

# Report

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on the audit of the annual financial statements for the period ending on 31. December 2022

**Water Integrity Network Association e.V.**  
Berlin

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## 1. Audit mandate

The chairwoman of the Association of

Water Integrity Network Association e.V.,

Berlin

- hereinafter also referred to as "WIN e.V." or "Association" for short -.

has engaged us to audit the annual financial statements as of 31 December 2022, including the underlying accounting records of the Company in accordance with professional standards and to report in writing on the results of our audit.

This audit report is addressed to the audited company.

The audit assignment of 14 April 2023 was based on the resolution of the Supervisory Board meeting of 25 October 2022, at which we were elected as auditors of the financial statements (§ 310 para. 1 sentence 1 HGB).

The company is classified as a small corporation in accordance with the size criteria set out in § 267 para. 1 HGB as a small corporation.

In accordance with § 321 paragraph 4a HGB, we confirm that, in our audit, we have applicable provisions on independence in our audit of the financial statements.

The performance of the engagement and our responsibility, also in relation to third parties, are based on the agreed "General Engagement Terms for Auditors and Auditing Firms of 1 January 2017", which are attached to this report as an annex. In addition, we refer to the liability provisions contained in section 5 and to the exclusion of liability towards third parties.

## 2. Basic findings

### 2.1. Statement on the assessment of the situation by the legal representatives

The legal representatives have permissibly not prepared a management report. From the annual financial statements and the assessment of the situation by the legal representatives as well as the other audited documents, we highlight the following aspects that are of particular importance for the assessment of the economic situation of the association:

- The association closed the year under review with a net profit of EUR 5,632.72 (previous year's net profit EUR 3,398.09).
- The majority of the association's income (approx. 86%) relates to income from grants.
- The accounting of donations received and donations used remains unchanged in accordance with IDW RS HFA 21 "IDW Statement on Accounting: Peculiarities of Accounting for Donation-Collecting Organisations". As a result of the realisation of donations at the time of the appropriate use, this income is generally offset by the same amount of expenses for statutory services.
- A surplus from the project activities of the association arises in the non-material area only from funds that have not been reclaimed, funds granted on a lump-sum basis and other income from donations and similar income.
- Income from grants increased by KEUR 76 to a total of KEUR 1,503 compared to the previous year.
- As in previous years, cooperation with the Swedish International Development Agency (Sida) and the Swiss Agency for Development and Cooperation (SDC), Berne, accounted for a significant share of the total income with KEUR 294 (previous year KEUR 801) and KEUR 351 (previous year KEUR 100) respectively. The income realised in connection with these donors
- decreased by a total of KEUR 256 compared to the previous year. In January 2020, a new agreement was also concluded with the SDC, Berne, which provides for a funding amount of KEUR 920 for the years 2020 to 2023.
- With the expiry of the DGIS funding, the grants decreased by KEUR 48 to KEUR 269 (previous year KEUR 317).
- Hewlett increased income from grants by KEUR 203 to KEUR 364.
- A new funding agreement with NewVentureFund (NVF) generated income of KEUR 54.
- There was an increase in the services purchased, namely consultations. In the reporting year, turnover was again generated from the transfer of funds to project partners. These amounted to KEUR 242 (previous year KEUR 372).
- The assets and capital situation as well as the liquidity situation of the association are generally in order. A corresponding amount of short-term assets is financed on a long-term basis. In addition, the association has sufficient short-term liquidity to cover its operational financial needs for 3.5 months (previous year 3.4 months).

In accordance with § 321 para. 1 sentence 2 of the German Commercial Code (HGB), we, as auditors, comment in advance on the situation of the company in the annual financial statements. In doing so, we address in particular the assessment of the company's continued existence and future development. Our opinion is based on our own assessment of the situation of the company, which we obtained in the course of our audit of the annual financial statements.

The above highlights are supplemented below in section 5. by analytical presentations of material aspects of the net assets, financial position and results of operations.

According to the results of our audit and the knowledge gained in the process, the assessment of the company's situation, including the opportunities and risks of future development presented, is plausible and logically derived. Our audit has not revealed any indications that the company's continued existence as a going concern would be endangered.

### 3. Reproduction of the auditor's report

Following the final results of our audit, we have issued the following unqualified audit opinion on the financial statements as at 31 December 2022 (Annexes 1 to 3) of the Water Integrity Network Association e.V., Berlin, dated 30 May 2023, which is reproduced here:

#### **"INDEPENDENT AUDITOR'S REPORT**

To the Water Integrity Network Association e.V., Berlin

##### *Audit opinion*

We have audited the annual financial statements of the Water Integrity Network Association e.V., Berlin, which comprise the balance sheet as at 31 December 2022 and the income statement for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including a description of the accounting and valuation methods.

In our opinion, based on the findings of our audit, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in accordance with German principles of proper accounting.

In accordance with § 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations concerning the correctness 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 German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with German commercial law and professional regulations and 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 financial statements.

## *Responsibility of the legal representatives and the supervisory board for the annual financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless this is precluded by factual or legal circumstances.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

## *Auditor's Responsibility for the Audit of the Financial Statements*

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

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- We identify and assess the risks of material misstatements in the the risk that a material misstatement resulting from fraud or error is not detected is higher because the risk that a material misstatement resulting from fraud or error is not detected is higher than the risk that a material misstatement resulting from error is not detected. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.



- Obtain an understanding of internal control relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the going concern basis of accounting used by management 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Company being unable to continue as a going concern.
- We assess the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual 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.

We discuss with those charged with governance, 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."

#### 4. Subject, type and scope of the examination

The subject of our audit were

- the accounting records,
- the financial statements as at 31 December 2022 consisting of the balance sheet, profit and loss account and notes (Annexes 1 to 3) ,
- as well as compliance with the relevant statutory accounting requirements.

With regard to the delimitation of the areas of responsibility of the bodies of the association responsible for the preparation and monitoring of the accounting process and for our audit, we refer to the relevant sections in the auditor's report.

A review of the nature and adequacy of the insurance cover, in particular whether all risks are taken into account and adequately insured, was not the subject of our audit engagement.

##### 4.1. Type and scope of the audit

In conducting our audit of the annual financial statements, we observed the provisions of §§ 316 ff. HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW.

Our audit did not cover whether the continuation of the company as a going concern or the effectiveness and efficiency of the management can be assured.

We carried out the audit work - with interruptions - in the period from 1 April 2023 to 30 May 2023 at the Company's offices in and at our office in Berlin. The audit report was then completed.

The starting point for our audit was the previous year's financial statements as at 31 December 2021, which were audited by us and issued with an unqualified audit opinion dated 25 May 2022; they were adopted unchanged by shareholders' resolution dated 30 June 2022.

In addition to this, the management confirmed to us in writing in the declaration of completeness customary in the profession that all assets/assets, obligations, risks and accruals subject to accounting have been taken into account in the bookkeeping and in the annual financial statements to be audited, that all expenses and income have been included, that all necessary information has been provided and that all existing contingent liabilities have been disclosed to us. No events of particular significance occurred after the end of the financial year according to this declaration and did not come to our attention during our audit.

Likewise, the detection of administrative offences or fraudulent acts was not the subject of the audit. Our audit procedures are therefore not, by their nature, designed to detect serious violations of statutory provisions and administrative offences committed outside the scope of financial reporting. However, there were no indications that would have made it necessary to extend the scope of the audit in this respect. An audit of the insurance coverage with regard to existing risks was also not part of the audit of the annual financial statements.

In conducting our audit of the annual financial statements, we observed the provisions of §§ 316 ff. HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW. Accordingly, we conducted our audit in a problem-oriented manner - but without a specific focus on an embezzlement audit - in such a way that we should have been able to identify irregularities and violations of the statutory provisions that have a material effect on the presentation of a true and fair view of the net assets, financial position and results of operations of the company. Our audit did not extend to whether the company's continued existence as a going concern or the effectiveness and efficiency of management can be assured (section 317 (4a) HGB).

The audit was based on a planning of the focal points of the audit, taking into account our preliminary assessment of the company's situation and an assessment of the effectiveness of the accounting-related internal control system (ICS) (risk-oriented audit approach). The assessment was based in particular on knowledge of the legal and economic framework conditions. Industry risks, corporate strategy and the resulting business risks are known from the audit of the previous year's financial statements, from discussions with the management and employees of the company.

The following key audit areas resulted from the risk areas identified during the audit planning:

- Recognition and measurement of significant trade receivables,
- completeness and valuation of provisions,
- Accuracy and completeness of the notes,
- Other individual matters with a material effect on the presentation of the financial position net assets, financial position and results of operations

Based on a preliminary assessment of the ICS, we observed the principles of materiality and efficiency in determining the further audit procedures. Both the analytical audit procedures and the case-by-case audits were therefore carried out in selected samples according to type and scope, taking into account the significance of the audit areas and the organisation of the accounting system. The samples were selected in such a way that they take into account the economic significance of the individual items of the annual financial statements and enable compliance with the statutory accounting requirements to be adequately tested.

For the purpose of verifying the Company's assets and liabilities, we have, inter alia, inspected land register extracts, obtained bank confirmations and solicitor's confirmations as well as balance confirmations for receivables and payables. Balance confirmations for the verification of trade receivables and payables were obtained within the scope of sampling and/or deliberate selection as at the balance sheet date.

Bank confirmations and balance confirmations for receivables from companies in which participations are held and for liabilities to affiliated companies were obtained without interruption.

We did not participate in the inventory. However, through appropriate sampling, we have satisfied ourselves of the propriety of the physical inventory and valuation.

The nature, scope and results of the individual audit procedures are set out in our working papers.

## **5. Findings and explanations on the financial statements**

### **5.1. Regularity of the financial reporting**

The information taken from the other documents audited or used for the audit lead to a proper presentation in the accounts and annual financial statements.

Overall, it can be stated that, in our opinion, the accounting records and the other documents audited or used for the audit comply in all material respects with the legal requirements, including generally accepted accounting principles (or other relevant accounting principles). The audit did not result in any objections.

#### **5.1.1. Annual financial statements**

As of the balance sheet date, the company is classified as a small corporation within the meaning of Section 267 (1) of the German Commercial Code (HGB). These annual financial statements as at 31 December 2022 were prepared in accordance with the provisions of commercial law applicable to small corporations set up.

The balance sheet and profit and loss account are properly derived from the bookkeeping and the other audited documents. The balance sheet (Annex 1) is structured according to the scheme of § 266 para. 2 and 3 HGB. The profit and loss account (Annex 2) was prepared according to the total cost method pursuant to § 275 para. 2 HGB.

Where presentation options exist in the balance sheet or in the income statement, the corresponding information is largely provided in the notes.

The accounting and valuation methods applied to the balance sheet and the profit and loss account are adequately explained in the notes to the financial statements prepared by the company (Appendix 3). All legally required individual disclosures and the optional disclosures on the balance sheet and the profit and loss account included in the notes are complete and correct.

The safeguard clause of § 286 HGB has not been invoked.

In our opinion, the annual financial statements comply in all material respects with the legal requirements, including generally accepted accounting principles. The audit did not result in any objections.

### **5.2. Overall statement of the annual financial statements**

#### **5.2.1. Findings on the overall presentation of the financial statements**

Our audit has shown that the annual financial statements comply in all material respects with the legal requirements and that the overall picture conveyed by the balance sheet, profit and loss account and notes, in compliance with generally accepted accounting principles, gives a true and fair view of the net assets, financial position and results of operations of the company (§ 264 para. 2 HGB).

For further information, please refer to the analysis of the net assets, financial position and results of operations in section 5.

### **Significant valuation principles and their changes**

In the annual financial statement of the Water Integrity Network Association e.V., the accounting and valuation methods were basically applied unchanged from the previous year, and any possible disclosure options were applied in accordance with the previous year.

For further information, please refer to the explanations in the Notes (Appendix 3).

## 6. Analysis of the net assets, financial position and results of operations

In order to analyse the net assets, financial position and results of operations, we have classified the items of the balance sheet and the profit and loss account according to business aspects, whereby the presentation is limited to a brief analysis of development. The analysis is not intended to provide a comprehensive assessment of the economic situation of the company. In addition, the informative value of balance sheet data is relatively limited - especially due to the reference date of the data.

### 6.1. Net worth position

In the following balance sheet overview, the items as at 31 December 2022 are summarised according to economic and financial aspects and compared with the corresponding balance sheet items as at 31 December 2021 (cf. Annex 1).

In order to present the asset structure, the balance sheet items on the assets side are allocated to non-current (maturity greater than one year) or medium- and short-term tied assets.

For the presentation of the capital structure, the balance sheet items on the liabilities side are allocated to equity or debt capital, whereby within debt capital an allocation is made according to long-term (maturity greater than one year) or medium- and short-term availability.

The asset and capital structure as well as their changes compared to the previous year are shown in the following summaries of the balance sheet figures in KEUR for the two balance sheet dates 31 December 2022 and 2021:

#### Asset structure

	2022		2021		+/-
	KEUR	%	KEUR	%	KEUR
Intangible assets	1	0	1	0	0
Tangible fixed assets	58	3	59	5	-1
<b>Non-current assets</b>	<b>59</b>	<b>3</b>	<b>60</b>	<b>5</b>	<b>-1</b>
Inventories	0	0	25	2	-25
Trade receivables	130	7	153	11	-23
Other assets	16	1	16	1	0
Prepaid expenses and deferred charges	2	0	1	0	1
<b>Assets tied up in the short term</b>	<b>148</b>	<b>8</b>	<b>195</b>	<b>14</b>	<b>-47</b>
<b>Cash and cash equivalents</b>	<b>1,694</b>	<b>89</b>	<b>1,092</b>	<b>81</b>	<b>602</b>
	<b>1,901</b>	<b>100</b>	<b>1,347</b>	<b>100</b>	<b>554</b>

## Capital structure

	2022		2021		+/-	
	KEUR	%	KEUR	%	KEUR	
Subscribed / called-up capital	558	29	549		41	9
Retained earnings	0	0	3		0	-3
<b>Equity/not through equity covered</b>						
<b>Deficit/capital shares/capital share less. uncalled mandatory deposits</b>	<b>558</b>	<b>29</b>	<b>552</b>		<b>41</b>	<b>6</b>
<b>Long-term borrowed capital</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Medium-term borrowed capital</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
Current other provisions	77	5	46		3	31
Liabilities from deliveries and services	1,241	65	739		55	502
Other liabilities and deferred income						
Prepaid expenses and deferred charges	25	1	10		1	15
<b>Current liabilities</b>	<b>1,343</b>	<b>71</b>	<b>795</b>		<b>59</b>	<b>548</b>
	<b>1,901</b>	<b>100</b>	<b>1,347</b>		<b>100</b>	<b>554</b>

## 6.2. Financial position

The cash and cash equivalents are composed as follows:

	2022	2021
+Liquid funds	1,694	1,092
Cash and cash equivalents at the end of the period	<u>1,694</u>	<u>1,092</u>

## 6.3. Earnings position

The comparison of the income statements for the two financial years 2022 and 2021 derived from the income statement (Appendix 2) shows the following picture of the earnings situation and its changes:

	2022		2021		+/-	
	KEUR	%	EUR	%	EUR	%
Sales revenue	1,706		1,549		157	10
Change in inventory	-25		13		-38	<-100
<b>Operating output</b>	<b>1,681</b>	<b>100</b>	<b>1,562</b>	<b>100</b>	<b>119</b>	<b>8</b>
Cost of materials	-694	-41	-665	-43	-29	-4
Personnel expenses	-815	-48	-702	-45	-113	-16
Depreciation and amortisation	-12	-1	-12	-1	0	0
Other operating expenses	-187	-11	-216	-14	29	13
<b>Operating expenses</b>	<b>-1,708</b>	<b>-101</b>	<b>-1,595</b>	<b>-103</b>	<b>-113</b>	<b>-7</b>
Other operating income	33	2	36	2	-3	-8
<b>Operating result</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>-1</b>	<b>3</b>	<b>100</b>
<b>Profit before income taxes</b>	<b>6</b>		<b>3</b>		<b>3</b>	
<b>Annual result</b>	<b>6</b>		<b>3</b>		<b>3</b>	

## 7. Final remark

We have issued the following report on our audit of the annual financial statements of the Water Integrity Network Association e.V., Berlin, for the financial year from 1 January to 31 December 2022 in accordance with the legal requirements. The audit report is based on the "Grundsätze ordnungsmäßiger Erstellung von Prüfungsberichten" (IDW PS 450 n. F.).

For the unqualified audit opinion we have issued, we refer to section 3 Reproduction of the audit opinion.

Any use of the auditor's report reproduced above outside this auditor's report requires our prior consent. Any publication or dissemination of the annual financial statements in a form deviating from the certified version (including translation into other languages) requires our prior renewed opinion, provided that our audit opinion is quoted or reference is made to our audit; reference is made to § 328 HGB.

Berlin, 30 May 2023

**dhpg** Berlin GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Volkmer

Wirtschaftsprüferin



Müller

Wirtschaftsprüfer



## **Attachments**

**Water Integrity Network Association e.V., Berlin**  
**Balance sheet as at 31 December 2022**

**ACTIVA**

	31.12.2022 EUR	31.12.2021 EUR
<b>A. FIXED ASSETS</b>		
I. Intangible assets		
1. Concessions acquired against payment, industrial property rights and similar rights and values as well as licences to such rights and values	501.00	871.00
	501.00	871.00
II. Property, plant and equipment		
1. Technical equipment and machinery	7,382.00	3,747.00
2. Other equipment, operating and office equipment	50,832.00	55,763.00
	58,214.00	59,510.00
	58,715.00	60,381.00
<b>B. CURRENT ASSETS</b>		
I. Inventories		
1. work in progress, unfinished services	0.00	25,480.07
	0.00	25,480.07
II. receivables and other assets		
1. trade receivables	130,550.52	153,108.36
2. other assets	16,199.95	15,522.35
	146,750.47	168,630.71
III. cash in hand, Bundesbank balances, credit balances with credit institutions and cheques	1,694,192.34	1,092,024.25
	1,840,942.81	1,286,135.03
<b>C. PREPAID EXPENSES</b>	1,829.18	1,235.40
	1,901,486.99	1,347,751.43

**PASSIVA**

	31.12.2022 EUR	31.12.2021 EUR
<b>A. EQUITY</b>		
I. Subscribed capital		
1. subscribed capital	558,278.12	549,247.31
	558,278.12	549,247.31
II. loss carried forward	-5,632.72	0.00
III. net profit for the year	5,632.72	3,398.09
	558,278.12	552,645.40
<b>B. PROVISIONS</b>		
1. tax provisions	262.15	0.00
2. other provisions	77,352.28	45,905.95
	77,614.43	45,905.95
<b>C. LIABILITIES</b>		
1. trade payables	1,240,983.21	738,799.53
2. other liabilities	24,611.23	10,400.55
	1,265,594.44	749,200.08
	1,901,486.99	1,347,751.43

**Water Integrity Network Association e.V., Berlin**

**Profit and loss account for the financial year 2022**

	2022 EUR	2021 EUR
1. Income from grants	1,503,146.42	1,427,076.17
2. Other revenue	203,235.05	122,012.43
3. Decrease/increase in the Inventory of finished goods and work in progress products	-25,480.07	13,499.86
<b>4. total output</b>	<b>1,680,901.40</b>	<b>1,562,588.46</b>
5. Other operating income		
a) Other miscellaneous operating Income	<u>33,788.25</u>	<u>36,044.24</u>
	33,788.25	36,044.24
6. Cost of materials		
a) Cost of purchased Services	<u>-694,210.88</u>	<u>-665,499.71</u>
	<u>-694,210.88</u>	<u>-665,499.71</u>
<b>7. gross profit</b>	<b>1,020,478.77</b>	<b>933,132.99</b>
8. Personnel expenses		
a) Wages and salaries	-670,630.72	-573,761.93
b) Social security contributions and Expenses for Pension scheme and for Support	<u>-144,980.39</u>	<u>-128,243.26</u>
	-815,611.11	-702,005.19
9. Abschreibungen	-11,761.45	-11,626.57
10. other operating expenses		
a) Other miscellaneous operating Expenses	<u>-187,263.34</u>	<u>-216,103.14</u>
	<u>-187,263.34</u>	<u>-216,103.14</u>
<b>11. operating result</b>	<b>5,842.87</b>	<b>3,398.09</b>
12. Other interest and similar expenses Income	<u>52.00</u>	<u>0.00</u>
<b>13. Result after taxes</b>	<b>5,894.87</b>	<b>3,398.09</b>
<b>14. other taxes</b>	<u>-262.15</u>	<u>0.00</u>
<b>15. Profit for the year</b>	<b><u>5,632.72</u></b>	<b><u>3,398.09</u></b>

## NOTES FOR THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2022 OF THE WATER INTEGRITY NETWORK ASSOCIATION E.V.

### I. GENERAL INFORMATION

The Water Integrity Network Association e. V., hereinafter referred to as WIN, has its registered office in Berlin and is entered in the register of associations at Charlottenburg Local Court under the number VR 32914 B. The association was founded on 23 December 2013. WIN has the following objectives in the field of promoting the integrity of the global water sector:

- a) Promotion of systematic, reproducible and documented research, the results of which are published promptly,
- b) Promotion of education and training,
- c) Promotion of development cooperation,
- d) Promoting crime prevention by fighting corruption,
- e) Raising funds to support research, training, development cooperation and crime prevention through other tax-privileged institutions or public bodies.

The tax-privileged special-purpose operations are exempt from corporate income tax and trade tax. Taxable economic operations are not exempt.

In accordance with § 264 HGB, WIN is a small corporation. Therefore an appendix is prepared. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB). The structure of the balance sheet corresponds to § 266 HGB, the profit and loss account is prepared according to the total cost method in accordance with § 275 Paragraph 2. The structure of the profit and loss account was extended in accordance with § 265 HGB. No changes were made in the presentation of the previous year's amounts in the profit and loss account.

The evaluation was based on the continuation of the business activity.

### II. Accounting principles

The annual financial statements shall comprise the balance sheet, the profit and loss account and the notes for the financial year ended 31 December 2022.

The annual financial statements were prepared in accordance with the German Commercial Code (HGB) for small corporations.

The presentation, classification, recognition and measurement in the balance sheet and income statement correspond to the principles applied in the previous year.

Purchased **intangible assets** (software) and **tangible assets** are valued at acquisition or production cost less the depreciation and amortisation that has accrued to date and is amortised over the financial year. Depreciation is calculated using the straight-line method in accordance with the normal useful life.

**Inventories** regarding work in progress are valued at acquisition or productions costs taking into account the lowest value principle.

**Receivables and other assets** are stated at nominal value. All identifiable individual risks are taken into account in the valuation.

**Cash in hand** and **bank balances** are stated at their nominal amounts.

**Prepaid expenses** contain expenditure prior to the balance sheet date which relate for a certain time after the balance sheet date.

**Provisions** take into account all identifiable risks and contingent liabilities and are valued at the amount required to settle the obligation according to sound business judgment. Future price and cost increases are taken into account if there is sufficient objective evidence that they will occur.

**Liabilities** are carried at the settlement amount.

**Foreign currency** receivables and liabilities with a remaining term of up to one year are translated at the mean spot exchange rate on the balance sheet date. To this extent, unrealized gains and losses from currency translation are included in these annual financial statements.

Donations are taken into account in the financial statements if proof of eligibility is available.

Donation grants received but not yet used are shown under accounts payable as "Funds received in advance".

Advances to project partners are reported under accounts receivable as "Advances to partners". Accordingly, donation allocations used for these advances are transferred from "Donation financing received in advance" to "Liabilities to donors" within accounts payable.

Expenses are recognized in the income statement when evidence of the costs incurred is available. Expenses for advances to project partners are only considered as expenses if WIN receives proof of the expenditure in the form of project reports, original receipts or other relevant evidence.

"Donation income" is taken into account in the profit and loss account,

(a) if the eligibility is verifiable and there are no restrictions on funding ("free" funds) or

(b) in accordance with expenditure incurred for project-related grants, fully documented and submitted ("earmarked" funds).

To improve the clarity and validity of the balance sheet

(a) services of consultants and contribution to partners that were part of other operating expenses were transferred to material costs.

(b) advances to donors and partners that were part of other assets were transferred to accounts receivable.

(c) liabilities to donors and partners that were part of other liabilities were transferred to accounts payable.

### III. NOTES TO THE BALANCE SHEET

#### 1. Long term assets

The development of the individual items in long term assets is shown in the statement of changes in assets, which is enclosed with these notes.

#### 2. Current assets

##### 2.1 Inventories

Services rendered to clients that have not yet been invoiced are activated here (work in progress), don't include profit elements.

##### 2.2 Accounts receivable

Account receivables include advances to partners and receivables from lenders.

Advances to partners are made up as follows:

	2022	2021
CESPAD, Kenia	4,407 €	4,381 €
Coalition Burkina Faso	372 €	372 €
DORP, Bangladesch	2,972 €	8,085 €
PNE Benin	77 €	21,503 €
Neighbours Initiative Alliance (NIA), Kenia	6,081 €	6,079 €
KEWASNET, Kenia	17,262 €	16,069 €
WaterAid, GB		41,073 €
ControlaTuGobierno, Mexiko		17,538 €
Cap-Net		6,557 €
CantroAzul	9,000 €	
CoST	15,238 €	
DGIS 2017-2022	75,142 €	31,451 €
<b>Total</b>	<b>130,551 €</b>	<b>153,108 €</b>

Account receivables have a residual maturity of less than one year.

### 2.3 Other assets

Other assets include receivables from tax refunds as well as a rent deposit and credit card security.

	<b>2022</b>	<b>2021</b>
Receivables from other taxes		171 €
Advances to Employees	1,209 €	53 €
Collateral	13,005 €	13,005 €
Other receivables	1,986 €	2,293 €
<b>Total</b>	<b>16,200 €</b>	<b>15,522 €</b>

### 2.4 Cash and cash equivalents

This item includes cash on hand and bank balances.

	<b>2022</b>	<b>2021</b>
Petty cash	49 €	282 €
General EUR 00	924,711 €	529,706 €
USD-Account	100,129 €	122,478 €
SDC EUR 04	460,000 €	230,000 €
Umweltbank Macherkonto	209,303 €	209,558 €
<b>Total</b>	<b>1,694,192 €</b>	<b>1,092,024 €</b>

Cash and cash equivalents are offset in particular by donations received in advance.

### 2.5 Development of equity

This account includes prepaid license fees and insurance relating to 2022 (EUR 1,829.18 in 2022 and EUR 1,235.40 in the previous year).

## Equity and liabilities

### 3. Statement of changes in equity

	<b>2022</b>	<b>2021</b>
Association capital	19,405 €	19,405 €
Reserves	481,320 €	481,320 €
Profit carried forward	51,920 €	48,522 €
Net income	5,633 €	3,398 €
<b>Total</b>	<b>558,278 €</b>	<b>552,645 €</b>

### 4. Provisions

Other provisions include the following items:

	<b>2022</b>	<b>2021</b>
Holidays	34,817 €	22,748 €
Professional Associations	1,717 €	1,717 €
Preparing of the annual financial statement	4,581 €	3,257 €
Operating expenses	9,000 €	5,000 €
Audits	9,000 €	10,366 €
Archiving and decommissioning	2,999 €	2,818 €
Steuerrückstellung	262 €	
Anticipated invoices	15,238 €	
<b>Total</b>	<b>77,614 €</b>	<b>45,906 €</b>

### 5. Accounts payable

The item accounts payable is composed as follows:

	<b>2022</b>	<b>2021</b>
Funds received in advance	1,056,326 €	535,729 €
Liabilities to donors - partner advances	40,170 €	121,657 €
Liabilities to employees and members		0 €
Liabilities to partners	23,910 €	30,936 €
Liabilities to others	120,577 €	50,477 €
<b>Total</b>	<b>1,240,983 €</b>	<b>738,799 €</b>



The individual items of funds received in advance can be broken down as follows:

	<b>2022</b>	<b>2021</b>
NewVentureFund	91,424 €	
SDC core 2021-2023	18,750 €	139,288 €
SIDA 2022-2025	233,210 €	0 €
Hewlett	672,533 €	338,351 €
GIZ	40,409 €	58,090 €
<b>Total</b>	<b>1,056,326 €</b>	<b>535,729 €</b>

Note: if the expenses exceed the grants received in advance, a receivable from the donors is recognized, see also **2.2 Accounts receivable**.

As in the previous year, all trade payables have a remaining term of less than one year.

## **6. Other liabilities**

The item other liabilities is made up as follows:

	<b>2022</b>	<b>2021</b>
Sales tax	13,549 €	823 €
Social security liabilities	929 €	924 €
Liabilities from wage and church tax	10,133 €	8,654 €
<b>Total</b>	<b>24,611 €</b>	<b>10,401 €</b>

All other liabilities have a remaining term of less than one year.

#### IV NOTES TO THE PROFIT AND LOSS STATEMENT

##### 1. Income from grants

The income generated from grants from our donors breaks down as follows:

<b>Donor</b>	<b>2022</b>	<b>2021</b>
DGIS 2017-2022	268,691 €	316,640 €
GIZ	171,184 €	48,882 €
SIDA 2022-2025	294,302 €	800,809 €
SDC Core 2020-2023	350,538 €	99,541 €
Hewlett	364,415 €	161,178 €
newventurefund	53,991 €	
Shopping-Portale	25 €	26 €
<b>Total</b>	<b>1,503,146 €</b>	<b>1,427,076 €</b>

##### 2. Other sales (service division)

At TEUR 203, revenues in the service division in the year under report were slightly above at the level as in the previous year (TEUR 122).

##### 3. Increase or decrease in inventories of finished goods and work in progress

In the year under review, the work in progress capitalized on December 31, 2021 was invoiced; the amount recognized in profit or loss in 2022 was therefore EUR -25 thousand, compared with EUR +13 thousand in the previous year.

##### 4. Other operating income

Other operating income comprises the following items:

	<b>2022</b>	<b>2021</b>
Income from currency conversion	23,939 €	31,450 €
Reimbursements expenses compensation act	7,864 €	4,594 €
Others	1,985 €	
<b>Total</b>	<b>33,788 €</b>	<b>36,044 €</b>

##### 5. Other interest and similar income

In the year under review interests in the amount of EUR 52 were earned.

## 6. Expenses for purchased services

Expenses from donations to partner organizations and for services rendered by consultants in connection with the activities of the Association amounted to TEUR 694 in the fiscal year, TEUR 665 in the previous year.

The composition of these expenses is as follows:

	<b>2022</b>	<b>2021</b>
Grants to partners	242,054 €	372,159 €
Consulting expenses	448,593 €	286,129 €
Other service expenses	3,564 €	7,212 €
<b>Total</b>	<b>694,211 €</b>	<b>665,500 €</b>

## 7. Personnel expenses

Personnel expenses amounted to TEUR 816 in the fiscal year, of which TEUR 5 was for retirement benefits (2021: TEUR 702, of which TEUR 5 for retirement benefits).

## 8. Depreciation and amortization

Depreciation of fixed assets amounted to TEUR 12 in the fiscal year like in the previous year.

## 9. Other operating expenses

Other operating expenses decreased to TEUR 187 in the reporting year compared to TEUR 216 in 2021. The composition of these expenses is as follows:

	<b>2022</b>	<b>2021</b>
Expenses for advisory and auditing	8,353 €	18,542 €
Publications	7,313 €	61,061 €
Travel expenses	50,101 €	25,994 €
Office expenses	66,012 €	48,786 €
Miscellaneous other operating expenses	38,983 €	38,197 €
Currency conversion	16,501 €	23,523 €
<b>Total</b>	<b>187,263 €</b>	<b>216,103 €</b>

## 10. Net income for the year

Net income for 2022 amounted to EUR 5,633 after EUR 3,398 in the previous year.

## V. OTHER INFORMATION

WIN's vision is a world with fair and sustainable access to water and a clean environment, no longer threatened by corruption, greed, dishonesty and deliberate abuse.

WIN's mission is to increase integrity and reduce corruption in the water sector through a focus on poverty and equality. WIN works with partners and influences decision-makers to facilitate coalitions between several active stakeholders and to build capacity for the use of water integrity tools and strategies at all levels.

To fulfil its mission, WIN pursues strategic objectives in cooperation with **stakeholders, networks, partnerships, country and regional programmes, capacity building, knowledge management and tools and methodologies**, and as such are included in its budget by the General Assembly.

### 1. Expenditure compared to the 2022 budget

The following table shows how the costs for 2022 are distributed among the various organisational goals.

## Actual expenditures against budget by work areas

	Budget adopted by GA 11/2021	Amended budget adopted by SB 05/2022	DGIS	SDC Core	Sida	Hewlett	NVF	GIZ	Service	Total expenditures	Deviation Budget 11/2021	Deviation Budget 05/2022
Objective 1	594,000 €	655,000 €	64,514	2,356	13,369	98,399	31,789	171,184	197,602	579,213	-14,787 €	-75,787 €
Objective 2	469,000 €	512,200 €	28,807	63,922	93,713	212,143				398,585	-70,415 €	-113,615 €
Objective 3	337,000 €	418,500 €	55,012	140,715	91,678	53,873	22,202	0	0	363,480	26,480 €	-55,020 €
<i>Outcome 3.1: Evidence</i>	120,000 €	120,000 €	55,012	47,314	71,287		17,072			190,685	70,685 €	70,685 €
<i>Outcome 3.2: Tools</i>	72,000 €	121,500 €		1,750	7,320	53,873	5,130			68,073	-3,927 €	-53,427 €
<i>Outcome 3.3: Capacity Develop. &amp; Online Courses</i>	90,000 €	122,000 €		31,371	9,545					40,916	-49,084 €	-81,084 €
<i>Outcome 3.4: Comms Support Objective 3</i>	55,000 €	55,000 €		60,280	3,526					63,806	8,806 €	8,806 €
Management, Governance, HR and Administration	402,000 €	407,000 €	120,358	134,999	76,725					332,082	-69,918 €	-74,918 €
Fundraising		10,000 €		8,546	18,817					27,363	27,363 €	17,363 €
<b>Total</b>	<b>1,802,000 €</b>	<b>2,002,700 €</b>	<b>268,691</b>	<b>350,538</b>	<b>294,302</b>	<b>364,415</b>	<b>53,991</b>	<b>171,184</b>	<b>197,602</b>	<b>1,700,723</b>	<b>-101,277 €</b>	<b>-301,977 €</b>

The budget for 2022, which was approved by the General Assembly in November 2021, was conservative at EUR 1.802 million due to a weak year 2021 caused by the pandemic (total expenditure EUR 1.559 million), but showed a clearly positive trend. After the conclusion of new grant contracts showed that the development of the funds in 2022 would be particularly positive, the budget was increased again significantly to EUR 2.003 million in May 2022. In operational implementation, however, it turned out that this was too optimistic. Staff changes and the leak of capacity meant that ultimately only EUR 1.701 million could be spent.

## 2. Expenditures by type of cost versus budget

Type of expenditure	Budget	Expenditure	Deviation
<b>in EUR</b>			
<b>Consultants</b>	523,900.00	452,157.00	-71,743.00
<b>Partners</b>	290,000.00	242,054.00	-47,946.00
<b>Publications</b>	30,000.00	7,313.00	-22,687.00
<b>WIN travel expenses</b>	55,000.00	50,101.00	-4,899.00
<b>WIN overheads</b>	101,500.00	113,347.00	11,847.00
<b>WIN Personal</b>	790,100.00	815,611.00	25,511.00
<b>Depreciation</b>	11,500.00	11,761.00	261.00
<b>Currency conversion</b>		16,501.00	16,501.00
<b>Taxes</b>		262.00	262.00
<b>Income (allocated to work areas)</b>		-8,384.00	-8,384.00
<b>Total</b>	<b>1,802,000.00</b>	<b>1,700,723.00</b>	<b>-101,277.00</b>

### 3. Development of advances on donations by donor

in EUR	DGIS	SDC Core	Hewlett	SIDA	NVF	GIZ	Service	Gesamt
Opening balance	-31,452.00	139,288.00	338,351.00	0.00		58,091.00		504,278.00
Advances to partners (dissolution)			121,657.00					121,657.00
Funds received	225,000.00	230,000.00	579,107.00	567,682.00	135,387.00	153,503.00	203,235.00	2,093,914.00
Refunds								0.00
Expenditures	-268,690.00	-350,538.00	-364,416.00	-294,302.00	-53,991.00	-171,184.00	-197,602.00	-1,700,723.00
Advances to partners				-40,170.00				-40,170.00
Currency conversion			-2,165.00		10,028.00			7,863.00
Interests								0.00
Profit carried forward							-5,633.00	-5,633.00
<b>Balance carried forward into next year</b>	<b>-75,142.00</b>	<b>18,750.00</b>	<b>672,534.00</b>	<b>233,210.00</b>	<b>91,424.00</b>	<b>40,410.00</b>	<b>0.00</b>	<b>981,186.00</b>

## **VI. Other legal information**

### **1. Personnel**

The average number of employees during the financial year was 13, of which 12 were permanent employees and 1 was trainee.

### **2. Corporate bodies**

The Executive Board comprises in 2022:

Mrs Barbara Schreiner, Berlin

The **Supervisory Board** is composed as follows:

Letitia Obeng, Washington D.C., Chairwoman of the Supervisory Board, retiree

Dick van Ginhoven, Delft, consultant

Peter Conze, Berlin, retiree

Mayli Sepúlveda Toledo, Mexico City, consultant (until November 2022)

Alana Potter, Johannesburg, International Co-ordinator of End Water Poverty (since December 2022)

Robert Gakubia, Nairobi, WASREB

### **3. Proposed appropriation of the annual result**

The Executive Board proposes to carry forward the net income to new account.

Berlin, 15 Mai 2023



Water Integrity Network Association e. V.

Barbara Schreiner, Executive Director



**Development of fixed assets in the financial year 2022**

	ACQUISITION AND PRODUCTION COSTS				ACCUMULATED DEPRECIATION				NET BOOK VALUES	
	1. Jan. 2022 EUR	Additions EUR	Disposals EUR	31. Dec. 2022 EUR	1. Jan. 2022 EUR	Additions EUR	Disposals EUR	31. Dec. 2022 EUR	31. Dec. 2022 EUR	31. Dec. 2021 EUR
<b>Intangible Assets</b>										
Concessions acquired for consideration, industrial Property rights and similar rights and assets as well as Licences in such rights and values	6,768.96	873.46	0.00	7,642.42	5,897.96	1,243.46	0.00	7,141.42	501.00	871.00
	<u>6,768.96</u>	<u>873.46</u>	<u>0.00</u>	<u>7,642.42</u>	<u>5,897.96</u>	<u>1,243.46</u>	<u>0.00</u>	<u>7,141.42</u>	<u>501.00</u>	<u>871.00</u>
<b>Tangible Assets</b>										
Technical equipment and machinery	34,501.37	7,870.45	0.00	42,371.82	30,754.37	4,235.45	0.00	34,989.82	7,382.00	3,747.00
Other equipment, operating and office equipment	71,348.85	1,351.54	0.00	72,700.39	15,585.85	6,282.54	0.00	21,868.39	50,832.00	55,763.00
	<u>105,850.22</u>	<u>9,221.99</u>	<u>0.00</u>	<u>115,072.21</u>	<u>46,340.22</u>	<u>10,517.99</u>	<u>0.00</u>	<u>56,858.21</u>	<u>58,214.00</u>	<u>59,510.00</u>
<b>Financial Investments</b>										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>112,619.18</u>	<u>10,095.45</u>	<u>0.00</u>	<u>122,714.63</u>	<u>52,238.18</u>	<u>11,761.45</u>	<u>0.00</u>	<u>63,999.63</u>	<u>58,715.00</u>	<u>60,381.00</u>

## INDEPENDENT AUDITOR'S REPORT

To the Water Integrity Network Association e.V., Berlin

### *Audit opinion*

We have audited the annual financial statements of the Water Integrity Network Association e.V., – Berlin, which comprise the balance sheet as at 31 December 2022 and the income statement for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including a description of the accounting and valuation methods.

In our opinion, based on the findings of our audit, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in accordance with German principles of proper accounting.

In accordance with § 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations concerning the correctness 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 German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with German commercial law and professional requirements and 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 financial statements.

### *Responsibility of the legal representatives and the supervisory board for the annual financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern.

They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

#### *Auditor's Responsibility for the Audit of the Financial Statements*

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

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- We identify and assess the risks of material misstatements in the the risk that a material misstatement resulting from fraud or error is not detected is higher because the risk that a material misstatement resulting from fraud or error is not detected is higher than the risk that a material misstatement resulting from error is not detected. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the going concern basis of accounting used by management 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Company being unable to continue as a going concern.
- We assess the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual 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.

We discuss with those charged with governance, 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.

Berlin, 30 May 2023

**dhpg** Berlin GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Volkmer

Wirtschaftsprüferin



Müller

Wirtschaftsprüfer

# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

as of January 1, 2017

DokID:

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#### 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.