



**Energy Community  
Vienna, Austria**

**Report on the Audit of the  
Financial Statements for the  
Year ended 31 December 2015**

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
14 April 2016  
*This report contains 11 pages and 2 annexes*  
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**EXEMPLAR**

04

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## **Note**

The use of automated calculation systems may give rise to rounding differences.

To the Director of the  
Energy Community,  
Vienna, Austria

We have audited the financial statements for the year ended 31 December 2015 of

**Energy Community,  
Vienna, Austria**  
(referred to as "the Organization"),

and **report** on the result of our audit as follows:

## **1. Audit Contract and Scope of the Engagement**

The Organization, represented by the Director, concluded with us a contract to audit the financial statements of the Organization as of 31 December 2015, dated 16 June 2014 (for 2 years). Our Audit also comprised the accounting system in accordance with Section 269 et seq UGB (Austrian Commercial Code).

The audit is a **voluntary** audit.

According to Article 80 of the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection, the Director shall, subject to approval by the Budget Committee, designate an independent External Auditor.

The **audit includes** assessing whether the statutory requirements and additional regulations as stipulated in the articles of association were adhered to.

Our audit was performed in accordance with the **legal requirements and generally accepted standards on auditing** as applied in Austria. These standards require that we comply with *International Standards on Auditing* – ISA. An auditor conducting an audit obtains reasonable assurance that the consolidated financial statements are free from material misstatement. An absolute assurance is not attainable, due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system. There is an unavoidable risk that even material misstatements may remain undetected. Areas which are generally covered in special engagements were not included in our scope of work.



We performed the audit at the Organization's registered office in December 2015 (interim audit) and from February to April 2016 (final audit). The audit was substantially completed at the date of this report.

**Auditor in charge** of the engagement is Mr. Mag. Dr. Johannes Bauer, Wirtschaftsprüfer (Austrian Chartered Accountant).

Our audit is based on the audit contract concluded with the Organization. The "**General Conditions of Contract**" issued by the Chamber of Austrian Chartered Accountants (see Annex II) form an integral part of the audit contract. The conditions of contract do not only apply to the Organization and the auditor, but also to third parties. Our liability as auditors is guided under Section 275 UGB (Austrian Commercial Code).

## **2. Breakdown and Description of Significant Financial Statement Items**

The breakdown and description of all significant financial statement items is included in the notes to the financial statements.

### **3. Summary of Audit Findings**

#### **3.1. Compliance of the accounting system and financial statements**

During our audit, we obtained evidence that the statutory requirements as well as the Organization's articles of association and International Public Sector Accounting Standards (IPSAS) have been complied with.

In line with our risk and controls based audit approach and to the extent we considered necessary for the purpose of expressing an opinion, we considered internal controls related to sub processes of the financial reporting process as part of our audit. Based on the work performed, we did not note any material weaknesses in internal controls over the financial reporting processes.

With regard to the compliance of the **financial statements** with all applicable statutory requirements we refer to the auditor's report.

#### **3.2. Explanations and evidence**

The Organization's legal representative has sufficiently provided all evidence and explanations requested by us. We obtained Management's representation letter confirming the completeness of the financial statements.

#### **3.3. Reporting in accordance with Section 273 Paragraph 2 UGB**

During our audit we did not note any facts which indicate there could be substantial doubt about the Organization's ability to continue as a going concern, or which might indicate a material offence of the Organization's legal representatives or its employees against Austrian law or the Organization's Articles of Association. We did not note any material weaknesses in the internal controls over the financial reporting process.

## 4. Bestätigungsvermerk / Auditor's Report

### Bericht zum Jahresabschluss

Wir haben den beigefügten Jahresabschluss der

**Energy Community,  
Wien,**

bestehend aus der Bilanz zum 31. Dezember 2015, der Erfolgsrechnung, der Geldflussrechnung nach der indirekten Methode und dem "Vergleich zwischen budgetierten und tatsächlichen Beträgen" für das an diesem Stichtag endende Geschäftsjahr sowie dem Anhang, geprüft. Bezüglich unserer Verantwortlichkeit und Haftung als Abschlussprüfer gegenüber der Organisation und gegenüber Dritten kommt § 275 UGB zur Anwendung.

### *Verantwortung des gesetzlichen Vertreters für den Jahresabschluss*

Der gesetzliche Vertreter der Organisation ist verantwortlich für die Aufstellung und sachgerechte Gesamtdarstellung dieses Jahresabschlusses in Übereinstimmung mit den International Public Sector Accounting Standards (IPSAS) und für die internen Kontrollen, die der gesetzliche Vertreter als notwendig erachtet, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen beabsichtigten oder unbeabsichtigten falschen Darstellungen ist.

### *Verantwortung des Abschlussprüfers*

Unsere Aufgabe ist es, auf der Grundlage unserer Prüfung ein Urteil zu diesem Jahresabschluss abzugeben. Wir haben unsere Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der internationalen Prüfungsstandards (International Standards on Auditing – ISA). Nach diesen Grundsätzen haben wir die beruflichen Verhaltensanforderungen einzuhalten und die Abschlussprüfung so zu planen und durchzuführen, dass hinreichende Sicherheit darüber erlangt wird, ob der Jahresabschluss frei von wesentlichen falschen Darstellungen ist.

Eine Abschlussprüfung beinhaltet die Durchführung von Prüfungshandlungen, um Prüfungsnachweise für die im Jahresabschluss enthaltenen Wertansätze und sonstigen Angaben zu erlangen. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers. Dies schließt die Beurteilung der Risiken wesentlicher beabsichtigter oder unbeabsichtigter falscher Darstellungen im Jahresabschluss ein. Bei der Beurteilung dieser Risiken berücksichtigt der Abschlussprüfer das für die Aufstellung und sachgerechte Gesamtdarstellung des Jahresabschlusses durch die Organisation relevante interne Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Organisation abzugeben. Eine Abschlussprüfung umfasst auch die Beurteilung der Angemessenheit der angewandten Rechnungslegungsgrundsätze und der Vertretbarkeit der vom gesetzlichen Vertreter ermittelten geschätzten Werte in der Rechnungslegung sowie die Beurteilung der Gesamtdarstellung des Jahresabschlusses.

Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

**Prüfungsurteil**

Unsere Prüfung hat zu keinen Einwendungen geführt. Nach unserer Beurteilung entspricht der Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Organisation zum 31. Dezember 2015 sowie der Ertragslage und der Zahlungsströme der Organisation für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den International Public Sector Accounting Standards (IPSAS).

Wien, am 14. April 2016

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



  
Mag. Dr. Johannes Bauer  
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss. Für abweichende Fassungen sind die Vorschriften des § 281 Abs 2 UGB zu beachten.



## **Auditor's Report (Translation)**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of

**Energy Community,  
Vienna, Austria,**

that comprise the statement of financial position as of 31 December 2015, the statement of financial performance, the indirect method cash flow statement and the statements of comparison of budget and actual amounts for the fiscal year then ended, and the notes. Our liability as auditors is guided under Section 275 UGB (Austrian Commercial Code).

### ***Management's Responsibility for the Financial Statements***

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing – ISA. In accordance with International Standards on Auditing, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

Our audit did not give rise to any objections. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Vienna, 14 April 2016

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:  
Mag. Dr. Johannes Bauer  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)

**Financial Statements  
for the Year ended  
31 December 2015**

## Statement of Financial Position as of 31 December 2015

ASSETS	Notes	31 December 2015	31 December 2014	
		In EUR	In EUR	
<b>A. Current assets</b>				
I. Cash and cash equivalents	2.2.1.	420,355.83	624,871.46	
II. Receivables	2.2.2.			
	1. VAT (Federal Ministry of Finance)	44,602.88	37,235.25	
	2. Budget contributions receivables	0.00	9,710.55	
	3. Other receivables	214,935.37	407.40	
<b>Total receivables</b>		<b>259,538.25</b>	<b>47,353.20</b>	
III. Prepayments	2.2.3.	89,226.10	69,437.20	
<b>Total current assets</b>		<b>769,120.18</b>	<b>741,661.86</b>	
<b>B. Non-current assets</b>				
I. Intangible assets				
	Software and licences	2.2.4.	31,636.04	19,133.42
II. Tangible assets				
	Infrastructure, plant and equipment	2.2.5.	53,712.69	64,982.81
<b>Total non-current assets</b>		<b>85,348.73</b>	<b>84,116.23</b>	
<b>TOTAL ASSETS</b>		<b>854,468.91</b>	<b>825,778.09</b>	
<b>LIABILITIES</b>				
<b>A. Current liabilities</b>				
I. Accounts payables				
	1. Trade payables	2.2.6.	115,657.45	128,811.96
	2. Other liabilities	2.2.7.	69,231.46	47,555.22
	3. Legal commitments	2.2.8.	539,945.98	544,797.00
	4. Unused appropriations	2.2.9.	36,508.29	20,497.68
<b>Total current liabilities</b>		<b>761,343.18</b>	<b>741,661.86</b>	
<b>Deferred income</b>	2.2.10.	<b>7,777.00</b>	<b>0.00</b>	
<b>Investments</b>	2.2.11.	<b>85,348.73</b>	<b>84,116.23</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>854,468.91</b>	<b>825,778.09</b>	

## Statement of Financial Performance for the year ending 31 December 2015

	Notes	31 December 2015 in EUR	31 December 2014 in EUR
<b>REVENUE</b>	2.3.1.		
1. Donations			
a) Budget Contribution Parties		3,517,786.00	3,448,810.00
b) Other donations		394,482.30	165,682.32
c) Allocation to investments		-64,301.12	-56,915.61
d) Legal commitments, prior year		544,797.00	359,718.00
e) Legal commitments, current year		-539,945.98	-544,797.00
f) Unused appropriations		-41,235.51	-18,801.52
<b>Total donations</b>		<b>3,811,582.69</b>	<b>3,353,696.19</b>
2. Finance revenue		1,453.93	3,785.19
3. Other revenue		3,349.29	2,093.67
<b>TOTAL REVENUE</b>		<b>3,816,385.91</b>	<b>3,359,575.05</b>
<b>EXPENSES</b>	2.3.2		
1. Salaries		-1,992,091.22	-1,813,239.91
2. Depreciation and amortization and disposal			
a) of fixed intangible and tangible assets		-63,068.62	-72,682.69
b) usage of obligations dedicated for assets		63,068.62	72,682.69
Total depreciation and amortization and disposal			
3. Operating expenses		-1,824,294.69	-1,546,335.14
<b>TOTAL EXPENSES</b>		<b>-3,816,385.91</b>	<b>-3,359,575.05</b>
<b>NET SURPLUS FOR THE PERIOD</b>		<b>0.00</b>	<b>0.00</b>

## Comparison of Budget and Actual amounts for the year 2015

(in EUR)	Original Budget 2015	Changes due to other Sources of Revenue	Budget Transfers 2015	Final Budget 2015	Actual amounts 2015 on a comparable basis	Legal Commitments 2015	Actual amounts 2015 on a comparable basis incl. Legal Commitments	Actual amounts on a comparable basis incl. Legal Commitments [in %]	Unused Appropriations
		2.4.2.	2.4.2.				2.4.4.		2.4.5.
<b>ORDINARY BUDGET</b>									
<b>1. HUMAN RESOURCES</b>									
<b>Subtotal Human Resources</b>	<b>1,901,290.00</b>			<b>1,901,290.00</b>	<b>1,891,819.58</b>		<b>1,891,819.58</b>	<b>99.50%</b>	<b>9,470.42</b>
<b>2. TRAVEL EXPENSES</b>									
Daily Subsistence Allowance (DSA)	112,200.00		-16,000.00	96,200.00	95,801.10		95,801.10	99.59%	398.90
Travel Expenses (flights and incidentals)	132,600.00		36,000.00	168,600.00	167,179.44		167,179.44	99.16%	1,420.56
<b>Subtotal Travel Expenses</b>	<b>244,800.00</b>	<b>0.00</b>	<b>20,000.00</b>	<b>264,800.00</b>	<b>262,980.54</b>	<b>0.00</b>	<b>262,980.54</b>	<b>99.31%</b>	<b>1,819.46</b>
<b>3. OFFICE EXPENSES</b>									
Office rent	15,300.00	169,482.30		184,782.30	184,071.74		184,071.74	99.62%	710.56
Office equipment	65,280.00		-900.00	64,380.00	64,301.12		64,301.12	99.88%	78.88
Consumables	92,820.00	4,803.22	-6,700.00	90,923.22	85,832.83		85,832.83	94.40%	5,090.39
Other Services	51,000.00		-2,400.00	48,600.00	48,588.25		48,588.25	99.98%	11.75
<b>Subtotal Office Expenses</b>	<b>224,400.00</b>	<b>174,285.52</b>	<b>-10,000.00</b>	<b>388,685.52</b>	<b>382,793.94</b>	<b>0.00</b>	<b>382,793.94</b>	<b>98.48%</b>	<b>5,891.58</b>
<b>4. OTHER COSTS AND SERVICES</b>									
Advertising, communication and representation	30,804.00		20,000.00	50,804.00	50,687.38		50,687.38	99.77%	116.62
Studies, research and consulting	459,000.00		28,300.00	487,300.00	45,976.86	441,300.00	487,276.86	100.00%	23.14
Costs of outsourced services (IT, payroll, etc.)	91,800.00		12,500.00	104,300.00	104,232.35		104,232.35	99.94%	67.65
Costs of Audit, Legal and Financial Advice	35,700.00		43,500.00	79,200.00	79,100.05		79,100.05	99.87%	99.95
Financial services	14,892.00		-2,500.00	12,392.00	11,391.14		11,391.14	91.92%	1,000.86
Conference costs	186,660.00		-59,000.00	127,660.00	125,291.10		125,291.10	98.14%	2,368.90
Refunding	285,600.00		-40,300.00	245,300.00	244,851.78		244,851.78	99.82%	448.22
Training	42,840.00		-12,500.00	30,340.00	29,923.65		29,923.65	98.63%	416.35
<b>Subtotal Other Costs and Services</b>	<b>1,147,296.00</b>	<b>0.00</b>	<b>-10,000.00</b>	<b>1,137,296.00</b>	<b>691,454.31</b>	<b>441,300.00</b>	<b>1,132,754.31</b>	<b>99.60%</b>	<b>4,541.69</b>
<b>Subtotal Operating Expenses</b>	<b>1,616,496.00</b>	<b>174,285.52</b>	<b>0.00</b>	<b>1,790,781.52</b>	<b>1,337,228.79</b>	<b>441,300.00</b>	<b>1,778,528.79</b>	<b>99.32%</b>	<b>12,252.73</b>
<b>TOTAL EXPENSES - ORDINARY BUDGET</b>	<b>3,517,786.00</b>	<b>174,285.52</b>	<b>0.00</b>	<b>3,692,071.52</b>	<b>3,229,048.37</b>	<b>441,300.00</b>	<b>3,670,348.37</b>	<b>99.41%</b>	<b>21,723.15</b>
<b>EXTRAORDINARY BUDGET</b>									
Donation Poland		15,000.00		15,000.00	15,000.00		15,000.00	100.00%	0.00
Donation UK		210,000.00		210,000.00	111,354.02	98,645.98	210,000.00	100.00%	0.00
<b>TOTAL EXPENSES - EXTRAORDINARY BUDGET</b>	<b>0.00</b>	<b>225,000.00</b>	<b>0.00</b>	<b>225,000.00</b>	<b>126,354.02</b>	<b>98,645.98</b>	<b>225,000.00</b>	<b>100.00%</b>	<b>0.00</b>
<b>ORDINARY &amp; EXTRAORDINARY BUDGET</b>	<b>3,517,786.00</b>	<b>399,285.52</b>	<b>0.00</b>	<b>3,917,071.52</b>	<b>3,355,402.39</b>	<b>539,945.98</b>	<b>3,895,348.37</b>	<b>99.45%</b>	<b>21,723.15</b>

**Reconciliation of  
Actual budget amount on comparable basis and actual amounts of the Statement of Financial Performance**

(in EUR)	Actual amounts Budget Report 2015	Legal Commitments 2014	Unused Legal Commitments 2014	Differences Budget Report vs. Financial Statements	Actual amounts Statement of Financial Performance	Ref to the Notes
	(1)	(2)	(3)	(4)	(5)= (1)+(2)+(3)+(4)	
			2.4.5.			
<b>ORDINARY BUDGET</b>						
<b>1. HUMAN RESOURCES</b>						
<b>Subtotal Human Resources</b>	<b>1,891,819.58</b>	<b>0.00</b>		<b>1,151.64</b>	<b>1,892,971.22</b>	2.4.9. Note 1
<b>2. TRAVEL EXPENSES</b>						
Daily Subsistence Allowance (DSA)	95,801.10				95,801.10	
Travel Expenses (flights and incidentals)	167,179.44				167,179.44	
<b>Subtotal Travel Expenses</b>	<b>262,980.54</b>				<b>262,980.54</b>	
<b>3. OFFICE EXPENSES</b>						
Office rent	184,071.74				184,071.74	
Office equipment	64,301.12			-64,301.12	0.00	2.4.9. Note 2
Consumables	85,832.83				85,832.83	
Other Services	48,588.25				48,588.25	
<b>Subtotal Office Expenses</b>	<b>382,793.94</b>			<b>-64,301.12</b>	<b>318,492.82</b>	
<b>4. OTHER COSTS AND SERVICES</b>						
Advertising, communication and representation	50,687.38				50,687.38	
Studies, research and consulting	45,976.86	481,151.00	-5,257.50		521,870.36	
Costs of outsourced services (IT, payroll, etc.)	104,232.35	63,646.00	-15,406.50		152,471.85	
Costs of Audit, Legal and Financial Advice	79,100.05				79,100.05	
Financial services	11,391.14				11,391.14	
Conference costs	125,291.10				125,291.10	
Refunding	244,851.78				244,851.78	
Training	29,923.65				29,923.65	
<b>Subtotal Other Costs and Services</b>	<b>691,454.31</b>	<b>544,797.00</b>	<b>-20,664.00</b>		<b>1,215,587.31</b>	
<b>Subtotal Operating Expenses</b>	<b>1,337,228.79</b>	<b>544,797.00</b>	<b>-20,664.00</b>	<b>-64,301.12</b>	<b>1,797,060.67</b>	
<b>TOTAL EXPENSES - ORDINARY BUDGET</b>	<b>3,229,048.37</b>	<b>544,797.00</b>	<b>-20,664.00</b>	<b>-63,149.48</b>	<b>3,690,031.89</b>	
<b>EXTRAORDINARY BUDGET</b>						
Donation Poland	15,000.00				15,000.00	
Donation UK	111,354.02				111,354.02	
<b>TOTAL EXPENSES - EXTRAORDINARY BUDGET</b>	<b>126,354.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>126,354.02</b>	
<b>ORDINARY &amp; EXTRAORDINARY BUDGET</b>	<b>3,355,402.39</b>	<b>544,797.00</b>	<b>-20,664.00</b>	<b>-63,149.48</b>	<b>3,816,385.91</b>	

**Indirect Method Cash Flow Statement for Year ended 31 December 2015**

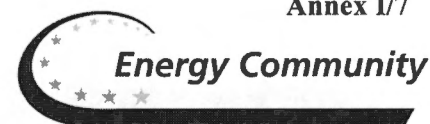
(in EUR)	<u>2015</u>	<u>2014</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus (Deficit) from ordinary activities	0.00	0.00
<b>Non-cash movements</b>		
+ Depreciation and disposal of non-current assets	63,068.62	72,682.69
- Usage of obligations dedicated for assets	-63,068.62	-72,682.69
- Increase in receivables	-212,185.05	13,988.19
+ Decrease in prepayments	-19,788.90	20,481.60
+ Increase in trade payables and other liabilities	8,521.73	6,700.44
+ Increase in deferred income	7,777.00	-2,414.17
- Decrease in unused commitments	-4,851.02	185,079.00
+ Increase in unused appropriations	16,010.61	-271,274.21
<b>Net cash flows from operating activities (1)</b>	<b>-204,515.63</b>	<b>-47,439.15</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions of non-current assets	-64,301.12	-56,915.61
<b>Net cash flows from investing activities</b>	<b>-64,301.12</b>	<b>-56,915.61</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grant contribution for assets	64,301.12	56,915.61
<b>Net cash flows from financing activities</b>	<b>64,301.12</b>	<b>56,915.61</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>-204,515.63</b>	<b>-47,439.15</b>
<b>Cash and cash equivalents at the beginning of January 1, 2015</b>	<b>624,871.46</b>	<b>672,310.61</b>
<b>Cash and cash equivalents at the end of December 31, 2015</b>	<b>420,355.83</b>	<b>624,871.46</b>

(1) Cash Flows from operating activities include interest received in amount to EUR	1,453.93	3,785.19
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## NOTES TO THE FINANCIAL STATEMENTS OF THE ENERGY COMMUNITY

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## 1. GENERAL INFORMATION

### 1.1. Nature of Energy Community Operations

The Energy Community stands for the process that aims to extend the EU internal energy market to the South East Europe region, Moldova and Ukraine. The task of the Energy Community is to organise the relations between the Parties to the Treaty establishing the Energy Community and create a legal and economic framework in relation to gas and electricity sectors falling within the scope of the energy *acquis*. The main goals are to create a stable and regulatory market framework capable of attracting investment; to create a single regulatory space for trade; to enhance security of supply; to improve the environmental situation and to develop electricity and gas market competition on a broader geographical scale.

The main Institutions established under the Treaty are the Ministerial Council, the Permanent High Level Group, the Regulatory Board, the Fora, and the Secretariat. Further bodies were established in the course of Treaty implementation through Ministerial Council decisions, like Forum/Task Forces/Coordination Groups etc.

### 1.2. Legal Form and Applicable Jurisdiction

By the Agreement between the Energy Community and the Republic of Austria regarding the seat of the Secretariat of the Energy Community in effect as of 1 July 2007, Austria recognizes the legal personality of the Energy Community as an international organization. Energy Community has its seat in Vienna and is registered in the Republic of Austria by the Federal Ministry of European and International Affairs with the organization number (1010180000).

### 1.3. Legislation Governing Energy Community Financial Operations

The Energy Community operates under the provisions of the Treaty establishing the Energy Community. The Treaty was signed in Athens on 25 October 2005 and entered into force on 1 July 2006. The initial duration of the Treaty of 10 years was extended - by the decision of the Ministerial Council on 24 October 2013 - until 2026.

The Secretariat is the only permanent institution of the Energy Community established by the Treaty and operates under the rules set by the decision-making Institutions of the Energy Community, namely the Ministerial Council as the Treaty's ultimate legislative organ. The responsibility for the implementation of the Energy Community budget lies with the Director of the Secretariat.

Pursuant to the Article 79 of the Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection (further "*Budgetary Procedures*")<sup>1</sup> the accounts of the previous year are established not later than 31 March. These accounts are validated by the Director.

Pursuant to the Article 37 of the above mentioned Budgetary Procedures, the Director of the Secretariat, introduces rules, which specify obligations of staff members of the Secretariat's that are involved in financial operations of the Energy Community.

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<sup>1</sup> Procedural Act of the Ministerial Council of the Energy Community No 2014/01/MC-EnC amending Procedural Act No 2006/03/MC-EnC laying down the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection

## 2. ACCOUNTING POLICIES AND DETAILS TO THE FINANCIAL STATEMENTS

### 2.1. Accounting Policies

#### 2.1.1. Legal Basis and Accounting Rules

The accounts of the Energy Community (EnC) are kept in accordance with Procedural Act No. 2014/01 of 23 September 2014<sup>2</sup> on the *Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection (Budgetary Rules)*.

In accordance with Article 70 of the above mentioned Procedures, the Energy Community prepares its financial statements on the basis of accrual-based accounting rules that are based on the International Public Sector Accounting Standards (IPSAS). These accounting rules were adopted and applied for the periods starting 1 January 2008. The accounts of the Energy Community are kept in euro on the basis of the calendar year.

#### 2.1.2 Accounting Principles

The objective of financial statements is to provide information about the financial position, performance, cash flows and changes in equity during the financial year. For an entity such as the Energy Community, the objective is also to demonstrate the accountability of the entity for the resources entrusted to it.

As their purpose is to present a true and fair view, financial statements supply relevant information to describe the nature and range of Energy Community activities, explain how it is financed and supply the information on its operations, in a manner which allows comparisons between financial years.

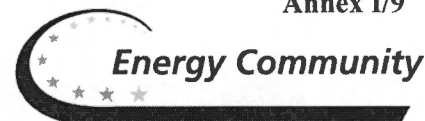
The accounting system of the Energy Community is laid down as to enable production of financial statements and budget accounts. The general accounts are based on accrual accounting principle to allow for the preparation of the financial statements to establish the financial position in the form of a balance sheet as of 31 December, and to measure the Energy Community financial performance for the financial year. Furthermore financial statements shall provide the information on how the Energy Community generated its cash in order to meet its payment obligations during the financial year and to indicate changes in equity.

The budget accounts give a detailed picture of the implementation of the budget. They are based on the accrual accounting principle.

The overall accounting principles to be followed when preparing the financial statements are laid down in Article 70 of the *Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection* and are the same as described in IPSAS 1, which are: fair presentation, accrual basis, going concern, consistency of presentation, prudence, no netting, materiality and comparability of information.

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<sup>2</sup> Procedural Act of the Ministerial Council of the Energy Community No 2014/01/MC-EnC amending Procedural Act No 2006/03/MC-EnC laying down the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection



### **2.1.3. Accounting policy**

On 28 September 2012 the Director of the Energy Community adopted the Energy Community Accounting Policy as well as accounting treatment and disclosure of changes in accounting policies through the Procedural Act 2012/03/ECS-EnC on the adoption of the Energy Community Accounting Policy.

Below is the summary of the accounting policies adopted:

- Unused appropriations and legal commitments are accounted as deductions from revenue;
- Unused budget appropriations shall be paid back to the Parties on annual basis;
- Budget amendments shall be made on annual basis to reflect sources of revenue other than contributions from the Parties;
- The payments for consultancy services requested by the Energy Community on the basis of agreed instalments in relevant contract are booked as prepayments. The payments are booked onto expense account upon receipt of final results of the consultancy service (mainly in the format of a final report);
- Value added tax of the invoices with total amount below EUR 73.00 shall be accounted as expense;
- The Energy Community applies the straight-line method for the depreciation of property, plant and equipment.

## **2.2. Notes to the Statement of Financial Position**

### **2.2.1. Cash and cash equivalents**

Cash and cash equivalents are financial instruments and defined as current assets. They include cash at hand and deposits held at bank.

Included in cash and cash equivalents at December 31 2015 are EUR 420,080.77 at bank account (2014: EUR 622,537.37) and petty cash EUR 275.06 (2014: EUR 2,334.09)

### **2.2.2. Receivables**

Receivables are carried at original amount less write-off. Receivables are written off, when there is objective evidence that Energy Community will not be able to collect all amounts due according to the original terms of receivables.

At 31 December 2015 the total amount of receivables resulted from VAT claims against *Federal Ministry of Finance of the Republic of Austria* EUR 44,602.88 (2014: EUR 37,235.25), deposit office premises EUR 2,154.97 (2014: EUR 0.00) and other receivables at the amount of EUR 212,780.40 (2014: EUR 407.40).

Other receivables in 2015 refer to a contract concluded in September 2015 with British authorities for the preparation of secondary legislation for the one of the Contracting Parties of the EnC (Ukraine).

### 2.2.3. Prepayments

Under the rules of the Energy Community payments can be made from the Energy Community budget in relation to contracts covering periods that extend the financial year (so called 'legal commitments').

Prepayments with the amount of EUR 37,945.48 (2014: EUR 21,360.00) relate to the contracts concluded for research and consulting in the areas of work of the Energy Community.

Prepayment in the amount of EUR 48,706.86 (2014: EUR 47,555.22) relate to accrual for leave accumulated by staff members of the EnC by 31 December 2015. This position, build following accounting requirements, shall not be cash effective as it is underpin by the Energy Community framework. In this regard, Energy Community Staff Regulation 10.2. employees are entitled to annual leave at the rate of 2.5 working days per month. Leave accumulated in preceding years not used by 31 March of any year shall be forfeited. Annual leave cannot be compensated with pay as consumption of it shall be made within the notice period.

Therefore the adaption of this accrual shall not be considered in the repayments to the Parties and as a consequence results in a prepayment at the same amount as the accrual for annual leave as of 31 December. Details of prepayments are presented below:

	<b>31.12.2015</b> in EUR	<b>31.12.2014</b> in EUR
Prepaid expenses	2,573.76	521.98
Payments in advance (research and consulting)	37,945.48	21,360.00
Prepayment unused budget appropriations in regard to annual leave accrual	48,706.86	47,555.22
<b>Total</b>	<b>89,226.10</b>	<b>69,437.20</b>

### 2.2.4. Intangible assets

Acquired software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use. These costs are amortised over their estimated useful lives (3 years). Costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in intended by manner. Costs associated with maintaining computer software and licenses are recognised as expenses as incurred.

<i>Computer software and licences</i>	<b>31.12.2015</b> in EUR	<b>31.12.2014</b> in EUR
Gross carrying amount at 31 December 2014	78,243.43	74,658.33
Additions	29,937.23	16,889.10
Disposals	-	- 13,304.00
<b>Gross carrying amount at 31 December 2015</b>	<b>108,180.66</b>	<b>78,243.43</b>
Accumulated depreciation at 31 December 2014	59,110.01	55,754.19
Depreciation charge for the year	17,434.61	16,659.82
Disposals	-	- 13,304.00
<b>Accumulated depreciation at 31 December 2015</b>	<b>76,544.62</b>	<b>59,110.01</b>
<b>Net carrying amount at 31 December 2015</b>	<b>31,636.04</b>	<b>19,133.42</b>
<i>Net carrying amount at 31 December 2014</i>	<i>19,133.42</i>	<i>18,904.14</i>

### 2.2.5. Tangible assets

All items of property, plant and equipment are stated at historic cost less depreciation and impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Energy Community and the cost of the item can be measured reliably. Repairs and maintenance are charged to the expenditure account during the financial period in which they incurred.

<i>Infrastructure, Plant and equipment</i>	<b>31.12.2015</b> in EUR	<b>31.12.2014</b> in EUR
Gross carrying amount at 31 December 2014	359,540.66	342,049.40
Additions	34,363.89	40,026.51
Disposals	- 34,473.00	- 22,535.25
<b>Gross carrying amount at 31 December 2015</b>	<b>359,431.55</b>	<b>359,540.66</b>
Accumulated depreciation at 31 December 2014	294,557.85	261,070.23
Depreciation charge for the year	45,525.68	56,022.87
Disposals	- 34,364.67	- 22,535.25
<b>Accumulated depreciation at 31 December 2015</b>	<b>305,718.86</b>	<b>294,557.85</b>
<b>Net carrying amount at 31 December 2015</b>	<b>53,712.69</b>	<b>64,982.81</b>
<i>Net carrying amount at 31 December 2014</i>	<i>64,982.81</i>	<i>80,979.17</i>

Depreciation is calculated using the straight-line method to allocate the assets' cost to their estimated useful lives, as follows:

Type of asset	Straight-line depreciation rate
Intangible assets	33.33%
Tangible assets	20.00% to 33.33%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of financial performance. Assets whose purchase price is below EUR 400.00 are fully depreciated in the year of purchase.

### *Leases*

Leases of tangible assets where the lessee has substantially all the risks and rewards of ownership are classified as financial lease.

Leases where the lessor retains a significant portion of the risks and rewards inherent to the ownership are classified as operating lease. Payments made under operating leases are charged to the statement of financial performance for the portion accrued during the financial year.

On 31 December 2015 Energy Community had outstanding commitments resulting from one operating lease contract. Future minimum lease payments fall due as follows:

	2015	2014
Within one year	1,880.64	2,156.89
Between two and five years	7,522.56	7,522.40
<b>Total</b>	<b>9,403.20</b>	<b>9,679.29</b>

### *2.2.6. Trade payables*

Almost the entire amount of the payables of the Energy Community relate to the purchase of goods and services. Payables are recognised when goods are delivered or services received. Total amount of trade payables at 31 December 2015 amounted to EUR 115,657.45 (2014: EUR 128,811.96).

### *2.2.7. Other liabilities*

This position in the statement of financial position refers to accrued expenses for non consumed annual leave on 31 December 2015 of EUR 48,706.86 (2014: EUR 47,555.22).

On 31 December 2015 other liabilities include also other accruals of EUR 20,524.60 (2014: EUR 0.00).

### **2.2.8. Legal commitments**

Legal commitments of the financial year 2015 refer to the legal commitments the Energy Community entered into by 31 December 2015 without having received goods or services by the end of the year.

On 31 December 2015 total amount of committed budget was EUR 539,945.98 (in 2014: EUR 544,797.00) and referred to energy policy (consulting) contracts related to different areas of work of the Energy Community. Finalisation of those contracts in terms of deliverables (reports) has been planned for 2016.

### **2.2.9. Unused appropriations**

In accordance with the rules of the Energy Community budget appropriations in respect of which no commitment has been entered into by December 31 shall be shown as liability towards the Parties and paid back in accordance with the applicable table of repayments of the not used budget contributions.

The repayments are based on the statement of financial performance plus charge in annual leave accrual (also presented in budget report) as of 31 December. The repayment amount for 2015 is EUR 36,508.29 (2014: EUR 20,497.68). As the accrual for annual leave is treated as a liability that will never be prohibitive the annual alteration of this accrual is excluded from the calculation for the repayment amount for unused budget. Since the budget in 2015 is nearly completely exhausted the sum for the annual leave accrual (EUR 48,706.86) exceeds the amount to be paid back to the Parties (EUR 36,508.29) which results in an amount receivable towards the Parties shown in the statement of financial position. Nonetheless, the unused appropriation of EUR 36,508.29 will be paid to the Parties according to the table under section 2.4.5. To enhance the clarity of the above mentioned circumstance from 2013 (retrospective correction of 2013) the amount equal to annual leave accrual (sum of variance between budget report and statement of financial performance) is shown as a prepayment.

### **2.2.10. Deferred Income**

According to the Energy Community accounting rules, transactions are recognised in the financial statements in the period to which they related. Similar as for the accrued expenses, also, revenue is accounted for in the period to which it relates. At year-end, if an invoice is issued for a service and/or delivery relating to future periods, the revenue will be deferred and recognised in the subsequent accounting period.

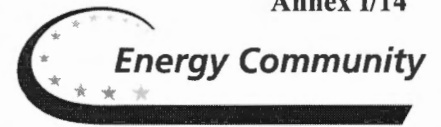
At 31 December 2015, EUR 7,777.00 (in 2014: EUR 0.00) "deferred income" was received for the next budgetary period.

### **2.2.11. Investments**

Since the investments of EUR 85,348.73 (in 2014: EUR 84,116.23) were made by using the contributions of the Parties to the Treaty, the same amount is also shown as "investments".

The book value as of 31 December 2015 of investments consists of the book value as of January 1 2015 amounting to EUR 84,116.23 (as of January 1 2014 EUR 99,883.31) and additions amounting to EUR 64,301.12 (in 2014: EUR 56,915.61) reduced by depreciation of EUR 62,960.29 (in 2014: EUR 72,682.69) and book value of disposed assets of EUR 108.33 (in 2014: EUR 0.00).





### ***2.2.12. Contingent liabilities***

Based on a contract dated 14 March 2013 between state agency for arts renting ('*Artothek des Bundes*') and Energy Community, 23 pieces of artistic paintings have been taken into the inventories of the Energy Community. Under this contract Energy Community is liable for the art pieces in the value of up to EUR 66,200.00 (insurance value). The agreed upon terms and conditions require safe return of the items by 31 December 2018.

## 2.3. Notes to the Statement of Financial Performance

### 2.3.1. Revenue

The Energy Community generates its revenue from the Parties' contributions to the Energy Community budget as stipulated in the Articles 73 and 74 of the Treaty establishing the Energy Community. The Ministerial Council adopts the budget of the Energy Community by Procedural Act every two years. The budget covers the operational expenses of the Energy Community necessary for the functioning of its Institutions.

The Parties' contributions to the budget 2015 in accordance with Annex IV of the Treaty are presented in the table below:

Parties	2015 in %	2015 in EUR	2014 in EUR
European Union	94.94%	3,339,786.03	3,274,300.21
Republic of Albania	0.9%	3,166.01	3,103.93
Bosnia and Herzegovina	0.20%	7,035.57	6,897.62
former Yugoslav Republic of Macedonia	0.10%	3,517.79	3,448.81
Moldova	0.10%	3,517.79	3,448.81
Montenegro	0.04%	1,407.11	1,379.53
Republic of Serbia	0.54%	18,996.04	18,623.57
Ukraine	3.92%	137,897.21	135,193.35
Kosovo*	0.07%	2,462.45	2,414.17
<b>TOTAL</b>	<b>100.00%</b>	<b>3,517,786.00</b>	<b>3,448,810.00</b>

\*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

In addition to the above contributions of the Parties, being the main source of revenue, the Energy Community receives donations from the Republic Austria to cover substantial portion of its rental expenses.

In the financial year 2015 the donations from the Federal Ministry of Science, Research and Economy of Austria amounted to EUR 169,482.30 (in 2014: EUR 165,682.32). Further, in 2015 donations from the Governments of Poland (EUR 15,000, 2014: EUR 0) and UK (EUR 210,000, 2014: EUR 0) have been received for predefined purposes (see table below).

Legal commitments prior year refer to the initially established amount of EUR 544,797.00. At the end of financial year 2015 however this initially established amount has not been used entirely and the non used legal commitments in the amount of EUR 20,664.00 are presented under item *f) Unused appropriations*.

Other sources of revenue represent the refunding by third parties towards the Energy Community. In 2015 other revenue and interest revenue amount to EUR 3,349.29 (in 2014: EUR 2,093.67) and EUR 1,453.93 (in 2014: EUR 3,785.19) respectively.

	<b>2015</b> in EUR	<b>2014</b> in EUR
<b>I. Donations</b>		
Budget contribution parties	3,517,786.00	3,448,810.00
Other donations	394,482.30	165,682.32
Allocation to investments	- 64,301.12	- 56,915.61
Legal commitments, prior year	544,797.00	359,718.00
Legal commitments, current year	- 539,945.98	- 544,797.00
Unused appropriations	- 41,235.51	- 18,801.52
<b>Subtotal donations</b>	<b>3,811,582.69</b>	<b>3,353,696.19</b>
<b>II. Other sources of revenue</b>		
Finance revenue	1,453.93	3,785.19
Other revenue	3,349.29	2,093.67
<b>Subtotal other sources of revenue</b>	<b>4,803.22</b>	<b>5,878.86</b>
<b>Total revenue</b>	<b>3,816,385.91</b>	<b>3,359,575.05</b>

### 2.3.2. Expenses

Expenses arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the Energy Community or the services are rendered. They are valued at cost.

Administrative and operating expenses of the Energy Community consist of the following:

### ORDINARY BUDGET

<b>Types of expenses (in EUR)</b>	<b>2015</b>	<b>2014</b>
Human resources	1,892,971.22	1,813,239.91
Expenses for studies, research and consulting	521,870.36	452,743.01
Reimbursement of travel expenses to conference participants	244,851.78	226,169.15
Travel expenses	262,980.54	232,098.05
Office rent	184,071.74	181,265.04
Cost of outsourced services (IT, payroll)	152,471.85	107,484.51
Expenses of conferences and seminars	125,291.10	105,476.93
Consumables (office cleaning, supplies, running costs, electricity)	85,832.83	81,589.03
Costs of audit, legal and financial advice	79,100.05	52,457.92
Advertising, communications and representation	50,687.38	24,405.83
Telephone, internet	43,333.37	33,510.31
Trainings	29,923.65	26,915.81
Other costs	16,646.02	22,219.55
<b>Subtotal ordinary budget</b>	<b>3,690,031.89</b>	<b>3,359,575.05</b>

### EXTRAORDINARY BUDGET

<b>Types of expenses (in EUR)</b>	<b>2015</b>	<b>2014</b>
Human resources	99,120.00	-
Travel expenses	13,415.54	-
Office rent	5,922.39	-
Expenses of conferences and seminars	3,348.60	-
Other costs	2,489.35	-
Reimbursement of travel expenses to conference participants	1,636.01	-
Consumables (office cleaning, supplies, running costs, electricity)	422.13	-
<b>Subtotal extraordinary budget</b>	<b>126,354.02</b>	<b>-</b>

<b>TOTAL BUDGET</b>	<b>3,816,385.91</b>	<b>3,359,575.05</b>
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The extraordinary budget contains a donation from Poland and a direct grant from UK:

<b>EXTRAORDINARY BUDGET</b>		<b>Donation Poland</b>	<b>Direct Grant UK</b>
<b>Types of expenses (in EUR)</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Human Resources	99,120.00		99,120.00
Travel expenses	13,415.54	11,556.39	1,859.15
Office rent	5,922.39		5,922.39
Expenses of conferences and seminars	3,348.60	1,449.60	1,899.00
Other costs	2,489.35	358.00	2,131.35
Reimbursement of travel expenses to conference participants	1,636.01	1,636.01	
Consumables (office cleaning, supplies, running costs, electricity)	422.13		422.13
<b>Subtotal extraordinary budget</b>	<b>126,354.02</b>	<b>15,000.00</b>	<b>111,354.02</b>

## 2.4. Notes on the Statement of Comparison of Budget and Actual Amounts

In the initial adopted budget, by the Ministerial Council on 24 October 2013, the amount of budget appropriations was EUR 3,517,786.00; The revenue and expenditure estimates in the initial budget are typically adjusted during the year and 'pro memoria' at the end of the financial year, being presented in the year-end budgetary accounts as final budget.

### 2.4.1. General Overview

The budgetary accounts are kept in accordance with *Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* in its amended version of 24 October 2014. Budget, is the instrument which provides for authorises the Energy Community's revenue and expenditure every second year (biennium).

The Director of the Energy Community Secretariat establishes Draft Budgets of the Energy Community for the two financial periods of biennium, in conformity with provisions of the Budgetary Procedures. The Draft Budget proposal is then submitted by the Director to the European Commission who proposes the budget for adoption to the Ministerial Council.

The **budget structure** consists of operational expenses necessary for functioning of its institutions. The budget is divided into four budget lines, those further divided into budget positions and budget accounts.

### Origin of appropriations

The main source of appropriations in the Energy Community's budget is the contributions of the Parties to the Treaty. However, there are other types of appropriations resulting from outside sources, like donations and other sources of revenue (see 2.3.1. above). Therefore for presentation purpose for the first time there is a division of budget in ordinary (Parties Contributions) and extraordinary budget (outside contributions).

- **Initial budget appropriations** adopted can be supplemented with transfers between the lines and by amending budgets.
- **Unused committed appropriations, e.g. appropriations carried over** automatically from the previous year by decision of the Budget Committee (the so called 'legal commitments), in case where expenditure was committed but for which no payment has been made by the end of the current financial year. Appropriations so carried forward are used only for the realization of the commitments that justified their carry forward.

### 2.4.2. Changes from Initial to Final Budget – budget transfers and adjustments

In accordance with the Energy Community Rules appropriations may be transferred between Budget Lines within the overall available budget. The rules defined precisely the authority approving the transfers, which depends on (1) the type of the expenditures and (2) the limit of 10% of the budget appropriations.

Following the established provisions, in 2015 the Director decided on the transfers appropriations in the total amount of EUR 140,300.00 (in 2014: EUR 248,200.00). The decision followed the justified needs to modify the respective budget lines and positions with in-/decreases of their initially established budgets.

Further change in the budget 2015 concerned the changes due to other sources of revenue, as listed above (like Other/Finance etc.).

Following the principle of equilibrium that the budget revenue and expenditure must be in balance, the adjustments of revenue were followed by the adjustments of expenditures appropriations for the same amounts.

#### **2.4.3. Reconciliation of the economic result with the budget result**

The economic result of the year is calculated on the basis of accrual accounting principle.

The budget result is based however on cash accounting rules. As both are the results of the same underlying transactions, it is a useful control to ensure that they are reconcilable.

The table under item 2.4.5 shows this reconciliation, highlighting the key reconciling amounts, split between the revenue and expenditures.

#### **2.4.4. Budget Implementation Report: Actual Amounts on Comparable Basis**

This part describes the expenditures of the Energy Community budget classified by established budget lines and positions.

Actual Amounts on Comparable Basis represent expenses for deliveries of goods and services incurred during the current financial year chargeable to the budget 2015, which are adjusted by the values related to the legal commitments of the year. In 2015 total amount of EUR 539,945.98 (in 2014: EUR 544,797.00) of committed budget appropriations remained open and is due to be expensed in 2016.

Legal commitments grouped by type of expenses are presented in the table below:

	<b>2015</b> in EUR	<b>2014</b> in EUR	<b>Remarks</b>
Studies, research and consulting	441,300.00	481,151.00	
Cost of outsourced services (incl. IT)		63,646.00	1)
Extraordinary budget - Donation UK (direct grant)	98,645.98	-	
<b>Total</b>	<b>539,945.98</b>	<b>544,797.00</b>	
Thereof unused legal commitments		20,664.00	

<sup>1)</sup> Note:

the correct figure for Costs of outsourced service in 2014 was EUR 63,646.00 (and not EUR 63,664.00 as shown in Audit Report 2014)

#### 2.4.5. Budget result - Unused Appropriations of the year 2015

Unused appropriations in the budget report are calculated as a difference between the final budget and the actual expenditures (including legal commitments of the year) without consideration of accruals (unused annual leave entitlements).

The same amount is shown as liability in the Statement of Financial Position as of December 31 2015 (see Note 2.2.9.).

(in EUR)	Budget Report	Statement of Financial Performance	Variance
<b>Initial Budget</b>	<b>3,517,786.00</b>	<b>3,517,786.00</b>	-
Budget adjustment for other income and interest income	4,803.22	4,803.22	-
Donations of the Republic of Austria (rent expenses)	169,482.30	169,482.30	-
Donation Poland	15,000.00	15,000.00	-
Donation UK	210,000.00	210,000.00	-
<b>Final Budget</b>	<b>3,917,071.52</b>	<b>3,917,071.52</b>	-
Legal Commitments 2015	- 539,945.98	- 539,945.98	-
<b>Sub-total</b>	<b>3,377,125.54</b>	<b>3,377,125.54</b>	-
Personnel costs (ordinary + extraordinary budget)	- 1,990,939.58	- 1,992,091.22	1,151.64
Operating expenses (ordinary + extraordinary budget)	- 1,364,462.81	- 1,824,294.69	459,831.88
<b>Sub-total</b>	<b>- 3,355,402.39</b>	<b>- 3,816,385.91</b>	<b>460,983.52</b>
Additions non current assets	-	64,301.12	64,301.12
Legal commitment 2014	-	544,797.00	- 544,797.00
<b>Total = Unused budget appropriations</b>	<b>21,723.15</b>	<b>41,235.51</b>	<b>- 19,512.36</b>
Changes in accrual for leave	-	-	1,151.64
Unused legal commitments 2014	-	-	20,664.00



Based on the decision of the Ministerial Council of 6 October 2011 starting 2012 the repayment amount to the Parties shall consider, in addition to the position of not used budget appropriations shown in the statement of financial position<sup>3</sup>, all other sources of revenue (incl. interest gained)<sup>4</sup>. Consequently the calculated repayment amounts to the Parties resulting from the implementation of 2015 budget are as follows:

Parties	Contribution in EUR	Contribution in %	Unused Appropriations 2015	Unused Legal Commitments 2014	Correction Other Revenue 2014	Total repayment amount
			(1)	(2)	(3)	(4) = (1) + (2) + (3)
European Union	3,339,786.03	94.94%	20,623.96	19,618.40	- 5,581.38	34,660.98
Republic of Albania	3,166.01	0.09%	19.55	18.60	- 5.29	32.86
Bosnia and Herzegovina	7,035.57	0.20%	43.45	41.33	- 11.76	73.02
former Yugoslav Republic of Macedonia	3,517.79	0.10%	21.72	20.66	- 5.88	36.50
Moldova	3,517.79	0.10%	21.72	20.66	- 5.88	36.50
Montenegro	1,407.11	0.04%	8.69	8.27	- 2.35	14.61
Republic of Serbia	18,996.04	0.54%	117.31	111.59	- 31.75	197.15
Ukraine	137,897.21	3.92%	851.55	810.03	- 230.45	1,431.13
Kosovo*	2,462.45	0.07%	15.20	14.46	- 4.12	25.54
<b>TOTAL</b>	<b>3,517,786.00</b>	<b>100.00%</b>	<b>21,723.15</b>	<b>20,664.00</b>	<b>- 5,878.86</b>	<b>36,508.29</b>

Total repayment amount in 2016 amounts to EUR 36,508.29 and is composed of the following:

- (1) not used budget appropriations for 2015: EUR 21,723.15 (see (1), table above),
- (2) not used legal commitments of 2014: EUR 20,664.00 (see (2), table above),
- (3) corrections of payment made in 2014: EUR 5,878.86 (see (3), table above).

#### 2.4.6. Key management personnel

The key management personnel (as defined by IPSAS 20) of the Energy Community Secretariat is the Director and the Deputy Director. Deputy Director, acting at the same time a head of unit/section, is appointed by the Director. The aggregate remuneration (as defined by IPSAS 20) of members of the management and the number of managers determined on a full-time equivalent basis receiving remuneration within this category are:

Aggregate remuneration	EUR 266,124.00
Number of persons	2 persons

#### 2.4.7. Events after the balance sheet date

At the date of signing of these accounts no major subsequent events occurred after balance sheet date that had come to the attention of the Director that have to be recognized in the financial statements.

<sup>3</sup> Minutes of the Budget Committee meeting of April 11 2013 (item 5a)

<sup>4</sup> Minutes of the Budget Committee meeting of March 22 2012 (item 2)

\*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

#### **2.4.8. Explanation of material differences between the budget and actual amounts**

Following the requirement of IPSAS 24 this section refers to major differences between the final budget, for which Energy Community is accountable, and actual amounts.

##### **Human Resources**

Budget Line Human Resources covers expenses for salaries of the Secretariat's staff which represent all-inclusive employee remuneration and expenses for accident insurance for staff.

In 2015 Energy Community employed 23 staff. Utilization of the human resources budget (incl. short – term appointments, i.e. internship and secondment) amounted to 99.50% (in 2014: 99.32%).

##### **Travel Expenses**

This item covers travel expenses of the Energy Community staff related to technical assistance to the Contracting Parties and participation at meetings and conferences organized at different locations outside the Secretariat's headquarters. Level of utilization reached 99.31% (in 2014: 99.61%). The original budget (EUR 244,800.00) of this budget line has been not enough and therefore subject to transfers in the course of the year-end account establishment.

##### **Office Expenses**

Budget Line Office includes expenses for acquisitions of fixed assets, office furniture, computer equipment and software, as well as, expenses for telephone, cleaning, maintenance and repair, and rental expenses.

The authorized final budget for this budget line (EUR 388,685.52; in 2014: EUR 366,560.86), was almost fully implemented (98.48%; in 2014: 99.51%).

##### **Other Costs, Services**

###### *Advertising and Communications*

Advertising and Communications expenses relate to Energy Community publications aimed at distribution to the interested public in order to promote operations and the Institutions of the Energy Community throughout the region of its scope of activities. Similarly, all material related to public relations together with representation is covered by this budget line. Utilization of the final budget of EUR 50,804.00 (in 2014: EUR 25,200.00) remained at 99.77% (in 2014: 96.85%).

### *Studies, Research and Consulting*

In general this budget line allocates funds for activities related to consulting by third parties in the areas of work of the Energy Community). During 2015 the Energy Community initiated six contracts related to studies and research (total amount EUR 441,300.00), where all of them were not finalized in 2015.

Taking into account those legal commitments, budget utilization 2015 for Studies, Research and Consulting of EUR reached high level of 100.00% (in 2014: 99.86%).

### *Cost of outsourced services (IT)*

Outsourced services relate to consulting and maintenance work provided by external IT specialists (web server, computer equipment and software in use). Also included in this position are the costs for leased office equipment, as well as fees for web based travel administration software and yearly service fee for the accounting software.

Utilization of this budget position amounted to 99.94% (in 2014: 99.49%). The original budget of EUR 91,800.00 (in 2014: EUR 90,000.00) was adjusted to EUR 104,300.00 (in 2014: EUR 172,000.00).

### *Cost of Audit, Legal and Financial Advice*

Expenses under this budget relate mainly to the costs of the annual audit as well as financial and legal advice, when required.

Throughout 2015 intense external accounting expertise was used instead of employment of a staff member. The costs of the services required amending this budget line at the end of 2015 for an amount of EUR 43,500.00 (in 2014: EUR 18,000.00). The final budget of EUR 79,200.00 (in 2014: EUR 53,000.00) was used in 99.87% (in 2014: 98.98%).

### *Financial Services*

This budget forecasts expenditures for bank charges and fees in relation to held bank account by the Energy Community. In the course of its regular business the Energy Community reimburses travel costs to participants at conferences and meetings organized by its Institutions. They mainly come from non EU countries, to which bank transfers are subject to relatively high fee rates, making those fees the main cost driver of this budget position.

The utilization of the final budget of EUR 12,392.00 (in 2014: EUR 11,600.00) in 2015 (91.92%, in 2014: 92.02%) was caused by numerous transaction outside the EU area relating to the reimbursement of travel expenditures.

### *Conference Costs*

Conference costs relate to expenses incurred for conference and meeting facilities, technical equipment and catering.

The budget of this position had been adjusted within the financial year from the initial level of EUR 186,660.00 (in 2014: 183,000.00) to EUR 127,660.00 (in 2014: 105,496.00). The utilization amounts to 98.14% (in 2014: 99.98%). Within this budget line substantial savings were made due to change of approach in the organisation of the events (less catering services).

*Refunding*

Refunding represents the reimbursement of travel expenses to the eligible participants at the meetings organized by the Institutions of the Energy Community. The budget of this position had been adjusted within the financial year from the original level of EUR 285,600.00 (in 2014: EUR 280,000.00) to EUR 245,300.00 (in 2014: EUR 227,004.00). The final budget was utilized in 99.82% (in 2014: 99.63%).

*Training and Seminars*

The budget of this position was adjusted by the means of budget transfers within the financial year from the original level of EUR 42,840.00 (in 2014: EUR 42,000.00) to EUR 30,340.00 (in 2014: EUR 27,500.00). Thus the final budget for refunding was utilized by 98.63% (in 2014: 98.06%).

#### **2.4.9. Explanatory Notes - Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements**

Energy Community Financial Statements are prepared on the accrual basis of accounting and the Budget is prepared on the modified accrual basis (see 2.4.4. for budgetary basis).

The Table 1 as annexed to this Notes (Annex 1) represents reconciliation of Actual Budget Amounts on a Comparable Basis and Actual Amounts in the Financial Statements for total expenses.

#### **Column 2: Payments to Legal Commitments 2014**

Through the approval of the Budget Committee (see 2.2.8.) the Energy Community is entitled to expend unused budget from previous years in future years as long as the funds are committed. The portion of expenditures incurred in the course of 2015 that is attributable to open commitments from 2014 is shown in this column.

#### **Column 3: Differences between Actual Amounts in the Financial Statements and Actual Budget Amounts**

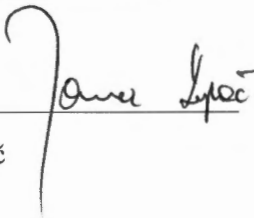
##### **Note 1**

Amount of EUR 1,151.64 represents the increase in the accruals between 31 December 2014 and 31 December 2015. The accrued expenses are not covered by the approved budget and based on the applicable rules of the Energy Community are non-cash item.

##### **Note 2**

Budget basis requires that the capital expenditures are recorded as current year expenses at acquisition costs. Accounting basis requires that these expenditures are capitalised and depreciated over the useful life of the assets.

#### **Signature of the Director of the Energy Community**


Janez Kopač
14.04.2016



# General Conditions of Contract for the Public Accounting Professions (AAB 2011)

Laid down by the Working Group for Fees and Conditions of Contract of the Chamber of Public Accountants and Tax Advisors, recommended for use by the Board of the Chamber of Public Accountants and Tax Advisors in its decision of March 8, 2000, and revised by the Working Group for Fees and Conditions of Contract on May 23, 2002, on October 21, 2004, on December 18, 2006, on August 31, 2007, on February 26, 2008, on June 30, 2009, on March 22, 2010, as well as on February 21, 2011

## Preamble and General Points

(1) The General Conditions of Contract for the professions in the field of public accounting are divided into four sections: Section I deals with contracts for services, excluding contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions; Section II deals with contracts for rendering services in the field of bookkeeping, payroll accounting and administration and assessment of taxes and contributions; Section III covers contracts not regarded as contracts for the rendering of services, while Section IV is devoted to consumer business covered by the Austrian Consumer Act.

(2) In the event that individual provisions of these General Conditions of Contract are void, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

(3) The person entitled to exercise profession in the field of public accounting shall be obliged to render the services negotiated in accordance with the principles of due professional care and conduct. He/she shall have the right to engage suitable staff for the execution of the contract. This shall apply to all sections of The General Conditions of Contract.

(4) Finally, foreign law shall only be taken into account by the person entitled to exercise the profession, if this has been explicitly agreed upon in writing. This shall apply to all sections of the General Conditions of Contract.

(5) The work prepared in the offices of the person entitled to exercise the profession may, at the discretion of the person entitled to exercise the profession, be carried out with or without using electronic data processing. In case electronic data processing is used, the client – not the person entitled to exercise the profession – is obliged to effect the registrations or notifications required under the relevant provisions of the Data Protection Act.

(6) The client undertakes not to employ staff of the person entitled to exercise the profession during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the person entitled to exercise the profession the amount of the annual salary of the employee taken over.

## SECTION I

### 1. Scope

(1) The General Conditions of Contract in Section I shall apply to contracts concerning (statutory and voluntary) audits with or without auditor's certificate, expert opinions, court expert opinions, preparation of annual financial statements and other financial statements, tax consultancy and other services to be rendered within the framework of a contract for the rendering of services, excluding bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

(2) The General Conditions of Contract shall apply, if their use has been explicitly or tacitly agreed upon. Furthermore, in the absence of another agreement, they shall be used for reference to facilitate interpretation.

(3) Point 8 shall also apply to third parties whose services, in certain cases, may be enlisted by the contractor for the execution of the contract.  
2. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the person entitled to exercise the profession shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(3) An application submitted by the person entitled to exercise the profession to an authority (e.g. tax office, social security institution) by electronic means, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to submit such an application.

### 3. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed in good time and without special request at the disposal of the person entitled to exercise the profession and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the person entitled to exercise the profession has commenced his/her work.

(2) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete. This statement may be made on the forms specifically designed for this purpose.

(3) If the client fails to disclose considerable risks in connection with the preparation of annual financial statements and other statements, the contractor shall not be obliged to render any compensation in this respect.

### 4. Maintenance of Independence

(1) The client shall be obliged to take all measures to make sure that the independence of the employees of the person entitled to exercise the profession be maintained and shall refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client consents that their personal details, meaning their name and the type and scope of the services, including the performance period, agreed between the professional practitioner and the client (both audit and non-audit services), shall be handled within the information network (network), to which the professional practitioner belongs, and for this purpose transferred to the other members of the information network (network) including abroad (a list of all recipients of communications shall be sent to the client at their request by the commissioned professional practitioner) for the purpose of examination of the existence of grounds of bias or grounds for exclusion within the meaning of Sections 271 et seq. of the Company Code (UGB). For this purpose the client expressly releases the professional practitioner in accordance with the Data Protection Act and in accordance with Section 91 Subsection 4 Clause 2 of the Auditing, Tax Advising and Related Professions Act (WTBG) from their obligation to maintain secrecy. Moreover, the client acknowledges in this regard that in states which are not EU members a lower level of data protection than in the EU may prevail. The client can revoke this consent at any time in writing to the professional practitioner.

## 5. Reporting Requirements

(1) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) All information and opinions of the person entitled to exercise the profession and his employees shall only be binding provided they are set down or confirmed in writing. Written opinions shall only be those on which there is a company signature. Written opinions shall in no circumstances be information sent electronically, specifically not via e-mail.

(3) Transmission errors cannot be excluded when information and data is transmitted electronically. The person entitled to exercise the profession and his employees shall not be liable for losses which arise as a result of electronic transmission. Electronic transmission shall be exclusively at the client's risk. The client is aware that confidentiality is not guaranteed when the Internet is used. Furthermore, amendments or supplements to documents transmitted shall only be permissible subject to explicit approval.

(4) Receipt and forwarding of information to the person entitled to exercise the profession and his employees are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other electronic means of communication. As a result, instructions and important information shall only be deemed to have been received by the person entitled to exercise the profession provided they are also received in writing, unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not as such constitute explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the person entitled to exercise the profession by post or courier. Delivery of documents to employees outside the firm's offices shall not count as delivery.

(5) The client agrees to being sent recurrent general tax law and general commercial law information by the person entitled to exercise the profession via electronic means. This shall not apply to unsolicited information in accordance with § 107 of the Austrian Telecommunications Act (TKG).

## 6. Protection of Intellectual Property of the Person Entitled to Exercise the Profession

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the person entitled to exercise the profession, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 Para. 3 Austrian Income Tax Act 1988). Furthermore, professional statements passed on by the client orally or in writing made by the person entitled to exercise the profession may be passed on to a third party for use only with the written consent of the person entitled to exercise the profession.

(2) The use of professional statements passed on by the client orally or in writing made by the person entitled to exercise the profession for promotional purposes shall not be permitted; a violation of this provision shall give the person entitled to exercise the profession the right to terminate without notice to the client all contracts not yet executed.

(3) The person entitled to exercise the profession shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the person entitled to exercise the profession.

## 7. Correction of Errors

(1) The person entitled to exercise the profession shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement passed on by the client orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original statement of the change.

(2) The client has the right to have all errors corrected free of charge, if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the person entitled to exercise the profession and/or – in cases where a written statement has not been delivered – six months after the person entitled to exercise the profession has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Point 8.

## 8. Liability

(1) The person entitled to exercise the profession shall only be liable for violating intentionally or by gross negligence the contractual duties and obligations entered into.

(2) In cases of gross negligence, the maximum liability for damages due from the appointed person entitled to exercise the profession is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 of the Act on Professions in the Field of Public Accounting (WTBG) in the currently valid version.

(3) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but not later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(4) Should Section 275 of the Austrian Business Enterprise Code (Commercial Code, UGB) be mandatorily applicable, the liability provisions pursuant to Section 275 shall apply where these represent mandatory law, even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place, irrespective of whether other participants have acted with intent.

(5) In cases where a formal audit certificate is issued, the applicable limitation period shall commence at the latest at the time of issue of said audit certificate.

(6) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, and the client is informed thereof, any warranty claims and claims for damages which arise against the third party according to law and in accordance with the conditions of the third party, shall be deemed as having been passed on to the client. The person entitled to exercise the profession shall only be liable for fault in choosing the third party.

(7) The person entitled to exercise the profession shall not be liable to a third party, if his/her professional statements are passed on by the client orally or in writing without the approval or knowledge of the person entitled to exercise the profession.

(8) The above provisions shall apply not only vis-à-vis the client but also vis-à-vis third parties, if the person entitled to exercise the profession, in exceptional cases, should be liable for his/her work. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have been wronged; the claims of the aggrieved parties shall be satisfied in the order in which the claims have been raised.

## 9. Secrecy, Data Protection

(1) According to Section 91 WTBG the person entitled to exercise the profession shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) The person entitled to exercise the profession shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(3) The person entitled to exercise the profession is authorized to process personal data entrusted to him/her within the framework of the purpose of the contract or to have them processed by a third party according to Point 8 Item 5. The person entitled to exercise the profession shall guarantee that according to Section 15 of the Data Protection Act secrecy be maintained. According to Section 11 of the Data Protection Act the material made available to the person entitled to exercise the profession (data carrier, data, control numbers, analyses and programs) as well as all results obtained as a result of the work provided shall be returned to the client, unless the client has requested in writing that the material and/or results be transferred to a third party. The person entitled to exercise the profession shall be obliged to take measures to ensure that the client can meet his/her obligation to provide information according to Section 26 of the Data Protection Act. The client's instructions required for this purpose shall be given in writing to the person entitled to exercise the profession. Unless a fee has been negotiated for providing such information, the client shall be charged only the actual efforts undertaken. The client shall meet his/her obligation to provide information to those concerned and/or to register in the data processing register, unless the contrary has been explicitly agreed in writing.

## 10. Termination

- (1) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Point 12.
- (2) However, a continuing agreement (even with a flat fee) – always to be presumed in case of doubt – may, without good reason (cf. Section 88 Item 4 WTBG), only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.
- (3) Except for cases listed in Item 5, in case of termination of a continuing agreement only those tasks shall be part of the list of jobs to be completed and finished that can be completed fully or to the largest part within the period of notice, with financial statements and annual income tax returns being deemed to be subject to successful completion within two months calculated from the balance sheet date. In this case the above-mentioned jobs actually have to be completed within a reasonable period of time, if all documents and records required are provided without delay and if no good reason within the meaning of Section 88 Paragraph 4 WTBG is cited.
- (4) In case of a termination according to Item 2 the client shall be informed in writing within one month which assignments at the time of termination are considered to be part of the work to be completed.
- (5) If the client is not informed within this period about the assignments still to be carried out, the continuing agreement shall be deemed terminated upon completion of the tasks under way at the date when the notice of termination is served.
- (6) Should it happen that in case of a continuing agreement as defined under Items 2 and 3 – for whatever reason – more than two similar jobs which are usually completed only once a year (e.g. financial statements or annual tax returns etc.) are to be completed, any such jobs exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 4.

### 11. Default in Acceptance and Failure to Cooperate on the part of the Client

If the client defaults on acceptance of the services rendered by the person entitled to exercise the profession or fails to carry out a task incumbent on him/her either according to Point 3 or imposed on him/her in another way, the person entitled to exercise the profession shall have the right to terminate the contract without prior notice. His/her fees shall be calculated according to Point 12. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the person entitled to exercise the profession for the extra time and labor hereby expended as well as for the damage caused, if the person entitled to exercise the profession does not invoke his/her right to terminate the contract.

### 12. Entitlement to Fee

- (1) If the contract fails to be executed (e.g. due to termination), the person entitled to exercise the profession shall be entitled to the negotiated fee, provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client (Section 1168 of the Civil Code (ABGB)); in this case the person entitled to exercise the profession need not deduct the amount he/she obtained or could have obtained through alternative use of his/her own professional services or those of his/her employees.
- (2) If the client fails to cooperate and the assignment cannot be carried out because of lack of cooperation, person entitled to exercise the profession shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed cancelled and the consequences indicated in Item 1) shall apply.
- (3) If the person entitled to exercise the profession terminates the contract without good reason and at an inopportune moment, he/she shall compensate the client for the damage caused according to Point 8.
- (4) If the client – having been made aware of the legal situation – agrees that the person entitled to exercise the profession duly completes the task, the work shall be completed accordingly.

### 13. Fee

- (1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be

credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved.

- (2) Proper understanding between the person entitled to exercise the profession and their principals is most effectively achieved by clearly expressed remuneration agreements.
- (3) The smallest service unit which may be charged is a quarter of an hour.
- (4) Travel time to the extent required is also charged in most cases.
- (5) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the person entitled to exercise the profession in his/her own office may also be charged as a special item.
- (6) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or special requirements of the principal, additional negotiations for the agreement of a more suitable remuneration are usual. This also usually applies where inadequate fixed sum remunerations are concerned.
- (7) Persons entitled to exercise the profession also include charges for supplementary costs and value-added (turnover) tax in addition to the above.
- (8) Supplementary costs also include documented or flatrate cash expenses, travelling expenses (first class for train journeys, sleeping car (wagon lits) if necessary, dietary requirements, mileage allowance, photocopy costs and similar supplementary costs.
- (9) Should particular third party liabilities be involved, the necessary insurance premiums also count as supplementary costs.
- (10) Personnel and material expenses for the preparation of reports, expertises and similar documents are also viewed as supplementary costs.
- (11) For the execution of a commission wherein mutual conclusion involves several persons entitled to exercise the profession, each of the latter will charge his/her own remuneration.

(12) Remunerations and advance payments required are due immediately after receipt of their written claim should no other agreements exist. Where payments of remuneration are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate of 8% above the base rate is agreed upon (Cf. Section 352 of the Austrian Business Enterprise Code (Commercial Code, UGB)).

(13) Time limitation is in accordance with Section 1486 of the Austrian Civil Code (ABGB), starting at the time of conclusion of the service involved or a later rendering of accounts after an appropriate time-limit.

(14) An objection may be raised in writing against bills presented by the appointed trustee up to 4 weeks after the date of presentation. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(15) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

### 14. Other Provisions

- (1) In addition to the reasonable rate or fee charged, the person entitled to exercise the profession shall have the right to claim reimbursement of expenses. He/she can ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. In this context reference shall be made to the legal right of retention (Section 471 of the Civil Code (ABGB), Section 369 of the Austrian Business Enterprise Code (Commercial Code, UGB)). If the right of retention is wrongfully exercised, the person entitled to exercise the profession shall be liable only in case of gross negligence up to the outstanding amount of his/her fee. As regards standing orders, the provision of further services may be denied until payment of previous services has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.
- (2) After all the data to be archived, which has been prepared by the public accountant and tax advisor, has been delivered to the client or to the succeeding public accountant and tax advisor, the person entitled to exercise the profession shall be entitled to delete the data in question.



(3) With the exception of obvious essential errors, a complaint concerning the work of the person entitled to exercise the profession shall not justify the retention of remuneration owed in accordance with Item 1.

(4) Offsetting the remuneration claims made by the person entitled to exercise the profession in accordance with Item 1 shall only be permitted, if the demands are uncontested and legally valid.

(5) At the request and expense of the client, the person entitled to exercise the profession shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the person entitled to exercise the profession and his/her client, to original documents in his/her possession or to documents which have to be kept in accordance with the directive on money laundering. The person entitled to exercise the profession may make or retain copies or duplicates of the documents to be returned to the client. The client shall be obliged to bear these expenses in so far as these copies or duplicates may be required as a proof of the orderly execution of all professional duties by the person entitled to exercise the profession.

(6) In the event of termination of the contract, the contractor shall be entitled to charge an appropriate fee for further queries after termination of the contract and for granting access to the relevant information about the audited company.

(7) The client shall fetch the documents handed over to the person entitled to exercise the profession within three months after the work has been completed. If the client fails to do so, the person entitled to exercise the profession shall have the right to return them to the client at the cost of the client or to charge safe custody charges, if the person entitled to exercise the profession can prove that he/she has asked the client twice to pick up the documents handed over.

(8) The person entitled to exercise the profession shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid resources at his/her disposal even if these funds are explicitly intended for safe keeping, if the client had to reckon with a counterclaim of the person entitled to exercise the profession.

(9) To safeguard an existing or future fee payable, the person entitled to exercise the profession shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed about the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability by execution has been declared.

#### 15. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law.

(2) The place of performance shall be the place of business of the person entitled to exercise the profession.

(3) In case of disputes, the court of the place of performance shall be the competent court.

#### 16. Supplementary Provisions for Audits

(1) For statutory audits of financial statements which are carried out in order to issue a formal audit certificate (e.g. Section 268 and the following sections of the Company Code), the purpose of the contract, unless otherwise agreed to in writing, shall not be to investigate whether regulations concerning tax laws or specific regulations, e.g. price fixing, restriction of competition and foreign exchange regulations have been adhered to. Neither shall the purpose of the statutory audit of financial statements be to investigate whether the business is run in an economical, efficient and expedient manner. Within the framework of a statutory audit of a financial statement there shall be no obligation to detect the falsification of accounts or other irregularities.

(2) When a qualified or unqualified audit certificate is issued within the scope of a statutory audit of the annual financial statement, the audit certificate issued shall be appropriate for the respective type of business organization.

(3) If financial statements are published together with the audit certificate, they shall only be published in the form confirmed or explicitly permitted by the auditor.

(4) If the auditor revokes his/her audit certificate, the further use thereof shall no longer be permitted. If the financial statements have been published with the audit certificate, the revocation thereof shall also be published.

(5) For other statutory and voluntary audits of financial statements as well as for other audits, the above principles shall apply accordingly.

#### 17. Supplementary Provisions concerning the Preparation of Annual Financial Statements and Other Financial Statements, Consultation and Other Services to be Provided within the Framework of a Contract for the Rendering of Services

(1) The person entitled to exercise the profession, when performing the aforementioned activities, shall be justified in accepting information provided by the client, in particular figures, as correct. However, he/she is obliged to inform the client of any errors identified by him/her. The client shall present the person entitled to exercise the profession with all important documents required for keeping deadlines, in particular tax assessment notices, in good time so as to ensure that the person entitled to exercise the profession has a reasonable amount of time, but not less than one week, to process the information.

(2) In the absence of written agreements to the contrary, consultation shall consist of the following activities:

- a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or prepared by the contractor.
- b) examining the tax assessment notices for the tax returns mentioned under a).
- c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
- d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
- e) participating in appeal procedures with regard to the taxes mentioned under a). If the person entitled to exercise the profession receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Particular matters pertaining to income tax, corporate tax and ratable value tax return as well as all matters relating to value-added tax, withholding tax on salaries and wages and other taxes and duties shall only be prepared on the basis of a specific contract. This shall also apply to

- a) processing non-recurring matters pertaining to tax, e.g. inheritance tax, capital transfer tax, land transfer tax,
- b) the defense and consultation in penal procedures relating to the taxes mentioned,
- c) providing consultation and expert opinions in matters pertaining to the foundation, restructuring, merger, capital increase and decrease, and reorganization of a company, entry and retirement of a shareholder or partner, sale of a business, winding up, management consultancy and other activities according to Sections 3 to 5 of the Act on Professions in the Field of Public Accounting (WTBG).
- d) the preparation of applications to the Register of Companies in connection with annual financial statements, including the keeping of records required.

(4) Provided the preparation of the annual value added tax return is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant value added tax concessions have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(5) The aforementioned paragraphs shall not apply to services requiring particular expertise provided by an expert.

#### SECTION II 18. Scope

The General Conditions of Contract in Section II shall apply to contracts for the rendering of services in the field of bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

### 19. Scope and Execution of Contract

- (1) Reference shall be made to Items 3 and 4 of the Preamble.
- (2) The person entitled to exercise the profession shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and in using them as a basis for accounting. The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to do so in writing. However, if errors are identified, he/she shall inform the client thereof.
- (3) If a flat fee has been negotiated for the activities mentioned in Point 18, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately.
- (4) Particular individual services in connection with the services mentioned in Point 18, in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract and shall be treated according to Section I or Section III of the General Conditions of Contract.
- (5) Any application submitted to authorities (e.g. tax office, social insurance institution) electronically, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to transmit the application.

### 20. Client's Duty to Cooperate

The client shall make sure that all information and documents required for bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions be placed at the disposal of the person entitled to exercise the profession on an agreed date without his/her specific request.

### 21. Termination

- (1) Unless otherwise agreed to in writing, either contractual partner may terminate the contract at the end of each month with three months' notice without giving a particular reason.
- (2) If the client repeatedly fails to fulfill his/her duties according to Point 20, the person entitled to exercise the profession shall have the right to terminate the contract immediately without prior notice.
- (3) If the person entitled to exercise the profession delays in rendering services due to reasons for which he/she is solely responsible, the client shall have the right to terminate the contract immediately without prior notice.
- (4) In case of a termination of the contractual relationship only those assignments shall be considered part of the contract which the contractor is already working on or major parts of which can be completed within the period of notice and which are notified to the client within one month.

### 22. Fee and Entitlement to Fee

- (1) Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.
- (2) If the contract is terminated pursuant to Point 21 Item 2 the person entitled to exercise the profession shall have the right to the full fee negotiated for three months. This shall also apply if the client fails to observe the period of notice.
- (3) If the contract is terminated pursuant to Point 21 Item 3, the person entitled to exercise the profession shall only have the right to the fee corresponding to the services rendered up to this point, provided they are of value to the client.
- (4) If a flat fee has not been negotiated, the fee shall be calculated pursuant to Item 2 according to the monthly average of the current year of contract until termination.
- (5) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.

(6) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

### 23. Other Provisions

In all other cases, the provisions of Section I of the General Conditions of Contract shall apply accordingly.

## SECTION III

### 24. Scope

- (1) The General Conditions of Contract in Section III shall apply to all contracts not mentioned in the previous sections, which are not to be regarded as contracts for rendering services and are not related to the contracts mentioned in the previous sections.
- (2) In particular, Section III of the General Conditions of Contract shall apply to contracts concerning the non-recurring participation in negotiations, to services as an agent in matters pertaining to insolvency, to contracts concerning non-recurring interventions and the handling of the individual matters mentioned in Point 17 Item 3 in the absence of a continuing agreement.

### 25. Scope and Execution of Contract

- (1) Reference shall be made to Items 3 and 4 of the Preamble.
- (2) The person entitled to exercise the profession shall be justified in regarding and obliged to regard information and documents presented to him/her by the client, in particular figures, as correct and complete. In case of penal procedures he/she shall protect the rights of the client.
- (3) The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to do so in writing. However, if he/she identifies errors, the client shall be informed accordingly.

### 26. Client's Duty to Cooperate

The client shall make sure that all the necessary information and documents be placed at the disposal of the person entitled to exercise the profession in good time and without his/her special request.

### 27. Termination

Unless otherwise agreed to in writing or stipulated by force of law, either contractual party shall have the right to terminate the contract at any time with immediate effect (Section 1020 of the Civil Code (ABGB)).

### 28. Fee and Entitlement to Fee

- (1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.
- (2) In the event of termination the fee shall be calculated according to the services rendered up to this point, provided they are of value to the client.
- (3) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

### 29. Other Provisions

The reference in Point 23 to provisions in Section I shall apply accordingly.

## SECTION IV

### 30. Scope

The Conditions of Contract of Section IV shall only apply to consumer business in accordance with the Consumer Act (Federal Law of March 8, 1979/Federal Law Gazette No. 140 as amended).

## 31. Supplementary Provisions for Consumer Transactions

- (1) Contracts between persons entitled to exercise the profession and consumers shall fall under the obligatory provisions of the Consumer Act.
- (2) The person entitled to exercise the profession shall only be liable for the deliberate and gross negligent violation of the obligations assumed.
- (3) Contrary to the limitation laid down in Point 8 Item 2 of the General Conditions of Contract, the duty to compensate on the part of the person entitled to exercise the profession shall not be limited in case of gross negligence.
- (4) Point 8 Item 3 of the General Conditions of Contract (asserting claims for damages within a certain period) shall not apply.
- (5) Right of Withdrawal according to Section 3 of the Consumer Protection Act

If the consumer has not made his/her contract statement in the office usually used by the person entitled to exercise his/her profession, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the person entitled to exercise the profession as well as instructions on the right to revoke the contract, but no earlier than the conclusion of the contract.

The consumer shall not have the right to withdraw from the contract,

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the person entitled to exercise the profession or his/her agent,
2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their agents or
3. in case of contracts where the mutual services have to be provided immediately, if the contracts are usually concluded outside the offices of the persons entitled to exercise the profession, and the fee agreed upon does not exceed €15.

In order to become legally effective, the revocation shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the person entitled to exercise the profession to the person entitled to exercise the profession with a note which reveals that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within a week.

If the consumer withdraws from the contract according to Section 3 of the Consumer Act,

1. the person entitled to exercise the profession shall return all benefits received, including all statutory interest, calculated from the day of receipt, and to compensate the consumer for all necessary and useful expenses incurred in this matter,
2. the consumer shall pay for the value of the services rendered by the person entitled to exercise the profession as far as they are of a clear and predominant benefit to him/her.

According to Section 4 Paragraph 3 of the Consumer Act claims for damages shall remain unaffected.

## (6) Cost Estimates according to Section 5 of the Consumer Act

The consumer shall pay for the preparation of a cost estimate in accordance with Section 1170a of the Austrian Civil Code by the person entitled to exercise the profession only, if this payment obligation has been notified to the consumer beforehand.

If the contract is based on a cost estimate prepared by the person entitled to exercise the profession, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

## (7) Correction of Errors: Supplement to Point 7

If the person entitled to exercise the profession is obliged according to Section 932 of the Austrian Civil Code to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred to him/her. If it is in the interest of the consumer to have the work and the documents returned by the person entitled to exercise the profession, the consumer may carry out this transfer at his/her own risk and expense.

## (8) Jurisdiction: Instead of Point 15 Item 3:

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 Paragraph 2 and 104 Paragraph 1 JN the jurisdiction of a court shall depend on the district where the consumer has his domicile, usual residence or place of employment.

## (9) Contracts on Recurring Services

(a) Contracts which oblige the person entitled to exercise the profession to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year, may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit.a) 1 requires considerable expenses on the part of the person entitled to exercise the profession and if he/she informed the consumer about this not later than when the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit.a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.