

## **Report**

(only the German version is legally binding)

concerning the audit of the  
Annual Financial Statements for December 31, 2016

of

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

**RSM Verhülsdonk GmbH** Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Eichendorffstr. 46 · D-47800 Krefeld · T +49 2151 509 0 · F +49 2151 509 200  
krefeld@rsm-verhuelsdonk.de · www.rsm-verhuelsdonk.de

Die RSM Verhülsdonk 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.



## Table of Contents

	Page
A. Audit assignment	1
B. General findings	2
Compliance with other legal regulations and stipulations of the articles of incorporation	2
C. Object, type and scope of audit	2
D. Findings and explanations concerning accounting	6
I. Correctness of the financial accounting	6
1. Bookkeeping and other audited documents	6
2. Annual financial statements	6
II. Summary of annual financial statements	7
E. Reproduction of the auditor's report	9
F. Explanatory report	11

## Annexes

	No.
Balance sheet as of December 31, 2016	1
Profit and loss statement for the period from January 01 to December 31, 2016	2
Notes to the financial statements for the business year 2016	3
Legal and tax situation	4
Financial status 2012 until 2016	5
Comparison of revenue and expenses 2012 until 2016	6
Presentation of expenses incurred in 2016 and funds for projects “Paula”, “Burundian Refugee Camp” and “Action Medeor Malawi Medical Aid Organization” obtained from third parties and presentation of donations dis- posed for the projects in 2016	7
General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of January 1, 2017	8

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

## **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, 2016 including the bookkeeping system for the business year 2016 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).

We will issue an explanatory report F. 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. General findings**

### **Compliance with other legal regulations and stipulations of the articles of incorporation**

As auditors, we also have to report on any facts found during the audit which allow us to recognize serious violations of legal representatives or employees against the law or articles of incorporation.

In this respect we refer to the minutes of the meeting of the executive committee of action medeor as of February 14, 2017. Therein a case of fraud by two managerial employees probably in business year 2016 is reported. The extent of loss amounts to Mio. TSH 42.6 (k€ 19). Both employees resigned voluntarily. Contracts regarding the repayment of loss and of the loans granted to them were signed. As a reaction to the fraud cases discovered further preventative measures will be implemented.

## **C. 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, 2016.

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 audit does not cover whether the continued existence of the audited entity or the effectiveness and profitability of the management can be ensured.

The legal representatives of the company are responsible for the bookkeeping and the preparation of the annual financial statements as well as the information provided to us. It is our responsibility to assess the documents 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 – in April and May 2017, 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, 2015 audited by us and issued an unqualified Auditor's Report. It was passed per shareholder decision on May 30, 2016 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.

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.



## **D. 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.

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 informations 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, 2016, 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.

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

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements 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 F. 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.

## **E. 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, 2016 (Annexes 1 to 3) of the action medeor International Healthcare gGmbH, dated June 14, 2017. It is reproduced here:

„ Auditor's Report

To the action medeor International Healthcare gGmbH

We have audited the annual financial statements - consisting of balance sheet, profit and loss statement, and notes to the financial statements - together with the bookkeeping system of action medeor International Healthcare gGmbH for the business year from January 01 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German Commercial Law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 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 are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual

financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the articles of incorporation and 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.“

Any use of the Auditor's Report shown above outside of this audit report requires our prior written consent. Publication or disclosure of the annual financial statements in a form deviating from the certified version requires another prior statement from us if our Auditor's Report or our audit is cited or referenced in any way; we refer to § 328 HGB.

Krefeld, June 14, 2017



RSM Verhülsdonk GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

  
Dieckmann  
Wirtschaftsprüfer

  
ppa. Kinalzik  
Wirtschaftsprüfer

## F. Explanatory Notes

### Notes to the Balance sheet as of December 31, 2016

#### Assets

##### A. Fixed assets

##### I. Intangible fixed assets

<u>Acquired concessions, industrial and similar rights</u>		€	<u>4,078.49</u>
<u>and assets, and licences in such rights and assets</u>	previous year:	€	4,690.06

Book value as of January 1, 2016		€	4,690.06
Additions		"	2,101.85
Depreciation		"	<u>-2,713.42</u>
Book value as of December 31, 2016		€	<u><u>4,078.49</u></u>

<u>II. Tangible fixed assets</u>	€ 174,154.53
previous year:	€ 168,672.16
<u>1. Machinery and equipment</u>	€ 9,001.27
previous year:	€ 8,392.02
Book value as of January 1, 2016	€ 8,392.02
Additions	" 1,302.85
Depreciation	" -693.60
Book value as of December 31, 2016	<u>€ 9,001.27</u>
<u>2. Tenant fixtures</u>	€ 4,723.51
previous year:	€ 5,778.97
Book value as of January 1, 2016	€ 5,778.97
Depreciation	" -1,055.46
Book value as of December 31, 2016	<u>€ 4,723.51</u>
<u>3. Car pool</u>	€ 3.00
previous year:	€ 5,385.49
Book value as of January 1, 2016	€ 5,385.49
Depreciation	" -5,382.49
Book value as of December 31, 2016	<u>€ 3.00</u>
<u>4. Office equipment</u>	€ 1,237.00
previous year:	€ 1,439.20
Book value as of January 1, 2016	€ 1,439.20
Depreciation	" -202.20
Book value as of December 31, 2016	<u>€ 1,237.00</u>

<u>5. Container</u>	€ 1,013.94
previous year:	€ 1,170.82
Book value as of January 1, 2016	€ 1,170.82
Depreciation	" -156.88
Book value as of December 31, 2016	€ 1,013.94
<u>6. Storage equipment</u>	€ 10,178.34
previous year:	€ 11,793.80
Book value as of January 1, 2016	€ 11,793.80
Depreciation	" -1,615.46
Book value as of December 31, 2016	€ 10,178.34
<u>7. Low value assets</u>	€ 3,560.85
previous year:	€ 4,626.59
Book value as of January 1, 2016	€ 4,626.59
Additions	" 878.87
Depreciation	" -1,944.61
Book value as of December 31, 2016	€ 3,560.85
<u>8. Prepayments and construction in progress</u>	€ 144,436.62
previous year:	€ 130,085.27
Book value as of January 1, 2016	€ 130,085.27
Additions	" 14,351.35
Book value as of December 31, 2016	€ 144,436.62



B. Current assets

I. Inventories

<u>Medication and Equipment</u>	€ 323,853.00
previous year:	€ 514,363.96

II. Receivables and other assets

<u>1. Trade receivables</u>	€ 353,124.40
previous year:	€ 652,977.46

Breakdown:

Receivables	€ 362,283.85
Doubtful account	" -9,159.45
	<u>€ 353,124.40</u>

<u>2. Other assets</u>	€ 47,968.88
previous year:	€ 24,084.02

Breakdown:

Receivables from personnel	€ 556.45
Receivables from loans to employees	" 24,486.81
Creditor accounts in debit	" 2,469.27
other tax receivables	" 11,404.03
other receivables	" 9,052.32
	<u>€ 47,968.88</u>

<u>III. Cash in hand and bank balances</u>	<u>€ 93,892.75</u>
previous year:	€ 53,529.87
<u>Cash in hand</u>	
Petty Cash Book	€ 933.51
Petty Cash Book (Masasi)	" 1,092.96
Petty Cash projekt	" 87.15
withhold bank guarantee	" 1,698.63
Central pay office	" 531.58
	<u>€ 4,343.83</u>

The cash balance corresponds with the cash journals as of December 31, 2016.

Bank balances

Current accounts

Volksbank Krefeld, account no. 500 500	€ 28,068.42
Volksbank Krefeld, Konto-Nr. 600 600 010	" 12,121.12
National Bank of Commerce Limited, account no. 011 103 024 890	" 13,782.78
National Bank of Commerce Limited, account no. 011 105 012 415	" 325.72
National Bank of Commerce Limited, account no. 011 108 000 412	" 5,083.88
NMB Bank, account no. 20310018898	" 30,167.00
	<u>€ 89,548.92</u>

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

<u>C. Prepaid expenses</u>	<u>€ 23,623.96</u>
previous year:	€ 18,398.91

## Equity and Liabilities

<u>A. Equity</u>	€ 166,222.76
previous year:	€ 174,271.58
<u>I. Subscribed capital</u>	€ 150,000.00
previous year:	€ 100,000.00
<u>II. Capital reserve</u>	€ 0.00
previous year:	€ 50,000.00
<u>III. Retained earnings</u>	€ 24,271.58
previous year:	€ 6,400.58
<u>VI. Net loss/net profit for the financial year</u>	€ -8,048.82
previous year:	€ 17,871.00
<u>B. Special items for fixed assets (donations)</u>	€ 6,970.61
previous year:	€ 8,287.74
<u>C. Provisions</u>	
<u>1. Provisions for taxes</u>	€ 1,659.06
previous year:	€ 1,242.60

<u>2. Other provisions</u>	€ 11,121.31
previous year:	€ 21,367.35

Breakdown:

	<u>starting balance of 1.1.2016</u>	<u>consumption</u>	<u>reversal/ allocation</u>	= (r) = (a) <u>balance of 31.12.2016</u>
a) costs for the audit of the annual financial statement	9,172.85	9,172.85	9,679.82	9,679.82
b) rental expenses (Masasi)	0.00	0.00	1,249.85	1,249.85
c) Bonus Salary-Tender	12,000.00	12,000.00	0.00	0.00
d) professional association	194.50	194.50	191.64	191.64
	<u>21,367.35</u>	<u>21,367.35</u>	<u>11,121.31</u>	<u>11,121.31</u>

<u>D. Donations / Funds for projects not yet disposed</u>	€ 19,508.98
previous year:	€ 153,605.32

Amount brought forward 1.1.2016 € 153,605.32

Income from donations 2016:

Free donations	€ 229,504.05	
Donations designed for recipients	" 21,963.12	" 251,467.17
(Funds received)		<u>€ 405,072.49</u>

Use of donations 2016:

Free distribution of medication and equipment	€ 177,773.28
Use of donations designed for recipients	" 16,091.20
Operating expenses projects	" 22,050.27
Operating expenses Headquarter	" 66,539.15
Cost Tanzania ideal sector	" 103,109.31
Total use of donations 2016	<u>€ 385,563.21</u>

<u>Book value as of December 31, 2016</u>	<u>€ 19,508.98</u>
of which:	
- Free donations still to be used	€ 19,508.98
- Funds for projects still to be used	€ 0.00

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

<u>1. Advance payments received on orders</u>	<u>€ 43,736.84</u>
previous year:	€ 0.00
<u>2. Trade payables</u>	<u>€ 246,029.13</u>
previous year:	€ 688,415.20
<u>3. Liabilities to shareholders</u>	<u>€ 485,569.83</u>
previous year:	€ 379,792.94

#### Breakdown:

loans action medeor e.V.	€ 398,409.02
Trade payables	" 87,160.81
	<u>€ 485,569.83</u>

<u>4. Other liabilities</u>	<u>€ 39,877.49</u>
previous year:	€ 9,733.71

#### Breakdown:

Income tax	€ 6,231.65
LAPF Pension Fund	" 1,743.91
Social insurance contribution	" 8,163.61
customers with credit balances	" 23,738.32
	<u>€ 39,877.49</u>

## **Annexes**

Assets				Balance sheet as of December 31, 2016				Equity and liabilities			
	€	€	Previous year €		€	€	Previous year €		€	€	Previous year €
<b>A. Fixed assets</b>				<b>A. Equity</b>							
I. <u>Intangible fixed assets</u>		4,078.49	4,690.06	I. <u>Subscribed capital</u>	150,000.00		100,000.00				
II. <u>Tangible fixed assets</u>				II. <u>Capital reserve</u>	0.00		50,000.00				
1. Machinery and equipment	9,001.27			III. <u>Retained earnings</u>	24,271.58		6,400.58				
2. Leasehold improvements	4,723.51			IV. <u>Net loss/net profit for the financial year</u>	<u>-8,048.82</u>	166,222.76	17,871.00				
3. Car pool	3.00										
4. Office equipment	1,237.00			<b>B. Special items for fixed assets (donations)</b>		6,970.61	8,287.74				
5. Container	1,013.94										
6. Storage equipment	10,178.34			<b>C. Provisions</b>							
7. Low value assets	3,560.85			1. Provisions for taxes	1,659.06		1,242.60				
8. Prepayments and construction in progress	<u>144,436.62</u>	174,154.53	168,672.16	2. Other provisions	<u>11,121.31</u>	12,780.37	21,367.35				
<b>B. Current assets</b>				<b>D. Donations / Funds for projects not yet disposed</b>		19,508.98	153,605.32				
I. <u>Inventories</u>		323,853.00	514,363.96								
II. <u>Receivables and other assets</u>				<b>E. Liabilities</b>							
1. Trade receivables	353,124.40		652,977.46	1. Advance payments received on orders	43,736.84		0.00				
2. Other assets	<u>47,968.88</u>	401,093.28	24,084.02	of which due within one year: € 43,736.84 (previous year: € 0.00)							
				2. Trade payables	246,029.13		688,415.20				
<b>III. Cash in hand and bank balances</b>		93,892.75	53,529.87	of which due within one year: € 246,029.13 (previous year: € 688,415.20)							
				of which due to shareholders: € 0.00 (previous year: € 123,467.79)							
<b>C. Prepaid expenses</b>		23,623.96	18,398.91	3. Liabilities to shareholders	485,569.83		379,792.94				
				of which due within one year: € 180,594.87 (previous year: € 79,459.51)							
				4. Other liabilities	39,877.49		9,733.71				
				of which due within one year: € 39,877.49 (previous year: € 9,733.71)							
				of which taxes: € 6,231.65 (previous year: € 4,387.79)							
				of which relating to social security: € 8,163.61 (previous year: € 3,720.01)		815,213.29					
		<u>1,020,696.01</u>	<u>1,436,716.44</u>						<u>1,020,696.01</u>		<u>1,436,716.44</u>

Income statement  
for the year ended December 31, 2016

	€	€	previous year	
			€	€
1. Revenues	1,618,197.65		1,980,907.70	
2. Income from the use of donations	158,379.76		51,088.12	
3. Change in inventory	0.00		216,627.76	
4. Other income	<u>71,960.30</u>	1,848,537.71	<u>96,804.40</u>	2,345,427.98
5. Expenses for raw material and purchased services				
a) Expenses for raw material	1,276,787.56		1,645,865.33	
b) Expenses for purchased services	<u>2,512.17</u>	-1,279,299.73	<u>14,876.46</u>	-1,660,741.79
6. Personnel expenses				
a) Wages and salaries	228,240.26		168,081.49	
b) Social security, post-employment and other employee benefit costs	<u>81,289.82</u>	-309,530.08	<u>88,481.28</u>	-256,562.77
7. Depreciation of intangible fixed assets and tangible fixed assets		-13,764.11		-15,238.48
8. Other operating expenses		-237,306.98		-370,457.27
9. Other interest and similar income		1,954.63		1,669.64
10. Interest and similar expenses		-8,965.69		-5,190.35
11. Income taxes		<u>-9,674.57</u>		<u>-21,035.96</u>
12. Result after taxes		<u>-8,048.82</u>		<u>17,871.00</u>
13. Net loss/net profit for the financial year		<u><u>-8,048.82</u></u>		<u><u>17,871.00</u></u>



Notes to the financial statements for the business year 2016

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 and in Masasi, 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 assets

### 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 (398 k€), trade payables (87 k€) and other liabilities (1 k€).

Liabilities with a residual term of more than five years amount to 37,258.42 € in total (PY: 13,102.19 €)

## 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 = 0,00042512 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 43 k€ (PY: 48 k€). Expenses from currency translation amount to 24 k€ (PY: 130 k€).

D. Other information

Other financial obligations amount to 18 k€

The average number of employees during the business year is 18.

The company's Managing Directors for the business year 2016 were:

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

Sole shareholder for the Business Year 2016 was:

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

Tönisvorst, June 14, 2017

.....  
Christoph Bonsmann

.....  
Bernd Pastors

## Fixed assets development table as of December 31, 2016

	historical cost €	additions €	retirements €	transfers €	cumulative depreciation €	book value as of Dec. 31, 2016 €	depreciation of the financial year €	book value of retirements of the financial year €	book value as of Dec. 31, 2015 €
<u>I. Intangible fixed assets</u>	<u>36,887.16</u>	<u>2,101.85</u>	<u>0.00</u>	<u>0.00</u>	<u>34,910.52</u>	<u>4,078.49</u>	<u>2,713.42</u>	<u>0.00</u>	<u>4,690.06</u>
<u>II. Tangible fixed assets</u>									
1. Machinery and equipment	11,528.24	1,302.85	0.00	0.00	3,829.83	9,001.27	693.59	0.00	8,392.02
2. Tenant fixtures	8,443.63	0.00	0.00	0.00	3,720.12	4,723.51	1,055.46	0.00	5,778.97
3. Car pool	19,224.17	0.00	0.00	0.00	19,221.17	3.00	5,382.49	0.00	5,385.49
4. Office equipment	2,752.04	0.00	0.00	0.00	1,515.04	1,237.00	202.20	0.00	1,439.20
5. Container	5,014.13	0.00	0.00	0.00	4,000.19	1,013.94	156.88	0.00	1,170.82
6. Storage equipment	22,700.47	0.00	0.00	0.00	12,522.13	10,178.34	1,615.46	0.00	11,793.80
7. Low value assets	16,614.60	878.87	0.00	0.00	13,932.61	3,560.85	1,944.61	0.00	4,626.59
8. Prepayments and construction in progress	130,085.27	14,351.35	0.00	0.00	0.00	144,436.62	0.00	0.00	130,085.27
Tangible fixed assets in total	<u>216,362.55</u>	<u>16,533.07</u>	<u>0.00</u>	<u>0.00</u>	<u>58,741.09</u>	<u>174,154.53</u>	<u>11,050.69</u>	<u>0.00</u>	<u>168,672.16</u>
Fixed assets in total	<u>253,249.71</u>	<u>18,634.92</u>	<u>0.00</u>	<u>0.00</u>	<u>93,651.61</u>	<u>178,233.02</u>	<u>13,764.11</u>	<u>0.00</u>	<u>173,362.22</u>

Legal and tax situation

Company:	action medeor International Healthcare gGmbH
Registered office:	Tönisvorst
Operating office:	Dar Es Salaam, Tanzania Masasi, 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: € 150,000.00 = 100 %  
The subscribed capital has been fully paid in.

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.

Business year: Business year corresponds with the calendar year.

Managing Director: Christoph Bonsmann, Düsseldorf  
Bernd Pastors, Mönchengladbach.  
The Managing Directors are entitled to sole representation.

#### 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 2012 until 2016

	2012	2013	2014	2015	2016	change	
	€	€	€	€	€	T€	%
<u>Assets</u>							
<u>A. Fixed assets</u>							
I. Intangible fixed assets	11,335.44	7,740.68	4,301.04	4,690.06	4,078.49	-612	-13.0
II. Tangible fixed assets	16,359.58	42,700.24	40,356.41	168,672.16	174,154.53	5,482	3.3
<u>B. Current assets</u>							
I. Inventories	256,516.11	359,839.47	297,736.20	514,363.96	323,853.00	-190,511	-37.0
II. Receivables and other assets							
1. Trade receivables	169,802.15	226,547.39	210,040.34	652,977.46	353,124.40	-299,853	-45.9
2. Receivables from shareholders	791.40	0.00	187.99	0.00	0.00	0	0.0
3. Other assets	8,299.87	22,523.85	28,736.21	24,084.02	47,968.88	23,885	99.2
III. Cash in hand and bank balances	177,493.32	133,424.19	203,552.28	53,529.87	93,892.75	40,363	75.4
<u>C. Prepaid expenses</u>							
	7,809.56	10,672.56	17,747.27	18,398.91	23,623.96	5,225	28.4
	<u>648,407.43</u>	<u>803,448.38</u>	<u>802,657.74</u>	<u>1,436,716.44</u>	<u>1,020,696.01</u>	<u>-416,020.43</u>	<u>-28.96</u>
<u>Equity and Liabilities</u>							
<u>A. Equity</u>							
I. Subscribed capital	100,000.00	100,000.00	100,000.00	100,000.00	150,000.00	50,000	50.0
II. Capital reserve	0.00	0.00	0.00	50,000.00	0.00	-50,000	-100.0
III. Retained earnings / accumulated losses brought forward	40,191.57	52,068.96	37,036.01	6,400.58	24,271.58	17,871	279.2
IV. Net profit/ net loss for the financial year	11,877.39	-15,032.95	-30,635.43	17,871.00	-8,048.82	-25,920	-145.0
<u>B. Special items for fixed assets (donations)</u>							
	0.00	10,922.00	9,604.87	8,287.74	6,970.61	-1,317	100.0
<u>C. Provisions</u>							
1. Provisions for taxes	4,800.00	5,000.00	2,938.42	1,242.60	1,659.06	416	33.5
2. Other provisions	31,337.48	18,575.11	18,385.52	21,367.35	11,121.31	-10,246	-48.0
<u>D. Donations / Funds for projects not yet disposed</u>							
	85,859.84	37,622.27	88,718.22	153,605.32	19,508.98	-134,096	-87.3
<u>E. Liabilities</u>							
1. Advance payments received on orders	0.00	0.00	0.00	0.00	43,736.84	43,737	-
3. Trade payables	204,295.69	392,095.91	383,017.61	688,415.20	246,029.13	-442,386	-64.3
4. Liabilities to shareholders	147,925.56	170,355.52	150,479.13	379,792.94	485,569.83	105,777	27.9
5. Other liabilities	22,119.90	31,841.56	43,113.39	9,733.71	39,877.49	30,144	309.7
	<u>648,407.43</u>	<u>803,448.38</u>	<u>802,657.74</u>	<u>1,436,716.44</u>	<u>1,020,696.01</u>	<u>-416,020.43</u>	<u>-28.96</u>



Comparison of revenue and expenses 2012 until 2016

	2012		2013		2014		2015		2016		change	
	€	%	€	%	€	%	€	%	€	%	T€	%
Revenues	1,231,969.99	94.6	1,216,612.73	86.2	1,151,046.11	94.0	1,980,907.70	88.1	1,618,197.65	91.1	-363.00	-18.3
Income from the use of donations	99,810.35	7.7	91,692.83	6.5	136,006.66	11.1	51,088.12	2.3	158,379.76	8.9	107.00	210.0
Change in inventory	-29,883.25	-2.3	103,323.36	7.3	-62,103.27	-5.1	216,627.76	9.6	0.00	0.0	-217.00	-100.0
	<u>1,301,897.09</u>	<u>100.0</u>	<u>1,411,628.92</u>	<u>100.0</u>	<u>1,224,949.50</u>	<u>100.0</u>	<u>2,248,623.58</u>	<u>100.0</u>	<u>1,776,577.41</u>	<u>100.0</u>	<u>-473.00</u>	<u>-21.0</u>
Other operating income	38,576.78	3.0	17,310.26	1.2	5,391.97	0.4	96,804.40	4.3	71,960.30	4.1	-25.00	-25.7
	<u>1,340,473.87</u>	<u>103.0</u>	<u>1,428,939.18</u>	<u>101.2</u>	<u>1,230,341.47</u>	<u>100.4</u>	<u>2,345,427.98</u>	<u>104.3</u>	<u>1,848,537.71</u>	<u>104.1</u>	<u>-497.00</u>	<u>-21.2</u>
Expenses for raw material	-885,205.43	-68.0	-1,000,057.14	-70.8	-807,723.99	-65.9	-1,645,865.33	-73.2	-1,276,787.56	-71.9	369.00	22.4
Expenses for purchased services	-12,073.62	-0.9	-5,581.75	-0.4	-6,758.51	-0.6	-14,876.46	-0.7	-2,512.17	-0.1	12.00	83.1
Gross profit	<u>443,194.82</u>	<u>34.0</u>	<u>423,300.29</u>	<u>30.0</u>	<u>415,858.97</u>	<u>33.9</u>	<u>684,686.19</u>	<u>30.4</u>	<u>569,237.98</u>	<u>32.0</u>	<u>-115.00</u>	<u>-17.0</u>
Personnel expenses	-219,664.51	-15.6	-207,530.98	-16.9	-210,643.71	-9.4	-256,562.77	-11.4	-309,530.08	-13.8	-53.00	-20.6
Depreciation	-12,733.54	-0.9	-14,166.97	-1.2	-15,441.07	-0.7	-15,238.48	-0.7	-13,764.11	-0.6	1.00	9.7
Other operating expenses	-179,627.92	-12.7	-177,730.33	-14.5	-188,813.66	-8.4	-370,457.27	-16.5	-237,306.98	-10.6	133.00	35.9
Operating income	<u>31,168.85</u>	<u>2.4</u>	<u>23,872.01</u>	<u>1.7</u>	<u>960.53</u>	<u>0.1</u>	<u>42,427.67</u>	<u>1.9</u>	<u>8,636.81</u>	<u>0.5</u>	<u>-34.00</u>	<u>-79.6</u>
Other interest and similar income	1,194.12	0.1	213.74	0.0	1,289.58	0.1	1,669.64	0.1	1,954.63	0.1	0.00	17.1
Interest and similar expenses	-8,232.46	-0.6	-7,294.31	-0.5	-6,548.28	-0.5	-5,190.35	-0.2	-8,965.69	-0.5	-4.00	-72.7
Net operating income	<u>24,130.51</u>	<u>1.9</u>	<u>16,791.44</u>	<u>1.2</u>	<u>-4,298.17</u>	<u>-0.4</u>	<u>38,906.96</u>	<u>1.7</u>	<u>1,625.75</u>	<u>0.1</u>	<u>-37.00</u>	<u>-95.8</u>
Income taxes	-12,253.12	-0.9	-31,824.39	-2.3	-26,337.26	-2.2	-21,035.96	-0.9	-9,674.57	-0.5	11.00	-54.0
Net loss/ net profit	<u>11,877.39</u>	<u>0.9</u>	<u>-15,032.95</u>	<u>-1.1</u>	<u>-30,635.43</u>	<u>-2.5</u>	<u>17,871.00</u>	<u>0.8</u>	<u>-8,048.82</u>	<u>-0.5</u>	<u>-26.00</u>	<u>-145.0</u>

Presentation of expenses incurred in 2016 and funds for projects "PAULA", "Burundian Refugee Camp" and "Action Medeor Malawi Medical Aid Organization"  
obtained from third parties and presentation of donations intended for the projects in 2016

	1.	2.	3.	4.	5. (1. - 4.)	6.	7.	8.	9.	10.	11.
	General costs	Operating expenses	Local personnel costs	Funds, material costs, travel expenses, etc.	Expenses overall	Unused funds from previous years	Adjustment of unused funds from previous years	Funds received	Administrative expenses	Funds not yet disposed	Financing through own funds
	€	€	€	€	€	€	€	€	€	€	€
<u>Projekt</u>											
Paula	0.00	0.00	0.00	0.00	<b>0.00</b>	<b>-4,395.32</b>	<b>4,395.32</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Burundian Refugee Camp	16,606.76	3,522.65	0.00	1,385.89	<b>21,515.30</b>	<b>-106.28</b>	<b>106.28</b>	<b>-21,428.15</b>	<b>0.00</b>	<b>0.00</b>	<b>-87.15</b>
Action Medeor Malawi Medical Aid Organization	0.00	0.00	0.00	534.97	<b>534.97</b>	<b>-2,166.37</b>	<b>2,166.37</b>	<b>-534.97</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<u>16,606.76</u>	<u>3,522.65</u>	<u>0.00</u>	<u>1,920.86</u>	<b><u>22,050.27</u></b>	<b><u>-6,667.97</u></b>	<b><u>6,667.97</u></b>	<b><u>-21,963.12</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>-87.15</u></b>

Explanations to numbers 6 + 7:

Funds, which action medeor International Healthcare gGmbH received for the projects mentioned above in financial year 2015, have been designatedly used for the coverage of expenses from financial year 2014, which first have been financed through own funds.

# General Engagement Terms

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

DokID:

All rights reserved. This form may not be reprinted, either in whole or in part, or copied in any manner, without the express written consent of the publisher.  
© IDW Verlag GmbH · Tersteegenstraße 14 · 40474 Düsseldorf

## 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 scenter, 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.