **I. Correctness of the financial accounting**

#### **1. Bookkeeping and other audited documents**

The accounting of the company was based on its own IT system using the program Navision Financials of the company Microsoft Deutschland GmbH, Unterschleißheim.

The accounting-related control system installed by the company provides for suitable regulation of process organization and control which is appropriate for the business purpose and volume of the company. Process sequences within the accounting did not experience considerable organisational modifications during the reporting period.

The organization of the accounting and the accounting-related internal control system allows the complete, correct, timely and orderly recording and posting of business incidents. The receipts are clearly filed and well organized. The books were opened correctly with the figures of the balance sheet from the previous year and kept properly during the entire business year.

The information taken from the other audited documents correspond well with the accounting and financial statements.

According to our findings, the bookkeeping system of the company and the other audited documents including receipts comply with the legal regulations and the principles of proper accounting and the supplementary regulations of the articles of incorporation.

#### **2. Annual financial statements**

As of December 31, 2018, the company is a small stock corporation as defined in § 267 HGB. The annual financial statements were created in accordance with the commercial law regulations including the principles of proper accounting and the supplementary regulations



of the articles of incorporation under the assumption that the company will continue its business.

The balance sheet and profit and loss statement were deduced properly from the bookkeeping system and other audited documents. The balance sheet was segmented in accordance to § 266 HGB. The profit and loss statement is structured according to the total cost accounting pursuant to § 275 Para. 2 HGB.

The notes to the financial statements compiled by the company contain a sufficient explanation of the balancing and assessment methods used for the balance sheet and profit and loss statement. All legally required individual statements and the information on the balance sheet entered into the notes voluntarily as well as the profit and loss statement are complete and correct.

The company partially took advantage of the size-dependent exemptions for preparing the annual financial statements (§ 264 Para. 1 Clause 5 HGB).

## **II. Summary of annual financial statements**

In our opinion, based on the findings of our audit, the annual financial statements comply with the requirements for stock corporations relating to German commercial law and the supplementary provisions of the articles of incorporation and, as resulting from the interaction of the balance sheet, profit and loss statement and the notes to the financial statements, give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting.

The balancing and assessment methods applied by the company are listed in the notes.

Beyond this, we provide the following explanations concerning the significant assessment basis:

We did not find any significant changes in the assessment criteria, including exercising balancing and valuation options and utilizing a margin of discretion as well as special grooming transactions.

The balance sheet, profit and loss statement, and the notes to the financial statements convey sufficient insight into the net assets, financial position and results of operations of the company. The explanatory report E. contains beyond the notes further details and explanations of selected items in the annual financial statements. We have therefore opted against any deeper analysis of the annual financial statements.

## **D. Reproduction of the auditor's report**

According to the final result of our audit, we issued the following unqualified Auditor's Report on the annual financial statements as at December 31, 2018 (Annexes 1 to 3) of the action medeor International Healthcare gGmbH, dated October 31, 2019. It is reproduced here:

### **„ Auditor's Report**

To the action medeor International Healthcare gGmbH

We have audited the annual financial statements of the action medeor International Healthcare gGmbH - consisting of balance sheet as at December 31, 2018, and the profit and loss statement for the financial year from January 01 to December 31, 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations as well as supplementary provisions from the articles of association and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 01 to December 31, 2018 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Para. 3 Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

### ***Basis for the Audit Opinion***

We conducted our audit of the annual financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.



### *Responsibilities of the Legal Representatives for the Annual Financial Statements*

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and supplementary provisions from the articles of association, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

### *Auditor's Responsibilities for the Audit of the Annual Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 override of internal controls
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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 the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance 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. "

Krefeld, October 31, 2019



RSM GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

  
Steinborn  
Wirtschaftsprüfer

  
Kinalzik  
Wirtschaftsprüfer

## E. Explanatory Notes

### Notes to the Balance sheet as of December 31, 2018

#### Assets

##### A. Fixed assets

##### I. Intangible fixed assets

<u>Acquired concessions, industrial and similar rights</u>	€	<u>1,397.30</u>
<u>and assets, and licences in such rights and assets</u>	previous year: €	3,564.83

Book value as of January 1, 2018	€	3,564.83
Depreciation	"	<u>-2,167.53</u>
Book value as of December 31, 2018	€	<u>1,397.30</u>

## II. Tangible fixed assets

	€ 193,563.68
previous year:	€ 196,962.71

### 1. Machinery and equipment

	€ 7,527.20
previous year:	€ 8,264.23

Book value as of January 1, 2018	€ 8,264.23
Depreciation	" -737.03
Book value as of December 31, 2018	€ 7,527.20

### 2. Tenant fixtures

	€ 10,042.60
previous year:	€ 4,946.01

Book value as of January 1, 2018	€ 4,946.01
Additions	" 59.37
Adjustments	" 7,707.55
Depreciation	" -2,670.33
Book value as of December 31, 2018	€ 10,042.60

### 3. Car pool

	€ 8,951.77
previous year:	€ 7,471.30

Book value as of January 1, 2018	€ 7,471.30
Additions	" 5,956.08
Depreciation	" -4,475.61
Book value as of December 31, 2018	€ 8,951.77

### 4. Office equipment

	€ 2,147.64
previous year:	€ 1,752.51

Book value as of January 1, 2018	€ 1,752.51
Additions	" 616.82
Depreciation	" -221.69
Book value as of December 31, 2018	€ 2,147.64

#### 5. Container

	€	<u>700.19</u>
previous year:	€	857.07

Book value as of January 1, 2018	€	857.07
Depreciation	"	<u>-156.88</u>
Book value as of December 31, 2018	€	<u>700.19</u>

#### 6. Storage equipment

	€	<u>15,869.72</u>
previous year:	€	18,447.96

Book value as of January 1, 2018	€	18,447.96
Depreciation	"	<u>-2,578.24</u>
Book value as of December 31, 2018	€	<u>15,869.72</u>

#### 7. Low value assets

	€	<u>3,830.66</u>
previous year:	€	3,022.18

Book value as of January 1, 2018	€	3,022.18
Additions	"	2,615.16
Depreciation	"	<u>-1,806.68</u>
Book value as of December 31, 2018	€	<u>3,830.66</u>

#### 8. Prepayments and construction in progress

	€	<u>144,493.90</u>
previous year:	€	152,201.45

Book value as of January 1, 2018	€	152,201.45
Adjustments	"	<u>-7,707.55</u>
Book value as of December 31, 2018	€	<u>144,493.90</u>

## B. Current assets

### I. Inventories

#### Medication and Equipment

	€ 307,362.23
previous year:	€ 288,879.97

### II. Receivables and other assets

#### 1. Trade receivables

	€ 221,683.38
previous year:	€ 133,857.65

Breakdown:

Receivables	€ 227,295.00
Doubtful account	" -5,611.62
	€ 221,683.38

#### 2. Other assets

	€ 61,487.25
previous year:	€ 57,866.38

Breakdown:

Receivables from personnel	€ 5,804.57
Receivables from loans to employees	" 10,477.83
Creditor accounts in debit	" 4,321.39
other tax receivables	" 24,313.63
other receivables	" 16,569.83
	€ 61,487.25



<u>III. Cash in hand and bank balances</u>	€ 151,345.96
previous year:	€ 211,844.25
<u>Cash in hand</u>	
Petty Cash Book	€ 3,033.29
Petty Cash Book (Masasi)	" 125.81
Petty Cash Book (Makambako)	" 0.04
Central pay office	" 531.58
	<u>€ 3,690.72</u>

The cash balance corresponds with the cash journals as of December 31, 2018.

Bank balances

Current accounts

Volksbank Krefeld, account no. 500 500	€ 53,127.87
Volksbank Krefeld, Konto-Nr. 600 600 010	" 37,852.59
National Bank of Commerce Limited, account no. 011 103 024 890	" 41,172.98
National Bank of Commerce Limited, account no. 011 105 012 415	" 704.88
National Bank of Commerce Limited, account no. 011 108 000 412	" 62.18
NMB Bank, account no. 20310018898	" 14,734.74
	<u>€ 147,655.24</u>

The amounts recorded are proven by balance confirmations of the banks.

<u>C. Prepaid expenses</u>	€ 10,569.09
previous year:	€ 14,642.37

## Equity and Liabilities

<u>A. Equity</u>	€ 111,791.58
previous year:	€ 172,259.52
<u>I. Subscribed capital</u>	€ 150,000.00
previous year:	€ 150,000.00
<u>II. Retained earnings</u>	€ 22,259.52
previous year:	€ 16,222.76
<u>III. Net loss/profit for the financial year</u>	€ -60,467.94
previous year:	€ 6,036.76
<u>B. Special items for fixed assets (donations)</u>	€ 4,593.50
previous year:	€ 5,653.48
<u>C. Provisions</u>	
<u>1. Provisions for taxes</u>	€ 50,821.21
previous year:	€ 10,176.21



## 2. Other provisions

€ 22,299.77

previous year: € 17,526.10

Breakdown:

	starting balance of 1.1.2018 €	consumption €	reversal/ allocation €	= (r) = (a) balance of 31.12.2018 €
a) costs for the audit of the annual financial statement	12,983.17	11,851.21	17,869.23	19,001.19
b) rental expenses (Masasi)	1,666.25	99.87	1,566.37	3,132.75
c) Bonus country coordinator Mr. Masuki	2,380.35	2,380.35	0.00	0.00
d) professional association	191.64	191.64	165.83	165.83
e) other provisions	304.69	304.69	0.00	0.00
	<u>17,526.10</u>	<u>14,827.76</u>	<u>19,601.43</u>	<u>22,299.77</u>

## D. Donations / Funds for projects not yet disposed

€ 6,393.90

previous year: € 66,469.29

Amount brought forward 1.1.2018

€ 66,469.29

### Income from donations 2018:

Free donations

€ 303,114.49

Donations designed for recipients

" 70,138.85 " 373,253.34

(Funds received)

€ 439,722.63

### Use of donations 2018:

Use of donations designed for recipients

€ 104,038.47

Operating expenses projects

" 84,099.28

Operating expenses Headquarter

" 41,661.85

Cost Tanzania ideal sector

" 203,529.13

Total use of donations 2018

€ 433,328.73

### Book value as of December 31, 2018

€ 6,393.90

of which:

- Free donations still to be used

€ 5,854.20

- Funds for projects still to be used

€ 539.70

Free donations are disposed for the free donation of medication and equipment to recipients who are to assist according to the statutory purpose.

## E. Liabilities

### 1. Advance payments received on orders

	€	<u>79,079.93</u>
previous year:	€	43,396.18

### 2. Trade payables

	€	<u>314,187.27</u>
previous year:	€	206,455.75

### 3. Liabilities to shareholders

	€	<u>342,055.64</u>
previous year:	€	360,759.94

#### Breakdown:

loans action medeor e.V.	€	287,592.24
Trade payables	"	<u>54,463.40</u>
	€	<u>342,055.64</u>

### 4. Other liabilities

	€	<u>16,186.09</u>
previous year:	€	24,921.69

#### Breakdown:

LAPF Pension Fund	€	4,870.13
Social insurance contribution	"	9,126.89
other liabilities	"	<u>2,189.07</u>
	€	<u>16,186.09</u>

## **Annexes**

## Annexes

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Income statement  
for the year ended December 31, 2018

	€	€	previous year €
1. Revenues			
2. Income from the use of donations	1,243,866.44		1,702,442.47
4. Other income	239,244.62		140,298.20
5. Expenses for raw material and purchased services	124,941.76	1,608,052.82	75,506.46
a) Expenses for raw material	915,667.27		
b) Expenses for purchased services	25,846.28	-941,513.55	1,216,222.21
6. Personnel expenses			3,454.82
a) Wages and salaries	244,190.24		241,821.42
b) Social security, post-employment and other employee benefit costs	72,530.67	-316,720.91	71,926.98
7. Depreciation of intangible fixed assets and tangible fixed assets		-14,813.99	-313,748.40
8. Other operating expenses		-319,928.52	-9,394.19
9. Other interest and similar income		1,119.00	-329,992.63
of which to affiliated companies: € 6,863.74 (previous year: € 8,930.30)			1,536.79
10. Interest and similar expenses		-6,863.74	-8,930.30
11. Income taxes		-69,799.05	-32,004.61
12. Result after taxes		-60,467.94	6,036.76
13. Net loss/profit for the financial year		-60,467.94	6,036.76

Notes to the financial statements for the business year 2018

A. General Statements

The financial statements were prepared in compliance with the regulations of the Commercial Code.

In accordance to sec. 264 (1) and sec. 242 (3) of the Commercial Code the financial statements consist of:

1. Balance sheet
2. Income statement
3. Notes

action medeor International Healthcare gGmbH with its registered office in Tönisvorst is recorded in the commercial register of the local court in Krefeld under number HRB 10492. It is a small-sized corporation in accordance to sec. 267 (1) of the Commercial Code since only two of three size criteria are applicable.

The preparation of a Management Report is not required according to sec. 264 (1) 4 of the Commercial Code.

The company has operating offices in Dar Es Salaam, Tanzania, in Masasi, Tanzania, and in Makambako, Tanzania.

B. Methods of balancing and assessment

1. Methods of balancing

The balance sheet contains all required assets, liabilities and prepaid expenses.

## 2. Methods of assessment

The assessment of assets, liabilities and provisions complies to legal rights. All assets and liabilities were generally assessed by the principal of individual evaluation. Information regarding the methods of depreciation are given in the context of the specification of the Balance sheet.

## 3. Fixed assets

A fixed assets development table is prepared. Information on each position will follow.

Fixed assets are valued by acquisition costs decreased of depreciation.

Fixed assets were amortized over the estimated useful life.

## 4. Current assests

### 4.1 Inventories

Inventories are valued by acquisition costs allowing for the principle of lower of cost or market. The acquisition costs are calculated as a moving average value.

### 4.2 Trade receivables

Trade receivables were rated at acquisition costs. Identifiable risks were covered by a provision for specific doubtful debts.

## 5. Provisions

Provisions consider all knowable risks and uncertain obligations.



## 6. Liabilities

Liabilities were rated at the performance value.

Liabilities to shareholders consist of loan liabilities (288 k€) and trade payables (54 k€).

Liabilities with a residual term of more than five years amount to 6,789.88 € in total (PY: 11,178.16 €)

## 7. Foreign currency conversion

Receivables and liabilities in foreign currency with a residual term of not more than one year were converted using the period-end exchange rate.

The entries of the income statement of the accounting area maintained in Tanzanian Shilling for the operating office in Tanzania were converted using the following average exchange rate:

1 Tanzanian Shilling = 0.00037295 Euro

The fixed assets were valued using the exchange rate at the acquisition date.

## C. Explanations on the income statement

Concerning sec. 275 (2) of the Commercial Code the income statement is prepared by total cost accounting.

Revenues from currency translation amount to 106 k€ (PY: 58 k€). Expenses from currency translation amount to 84 k€ (PY: 104 k€).

D. Other information

Other financial obligations amount to 20 k€.

The average number of employees during the business year is 21.

The company's Managing Directors for the business year 2018 were:

Mr. Christoph Bonsmann, Düsseldorf,  
Mr. Bernd Pastors, Mönchengladbach.

Sole shareholder for the Business Year 2018 was:

Deutsches Medikamentenhilfswerk "action medeor" e. V., Tönisvorst.

Tönisvorst, October 31, 2019

.....  
Christoph Bonsmann

.....  
Bernd Pastors



Legal and tax situation

Company:	action medeor International Healthcare gGmbH
Registered office:	Tönisvorst
Operating office:	Dar Es Salaam, Tanzania Masasi, Tanzania Makambako, Tanzania
Address:	St. Töniser Straße 21, 47918 Tönisvorst
Company agreement:	as of December 23, 2004 last change as of July 18, 2016
Commercial register:	Local Court Krefeld, HR B 10492
Object of the company:	<p>The purpose of the company is to provide development assistance to the countries of Africa, South and Latin America, Asia and Oceania and to support people who are in consequence of disease dependent on others in a selfless manner.</p> <p>The company pursues exclusively and directly charitable purposes as defined in the provisions of the section "tax-privileged purposes" of the Tax Code (AO) .</p>
Activities:	free or cost-covering distribution of medication and equipment
Shareholder:	Deutsches Medikamenten-Hilfswerk "action medeor" e.V., Tönisvorst

Subscribed capital:	<p>€ 150,000.00 = 100 %</p> <p>The subscribed capital has been fully paid in.</p> <p>In the shareholders' meeting as of July 18, 2016 a change in § 5 of the articles of incorporation was agreed on together with an increase in the subscribed capital from the company's own resources by € 50,000.00 from € 100,000.00 to € 150,000.00.</p>
Business year:	<p>Business year corresponds with the calendar year.</p>
Managing Director:	<p>Christoph Bonsmann, Düsseldorf</p> <p>Bernd Pastors, Mönchengladbach.</p> <p>The Managing Directors are entitled to sole representation.</p>

#### Fiscal principles

The company was exempted from corporate tax according the provisions in sec. 5 (1) no. 9 Corporate Tax Act (KStG) by tax assessment dated November 10, 2014 and from trade tax acc. sec. 3 no. 6 Trade Tax Act (GewStG) since the company pursues exclusively and directly tax-privileged charitable purposes in accordance with sec. 51 et seq. of the Tax Code (AO).

Value-added tax, corporate tax and trade tax for the tax assessment periods from 2010 until 2013 are finally audited by the German tax authorities.

In Tanzania, the company is subject to taxation.

## Financial status 2014 until 2018

	2014	2015	2016	2017	2018	change	%
	€	€	€	€	€	T€	
<b><u>Assets</u></b>							
<b><u>A. Fixed assets</u></b>							
I. Intangible fixed assets	4,301.04	4,690.06	4,078.49	3,564.83	1,397.30	-2,168	-60.8
II. Tangible fixed assets	40,356.41	168,672.16	174,154.53	196,962.71	193,563.68	-3,399	-1.7
<b><u>B. Current assets</u></b>							
I. Inventories	297,736.20	514,363.96	323,853.00	288,879.97	307,362.23	18,482	6.4
II. Receivables and other assets							
1. Trade receivables	210,040.34	652,977.46	353,124.40	133,857.65	221,683.38	87,826	65.6
2. Receivables from shareholders	187.99	0.00	0.00	0.00	0.00	0	0.0
3. Other assets	28,736.21	24,084.02	47,968.88	57,866.38	61,487.25	3,621	6.3
III. Cash in hand and bank balances	203,552.28	53,529.87	93,892.75	211,844.25	151,345.96	-60,498	-28.6
<b><u>C. Prepaid expenses</u></b>	17,747.27	18,398.91	23,623.96	14,642.37	10,569.09	-4,073	-27.8
	802,657.74	1,436,716.44	1,020,696.01	907,618.16	947,408.89	39,790.73	4.38
<b><u>Equity and Liabilities</u></b>							
<b><u>A. Equity</u></b>							
I. Subscribed capital	100,000.00	100,000.00	150,000.00	150,000.00	150,000.00	0	0.0
II. Capital reserve	0.00	50,000.00	0.00	0.00	0.00	0	0.0
III. Retained earnings / accumulated losses brought forward	37,036.01	6,400.58	24,271.58	16,222.76	22,259.52	6,037	37.2
IV. Net profit/ net loss for the financial year	-30,635.43	17,871.00	-8,048.82	6,036.76	-60,467.94	-66,505	-1,101.7
<b><u>B. Special items for fixed assets (donations)</u></b>	9,604.87	8,287.74	6,970.61	5,653.48	4,593.50	-1,060	-18.7
<b><u>C. Provisions</u></b>							
1. Provisions for taxes	2,938.42	1,242.60	1,659.06	10,176.21	50,821.21	40,645	399.4
2. Other provisions	18,385.52	21,367.35	11,121.31	17,526.10	22,299.77	4,774	27.2
<b><u>D. Donations / Funds for projects not yet disposed</u></b>	88,718.22	153,605.32	19,508.98	66,469.29	6,393.90	-60,075	-90.4
<b><u>E. Liabilities</u></b>							
1. Advance payments received on orders	0.00	0.00	43,736.84	43,396.18	79,079.93	35,684	82.2
2. Trade payables	383,017.61	688,415.20	246,029.13	206,455.75	314,187.27	107,732	52.2
3. Liabilities to shareholders	150,479.13	379,792.94	485,569.83	360,759.94	342,055.64	-18,704	-5.2
4. Other liabilities	43,113.39	9,733.71	39,877.49	24,921.69	16,186.09	-8,736	-35.1
	802,657.74	1,436,716.44	1,020,696.01	907,618.16	947,408.89	39,790.73	4.38

## Comparison of revenue and expenses 2014 until 2018

	2014		2015		2016		2017		2018		change	
	€	%	€	%	€	%	€	%	€	%	1€	%
Revenues	1,151,046.11	94.0	1,980,907.70	88.1	1,618,197.65	91.1	1,702,442.47	92.4	1,243,866.44	83.9	-459.00	-26.9
Income from the use of donations	136,006.66	11.1	51,088.12	2.3	158,379.76	8.9	140,298.20	7.6	239,244.62	16.1	99.00	70.5
Change in inventory	-62,103.27	-5.1	216,627.76	9.6	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
	1,224,949.50	100.0	2,248,623.58	100.0	1,776,577.41	100.0	1,842,740.67	100.0	1,483,111.06	100.0	-360.00	-19.5
Other operating income	5,391.97	0.4	96,804.40	4.3	71,960.30	4.1	75,506.46	4.1	124,941.76	8.4	49.00	85.5
	1,230,341.47	100.4	2,345,427.98	104.3	1,848,537.71	104.1	1,918,247.13	104.1	1,608,052.82	108.4	-310.00	-16.2
Expenses for raw material	-807,723.99	-65.9	-1,645,865.33	-73.2	-1,276,787.56	-71.9	-1,216,222.21	-66.0	-915,667.27	-61.7	301.00	24.7
Expenses for purchased services	-6,758.51	-0.6	-14,876.46	-0.7	-2,512.17	-0.1	-3,454.82	-0.2	-25,846.28	-1.7	-22.00	-648.1
Gross profit	415,858.97	33.9	684,686.19	30.4	569,237.98	32.0	698,570.10	37.9	666,539.27	44.9	-32.00	-4.7
Personnel expenses	-210,643.71	-17.2	-256,562.77	-11.4	-309,530.08	-17.4	-313,748.40	-17.0	-316,720.91	-21.4	-3.00	-1.0
Depreciation	-15,441.07	-1.3	-15,238.48	-0.7	-13,764.11	-0.8	-9,394.19	-0.5	-14,813.99	-1.0	-5.00	-57.7
Other operating expenses	-188,813.66	-15.4	-370,457.27	-16.5	-237,306.98	-13.4	-329,992.63	-17.9	-319,928.52	-21.6	10.00	3.1
Operating income	960.53	0.1	42,427.67	1.9	8,636.81	0.5	45,434.88	2.5	15,075.85	1.0	-30.00	-66.8
Other interest and similar income	1,289.58	0.1	1,669.64	0.1	1,954.63	0.1	1,536.79	0.1	1,119.00	0.1	0.00	-27.2
Interest and similar expenses	-6,548.28	-0.5	-5,190.35	-0.2	-8,965.69	-0.5	-8,930.30	-0.5	-6,863.74	-0.5	2.00	23.1
Net operating income	-4,298.17	-0.4	38,906.96	1.7	1,625.75	0.1	38,041.37	2.1	9,331.11	0.6	-29.00	-75.5
Income taxes	-26,337.26	-2.2	-21,035.96	-0.9	-9,674.57	-0.5	-32,004.61	-1.7	-69,789.05	-4.7	-38.00	118.1
Net loss/ net profit	-30,635.43	-2.5	17,871.00	0.8	-8,048.82	-0.5	6,036.76	0.3	-60,467.94	-4.1	-67.00	-1,101.7

Presentation of expenses incurred in 2018 and funds for projects obtained from third parties and presentation of donations intended for projects in 2018

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
					(1. - 4.)					
	General costs	Operating expenses	Local personnel costs	Funds, material costs, travel expenses, etc.	Expenses overall	Unused funds from previous years	Funds received	Administrative expenses	Funds not yet disposed*	Financing through own funds
	€	€	€	€	€	€	€	€	€	€
Project										
Burundian Refugee Camp	75,000.00	0.00	0.00	0.00	75,000.00	-14,500.12	-60,000.00	0.00	499.88	-75,000.00
Action Medeor Ltd Malawi	0.00	0.00	0.00	0.00	0.00	0.00	-1,144.56	0.00	-1,144.56	1,144.56
TTM	7,250.00	0.00	0.00	0.00	7,250.00	0.00	-7,224.55	0.00	25.45	-7,250.00
Mihayo Muhas Stipendium	1,849.28	0.00	0.00	0.00	1,849.28	0.00	-1,769.79	0.00	79.49	-1,849.28
	84,059.28	0.00	0.00	0.00	84,059.28	-14,500.12	-70,138.90	0.00	-539.74	-82,954.72

\*Expenses in excess of grants result solely from exchange rate differences.



[Translator's notes are in square brackets]  
**General Engagement Terms**  
for

**Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften**  
[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

DokID:

**1. Scope of application**

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as “German Public Auditors” – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

**2. Scope and execution of the engagement**

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

**3. The obligations of the engaging party to cooperate**

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

**4. Ensuring independence**

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

**5. Reporting and oral information**

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

**6. Distribution of a German Public Auditor's professional statement**

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

**7. Deficiency rectification**

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: The German term “Textform” means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

**8. Confidentiality towards third parties, and data protection**

(1) Pursuant to the law (§ [Article] 323 Abs. 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

**9. Liability**

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.



(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 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 regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

#### 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

#### 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

#### 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

#### 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

#### 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

#### 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.