



**Energy Community
Vienna, Austria**

**Report on the Audit of the
Financial Statements
for the Year ended 31 December 2013**

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
18 February 2014
This report contains 10 pages and 2 annexes
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EXEMPLAR

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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 2013 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 2013, dated 5 December 2012 (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 International Public Sector Accounting Standards (IPSAS)**. An auditor conducting an audit obtains reasonable assurance that the 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 2013 (interim audit) and in February 2014 (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,
Vienna, Austria,**

für das **Geschäftsjahr vom 1. Jänner 2013 bis zum 31. Dezember 2013** unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2013, die Erfolgsrechnung für das am 31. Dezember 2013 endende Geschäftsjahr, die Geldflussrechnung und den "Vergleich zwischen budgetierten und tatsächlichen Beträgen" für das am 31. Dezember 2013 endende Geschäftsjahr sowie den Anhang. Bezüglich unserer Verantwortlichkeit und Haftung als Abschlussprüfer gegenüber der Gesellschaft und gegenüber Dritten kommt § 275 UGB zur Anwendung.

Verantwortung des gesetzlichen Vertreters für den Jahresabschluss und die Buchführung

Der gesetzliche Vertreter der Gesellschaft ist für die Buchführung sowie für die Aufstellung eines Jahresabschlusses verantwortlich, der ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft in Übereinstimmung mit den International Public Sector Accounting Standards (IPSAS) vermittelt. Diese Verantwortung beinhaltet: Gestaltung, Umsetzung und Aufrechterhaltung eines internen Kontrollsystems, soweit dieses für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, damit dieser frei von wesentlichen Fehldarstellungen ist, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern; die Auswahl und Anwendung geeigneter Bilanzierungs- und Bewertungsmethoden; die Vornahme von Schätzungen, die unter Berücksichtigung der gegebenen Rahmenbedingungen angemessen erscheinen.

Verantwortung des Abschlussprüfers und Beschreibung von Art und Umfang der gesetzlichen Abschlussprüfung

Unsere Verantwortung besteht in der Abgabe eines Prüfungsurteils zu diesem Jahresabschluss auf der Grundlage unserer Prüfung. Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und Grundsätze ordnungsgemäßer Abschlussprüfung und der vom International Auditing and Assurance Standards Board (IAASB) der International Federation of Accountants (IFAC) herausgegebenen International Standards on Auditing (ISAs) durchgeführt. Diese Grundsätze erfordern, dass wir die Landesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit hinreichender Sicherheit ein Urteil darüber bilden können, ob der Jahresabschluss frei von wesentlichen Fehldarstellungen ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Jahresabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher Fehldarstellungen, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern. Bei der Vornahme dieser Risikoeinschätzung berücksichtigt der Abschlussprüfer das interne Kontrollsystem, soweit es für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit der internen Kontrollen der Gesellschaft abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der vom gesetzlichen Vertreter vorgenommenen wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses.

Wir sind der Auffassung, dass wir ausreichende und geeignete Prüfungsnachweise erlangt haben, sodass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

Prüfungsurteil

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2013 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner 2013 bis zum 31. Dezember 2013 in Übereinstimmung mit den International Public Sector Accounting Standards (IPSAS).

Wien, am 18. Februar 2014



KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Dr. Johannes Bauer
Wirtschaftsprüfer

ppa Mag. (FH) Edith Oberbeck
Wirtschaftsprüferin

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, including the accounting system, of

**Energy Community,
Vienna, Austria,**

for the fiscal year from 1 January 2013 to 31 December 2013. These financial statements comprise the statement of financial position as of 31 December 2013, the statement of financial performance for the fiscal year 2013, the statement of cash flows as of 31 December 2013, the statement of comparison of budget and actual amounts as of 31 December 2013 and the notes to the Financial Statements. Our liability as auditors is guided under Section 275 UGB (Austrian Commercial Code).

Management's Responsibility for the Financial Statements and for the Accounting System

The Organization's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we 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 the auditor's 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, the auditor considers internal control relevant to the Organization'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, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Organization as of 31 December 2013 and of its financial performance and its cash flows for the year from 1 January 2013 to 31 December 2013 in accordance with International Public Sector Accounting Standards (IPSAS).

Vienna, 18 February 2014

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Dr. Johannes Bauer p.p. Mag. (FH) Edith Oberbeck
Wirtschaftsprüfer Wirtschaftsprüferin
(Austrian Chartered Accountants)

**Financial Statements
for the Year ended
31 December 2013**

Statement of Financial Position as of 31 December 2013

			31 December 2013	31 December 2012
			In EUR	In EUR
ASSETS		Notes		
A. Current assets				
I.	Cash and cash equivalents	2.2.1	672.310,61	618.837,16
II.	Receivables	2.2.2		
	1. VAT (Federal Ministry of Finance)		55.244,84	23.397,25
	2. Budget contributions receivables		5.641,71	0,00
	3. Other receivables		454,84	1.529,78
	Total receivables		61.341,39	24.927,03
III.	Prepayments	2.2.3	44.059,76	51.464,74
	Total current assets		777.711,76	695.228,93
B. Non-current assets				
I.	Intangible assets			
	Software and licences	2.2.4.	18.904,14	25.697,90
II.	Tangible assets			
	Infrastructure, plant and equipment	2.2.5.	80.979,17	70.152,90
	Total non-current assets		99.883,31	95.850,80
	TOTAL ASSETS		877.595,07	791.079,73
LIABILITIES				
A. Current liabilities				
I.	Accounts payables			
	1. Trade payables	2.2.6.	123.807,70	69.887,42
	2. Other liabilities	2.2.7.	45.859,04	29.376,25
	3. Unused commitments	2.2.8.	359.718,00	475.713,00
	4. Unused appropriations	2.2.9.	245.912,85	120.252,26
	Total current liabilities		775.297,59	695.228,93
	Deferred income	2.2.10.	2.414,17	0,00
	Investment donations	2.2.11.	99.883,31	95.850,80
	TOTAL LIABILITIES AND NET ASSETS		877.595,07	791.079,73

Energy Community, Vienna, Austria

Statement of Financial Performance for the year ending 31 December 2013

		31 December 2013 in EUR	31 December 2012 in EUR
REVENUE	Notes		
1. Donations	2.3.1		
	a) Budget Contribution Parties	3.342.200,00	3.230.000,00
	b) Donations from the Republic of Austria	159.952,92	159.952,92
	c) Allocation to investment donations	-87.142,38	-36.641,59
	d) Unused commitments, prior year	475.713,00	395.898,00
	e) Unused commitments, current year	-359.718,00	-475.713,00
	f) Unused appropriations	-275.289,08	-148.973,96
		3.255.716,46	3.124.522,37
Total donations		3.851,68	6.624,00
2. Finance revenue		10.256,44	5.224,33
3. Other revenue			
TOTAL REVENUE		3.269.824,58	3.136.370,70
EXPENSES	2.3.2		
1. Salaries		-1.702.435,39	-1.635.337,01
2. Depreciation and amortization			
	a) of fixed intangible and tangible assets	-83.109,87	-70.405,79
	b) usage of obligations dedicated for assets	83.109,87	70.405,79
		0,00	0,00
Total depreciation and amortization		-1.567.389,19	-1.501.033,69
3. Operating expenses			
TOTAL EXPENSES		-3.269.824,58	-3.136.370,70
NET SURPLUS FOR THE PERIOD		0,00	0,00

Comparison of Budget and Actual amounts for the year 2013

(in EUR)	Notes	Original Budget 2013	Changes due to other Sources of Revenue	Budget Transfers 2013	Final Budget 2013	Actual amounts 2013 on a comparable basis	Legal Commitments 2013	Actual amounts 2013 on a comparable basis incl. Legal Commitments	Actual amounts on a comparable basis incl. Legal Commitments [in %]	Unused Appropriation
1. HUMAN RESOURCES										
		1.750.000,00			1.750.000,00	1.685.952,60		1.685.952,60	96,34%	64.047,40
2. TRAVEL EXPENSES										
		102.000,00			102.000,00	72.026,50		72.026,50	70,61%	29.973,50
		142.800,00			142.800,00	118.368,97		118.368,97	82,89%	24.431,03
		244.800,00			244.800,00	190.395,47		190.395,47	77,78%	54.404,53
3. OFFICE EXPENSES										
	2.4.2.	18.360,00	159.952,92		178.313,00	177.437,64		177.437,64	99,51%	875,36
		51.000,00		40.000,00	91.000,00	80.142,36		80.142,36	88,07%	10.857,64
	2.4.2.	91.800,00	14.108,12		105.908,00	92.678,36		92.678,36	87,51%	13.229,64
		61.200,00		-20.000,00	41.200,00	31.371,44		31.371,44	76,14%	9.828,56
		222.360,00	174.061,04	20.000,00	416.421,00	381.629,80		381.629,80	91,65%	34.791,20
4. OTHER COSTS AND SERVICES										
		30.600,00		14.000,00	44.600,00	43.781,04		43.781,04	98,16%	818,96
		409.000,00			409.000,00	33.151,26	359.718,00	392.869,26	96,06%	16.130,74
		112.200,00		-15.000,00	97.200,00	96.798,47		96.798,47	99,59%	401,53
		40.800,00		20.000,00	60.800,00	51.312,21		51.312,21	84,40%	9.487,79
		12.240,00			12.240,00	11.102,81		11.102,81	90,71%	1.137,19
		214.200,00		-39.000,00	175.200,00	100.291,26		100.291,26	57,24%	74.908,74
		265.200,00		20.000,00	285.200,00	256.682,73		256.682,73	90,00%	28.517,27
		40.800,00		-20.000,00	20.800,00	13.673,50		13.673,50	65,74%	7.126,50
		1.125.040,00		-20.000,00	1.105.040,00	606.793,28	359.718,00	966.511,28	87,46%	138.528,72
		1.592.200,00	174.061,04	0,00	1.766.261,00	1.178.818,55	359.718,00	1.538.536,55	87,11%	227.724,45
		3.342.200,00	174.061,04	0,00	3.516.261,00	2.864.771,15	359.718,00	3.224.489,15	91,70%	291.771,85

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

(in EUR)	Actual amounts Budget Report 2013 (1)	Legal Commitments 2012 (2)	Differences Budget Report vs. Financial Statements (3)	Actual amounts Statement of Financial Performance	Ref to the Notes
1. HUMAN RESOURCES					
Subtotal Human Resources	1.685.952,60		16.482,79	1.702.435,39	1
2. TRAVEL EXPENSES					
Daily Subsistence Allowance (DSA)	72.026,50			72.026,50	
Travel Expenses (flights and incidentals)	118.368,97			118.368,97	
Subtotal Travel Expenses	190.395,47			190.395,47	
3. OFFICE EXPENSES					
Office rent	177.437,64			177.437,64	
Office equipment	80.142,38	7.000,00	-87.142,38	0,00	2
Consumables	92.678,36			92.678,36	
Other Services	31.371,44			31.371,44	
Subtotal Office Expenses	381.629,82	7.000,00	-87.142,38	301.487,44	
4. OTHER COSTS AND SERVICES					
Advertising, communication and representation	43.781,04	2.400,00		46.181,04	
Studies, research and consulting	33.151,26	439.353,00		472.504,26	
Costs of outsourced services (IT, payroll, etc.)	96.798,47	26.960,00		123.758,47	
Costs of Audit, Legal and Financial Advice	51.312,21			51.312,21	
Financial services	11.102,81			11.102,81	
Conference costs	100.291,26			100.291,26	
Refunding	256.682,73			256.682,73	
Training	13.673,50			13.673,50	
Subtotal Other Costs and Services	606.793,28	468.713,00		1.075.506,28	
Subtotal Operating Expenses	1.178.818,57	475.713,00	-87.142,38	1.567.389,19	
TOTAL EXPENSES	2.864.771,17	475.713,00	-70.659,59	3.269.824,58	

Indirect Method Cash Flow Statement for Year ended 31 December 2013

(in EUR)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus (Deficit) from ordinary activities	0,00	0,00
Non-cash movements		
+ Depreciation non-current assets	83.109,87	70.405,79
- Usage of obligations dedicated for assets	-83.109,87	-70.405,79
- Increase in receivables	-36.414,36	26.528,32
+ Decrease in prepayments	7.404,98	28.050,54
+ Increase in trade payables and other liabilities	70.403,07	-212.170,29
+ Increase in deferred income	2.414,17	0,00
- Decrease in unused commitments	-115.995,00	79.815,00
+ Increase in unused appropriations	125.660,59	-382.908,79
Net cash flows from operating activities	53.473,45	-460.685,22
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of non-current assets	-87.142,38	-36.641,59
Net cash flows from investing activities	-87.142,38	-36.641,59
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant contribution for assets	87.142,38	36.641,59
Net cash flows from financing activities	87.142,38	36.641,59
Net increase/ (decrease) in cash and cash equivalents	53.473,45	-460.685,22
Cash and cash equivalents at the beginning of January 1, 2013	618.837,16	1.079.522,38
Cash and cash equivalents at the end of December 31, 2013	672.310,61	618.837,16

Subtotal Operating Expenses

TOTAL EXPENSES

3.269.824,58

-70.659,59

475.713,00

2.864.771,17

1.176.816,37

Table of Repayments of not used budget appropriations and other income

Parties	Contribution in EUR	Contribution in %	Unused Appropriations Repayments in EUR	Other Sources of Revenue	Total repayment amount
			(1)	(2)	(3) = (1) + (2)
European Union	3.159.715,88	94,54%	232.486,01	13.337,82	245.823,83
Republic of Albania	3.007,98	0,09%	221,32	12,70	234,02
Bosnia and Herzegovina	6.684,40	0,20%	491,83	28,22	520,04
Republic of Croatia	13.368,80	0,40%	983,65	56,43	1.040,08
former Yugoslav Republic of Macedonia	3.342,20	0,10%	245,91	14,11	260,02
Moldova	3.342,20	0,10%	245,91	14,11	260,02
Montenegro	1.336,88	0,04%	98,37	5,64	104,01
Republic of Serbia	18.047,88	0,54%	1.327,93	76,18	1.404,11
Ukraine	131.014,24	3,92%	9.639,78	553,04	10.192,82
United Nations Interim Administration	2.339,54	0,07%	172,14	9,88	182,01
TOTAL	3.342.200,00	100,00%	245.912,85	14.108,12	260.020,97

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NOTES TO THE FINANCIAL STATEMENTS OF THE ENERGY COMMUNITY

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 Institutions were established in the course of Treaty implementation through Ministerial Council decisions, Oil Forum and different Task Forces.

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 the 25 October 2005 and entered into force on the 1 July 2006. The initial duration of the Treaty of 10 years was extended by the decision of the Ministerial Council of October 24, 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*") the accounting officer establishes the accounts of the previous year not later than the 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, has introduced rules, which specify obligations of staff members of the Secretariat that are involved in financial operations of the Energy Community.

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. 2006/03 of 17 November 2006 on the *Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection (Budgetary Rules)*.

In accordance with article 70 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, adopted by the Accounting Officer of the Secretariat have been applied for the periods starting January 1, 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 December 31, and to measure the Energy Community's 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.

2.1.3. Accounting policy

On September 28, 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 unused 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, 2013 are EUR 670.825,41 at bank account (2012: EUR 617.570,53) and petty cash EUR 1.485,20 (2012: EUR 1.266,63).

2.2.2. Receivables

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

At December 31, 2013 the total amount of receivables resulted from VAT claims against Federal Ministry of Finance of the Republic of Austria EUR 55.244,84 (2012: 23.397,25), budget contributions receivables EUR 5.641,71 (2012: EUR 0) and other receivables at the amount of EUR 454,84 (2012: EUR 1.529,78).

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').

Almost all prepayments shown at the end of the financial year relate to the contracts concluded for research and consulting in the areas of work of the Energy Community.

	31.12.2013	31.12.2012
Prepaid expenses	4.147,76	5.612,14
Payments in advance (research and consulting)	39.912,00	45.852,60
Total	44.059,76	51.464,74

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.

Computer software and licences

Gross carrying amount at 31 December 2012	84.268,89
Additions	8.507,44
Disposals	18.118,00
Gross carrying amount at 31 December 2013	74.658,33
Accumulated depreciation at 31 December 2012	58.570,99
Depreciation charge for the year	15.301,20
Disposals	-18.118,00
Accumulated depreciation at 31 December 2013	55.754,19
Net carrying amount at 31 December 2013	18.904,14
<i>Net carrying amount at 31 December 2012</i>	<i>25.697,90</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 are incurred.

*Infrastructure, Plant and
equipment*

Gross carrying amount at 31 December 2012	348.584,18
Additions	78.634,94
Disposals	85.169,72
Gross carrying amount at 31 December 2013	342.049,40
Accumulated depreciation at 31 December 2012	278.431,28
Depreciation charge for the year	67.808,67
Disposals	-85.169,72
Accumulated depreciation at 31 December 2013	261.070,23
Net carrying amount at 31 December 2013	80.979,17
<i>Net carrying amount at 31 December 2012</i>	<i>70.152,90</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% to 33,33%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is depreciated 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 are fully depreciated in the year of purchase.

Leases

Lease 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 December 31, 2013 Energy Community had outstanding commitments resulting from one operating leasing contract. Future minimum lease payments fall due as follows:

	2013	2012
Within one year	3.315,00	3.315,00
Between two and five years	276,25	3.591,25
Total	3.591,25	6.906,25

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 December 31, 2013 amounted to EUR 123.807,70** (2012: EUR 69.887,42).

2.2.7. Other liabilities

This position in the statement of financial position refers to accrued expenses for non consumed annual leave on December 31, 2013 of EUR 39.359,04 (2012: EUR 29.376,25) as well as to potential expenses that may arise out of employment of a previous staff member of EUR 6.500,00 (2012: EUR 0,00).

2.2.8. Unused commitments

Unused commitments of the financial year 2013 refer to the legal commitments the Energy Community entered into by December 31, 2013 without having received goods or services by the end of the year.

On December 31, 2013 total amount of committed budget appropriations was EUR 359.718,00 (in 2012: EUR 475.713,00) and referred exclusively to consulting contract related to different areas of work of the Energy Community. Finalisation of those contracts in terms of deliverables (reports) is planned for 2014.

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 budget contributions.

The repayments are based on the statement of financial position as of December 31. The repayment amount for 2013 is EUR 245.912,85 (2012: EUR 120.252,26).

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 services and/or delivery relating to the future periods, the revenue will be deferred and recognised in the subsequent accounting period.

At December 31, 2013 the item "deferred income" contains received annual contributions from one of the Contracting Parties for the next budgetary period 2014 in the amount of EUR 2.414,17 (2012: EUR 0,00).

2.2.11. Investment donations

Since the investments of EUR 99.883,31 (in 2012: EUR 95.850,80) were made by using the contributions of the Parties to the Treaty, the same amount is also shown as "investment donations".

The book value as of December 31, 2013 of investments consists of the book value as of January 1, 2013 amounting to EUR 95.850,80 EUR (2012: EUR 129.615,00) and additions amounting to EUR 87.142,38 (in 2012: EUR 36.641,59) reduced by depreciation of EUR 83.109,87 (in 2012: EUR 70.405,79).

Contingent liabilities

Based on a contract dated March 14, 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 December 31, 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 2013 in accordance with Annex IV of the Treaty are presented in the table below:

	in %	in EURO
European Union	94,54	3.159.715,88
Republic of Albania	0,09	3.007,98
Bosnia and Herzegovina	0,20	6.684,40
Republic of Croatia	0,40	13.368,80
former Yugoslav Republic of Macedonia	0,10	3.342,20
Moldova	0,10	3.342,20
Montenegro	0,04	1.336,88
Serbia	0,54	18.047,88
Ukraine	3,92	131.014,24
United Nations Interim Administration Mission in Kosovo	0,07	2.339,54
Total		3.342.200,00

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 2013 the donations from the Federal Ministry of Economy, Family and Youth of Austria amounted to EUR 159.952,92.

Other sources of revenue represent the refunding by third parties towards the Energy Community. In 2013 other revenue and interest revenue amount to EUR 10.256,44 (in 2012: EUR 5.244,33) and EUR 3.851,68 (in 2012: EUR 6.624,00) respectively.

	in EURO
I. Donations	
Budget Contribution Parties	3.342.200,00
Donations of the Republic of Austria	159.952,92
Allocation to investment donations	-87.142,38
Unused commitments 2012	475.713,00
Unused commitments 2013	-359.718,00
Unused appropriations	-275.289,08
Subtotal Donations	3.255.716,46
II. Other sources of revenue	
Finance revenue	3.851,68
Other revenue	10.256,44
Subtotal other sources of revenue	14.108,12
Total Revenue 2013	3.269.824,58

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:

Types of expenses (in EUR)	2013	2012
Staff expenses	1.702.435,39	1.635.337,01
Expenses for studies, research and consulting	472.504,26	380.699,00
Reimbursement of travel expenses to conference participants	256.682,73	280.709,37
Travel expenses staff	190.395,47	190.036,63
Office rent	177.437,64	173.457,22
Cost of outsourced services (IT, payroll)	123.758,47	70.446,87
Expenses of conferences and seminars	100.291,26	158.783,00
Consumables (office cleaning, supplies, running costs, electricity)	92.678,36	88.700,21
Costs of audit, legal and financial advice	51.312,21	35.043,40
Advertising, communications and representation	46.181,04	30.131,28
Telephone, internet	31.371,44	41.952,37
Trainings	13.673,50	38.635,37
Other costs	11.102,81	12.438,97
Total	3.269.824,58	3.136.370,70

2. 4. Notes on the Statement of Comparison of Budget and Actual Amounts

In the initial adopted budget, by the Ministerial Council on October 6, 2011, the amount of budget appropriations was EUR 3.342.200,00. The revenue and expenditure estimates in the initial budget are typically adjusted during the year and 'pro memoria' during the budgetary 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* of 17 November 2006. 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 for the Energy Community 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).

- **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 within 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 2013 the Director decided on the transfers appropriations in the total amount of EUR 94.000,00 (in 2012: 47.709,37 EUR). 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 2013 concerned the changes due to other sources of revenue, as listed above (Donations of the Republic of Austria, Other revenue, Finance revenue).

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 (see column 2.4.2.).

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 below (see 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 2013, which are adjusted by the values related to the unused commitments of the year. In 2013 total amount of EUR 359.718,00 (in 2012: EUR 475.713,00) of committed budget appropriations remained open and is due to be expensed in 2014.

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

(in EUR)	31.12.2013	31.12.2012
Studies, research and consulting	359.718,00	439.353,00
Costs of outsourced services (incl. IT)	0,00	26.960,00
Office equipment	0,00	7.000,00
Advertising, communications and publications	0,00	2.400,00
Total	359.718,00	475.713,00

2. 4. 5. Budget result - Unused Appropriations of the year 2013

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, 2013 (see Note 2.2.9.).

	Budget Report	Statement of Financial Performance	Variance
Initial Budget	3.342.200,00	3.342.200,00	-
Budget adjustment for other income and interest income	14.108,12	14.108,12	-
Donations of the Republic of Austria (rent expenses)	159.952,92	159.952,92	-
Final Budget	3.516.261,04	3.516.261,04	-
Legal Commitments 2013	- 359.718,00	- 359.718,00	-
Sub-total	3.156.543,04	3.156.543,04	-
Personnel costs	- 1.685.952,60	- 1.702.435,39	16.482,79
Operating expenses	- 1.178.818,55	- 1.567.389,19	388.570,64
Sub-total	- 2.864.771,15	- 3.269.824,58	405.053,43
	291.771,87	- 113.281,54	405.053,41
Subtotal	291.771,87	275.289,08	16.482,79
less changes in accrual for leave			- 9.982,79
less accrual for potential costs of dispute with former employee			- 6.500,00
Total			0,00

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 position¹, all other sources of revenue (incl. interest gained)². Consequently the calculated repayment amounts to the Parties resulting from the implementation of 2013 budget are as follows:

Parties	Contribution in EUR	Contribution in %	Unused Appropriations Repayments in EUR (1)	Other Sources of Revenue (2)	Total repayment amount (3) = (1) + (2)
European Union	3.159.715,88	94,54%	232.486,01	13.337,82	245.823,83
Republic of Albania	3.007,98	0,09%	221,32	12,70	234,02
Bosnia and Herzegovina	6.684,40	0,20%	491,83	28,22	520,04
Republic of Croatia	13.368,80	0,40%	983,65	56,43	1.040,08
former Yugoslav Republic of Macedonia	3.342,20	0,10%	245,91	14,11	260,02
Moldova	3.342,20	0,10%	245,91	14,11	260,02
Montenegro	1.336,88	0,04%	98,37	5,64	104,01
Republic of Serbia	18.047,88	0,54%	1.327,93	76,18	1.404,11
Ukraine	131.014,24	3,92%	9.639,78	553,04	10.192,82
United Nations Interim Administration	2.339,54	0,07%	172,14	9,88	182,01
TOTAL	3.342.200,00	100,00%	245.912,85	14.108,12	260.020,97

2.4.6. Key management personnel

For the purpose of presenting information on related party transaction concerning the key management of the Energy Community Secretariat, the financial entitlement of the Director amounted to EUR 152.202,00.

¹ Minutes of the Budget Committee meeting of April 11, 2013 (item 5 a)

² Minutes of the Budget Committee meeting of March 22, 2012 (item 2)

2.4.7. Events after the balance sheet date

At the date of signing of these accounts no material issues had come to the attention of the Director were reported to him that would require separate disclosure under this section.

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

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

2.4.8.1. 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 2013 Energy Community employed 23 staff. Utilization of the human resources budget (incl. short – term appointments like internship and secondment) amounted to 96,34% (in 2012: 99,63%). Slight under-utilization of this budget can be explained through late arrival of new staff members in 2013 as well as discontinuation of employment at one of the positions under the establishment plan 2013.

2.4.8.2. 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 77,78% (in 2012: 79,18%). The under-utilization of this budget line is reasoned by less than planned number of travels on behalf of the Energy Community as well as by cost-effective planning of the travel arrangements (timely and electronic bookings of travels).

2.4.8.3. 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 416.421,00; in 2012: EUR 389.027,65), was almost fully implemented (91,65%; in 2012: 88, 57%). Due to objective needs, the adjustment by means of amending this budget line at the end of 2013 concerned increase for an amount of EUR 20.000,00.

2.4.8.4. Other Costs, Services

2.4.8.4.1. 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. Due to objective needs

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(mainly increased activities in the area of public relations), the adjustment by means of amending this budget line at the end of 2013 concerned increase for an amount of EUR 14.000,00 (in 2012: EUR 7.000,00). Utilization of the final budget of EUR 44.600,00 (in 2012: EUR 37.000,00) remained at 98,16% (in 2012: 87,92%).

2.4.8.4.2. *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 2013 the Energy Community initiated four contracts related to studies and research (total amount EUR 393.000,00), where three of them were not finalized in 2013 and presented in the budgetary accounts 2013 as legal commitments carried forward into 2014.

Taking into account those unused commitments, budget utilization 2013 for Studies, Research and Consulting reached high level of 96,06% (in 2012: 99,85%).

2.4.8.4.3. *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 computer equipment, as well as fees charged by Deloitte for their services related to web based travel administration software as well as yearly service fee for the accounting software.

Utilization of this budget position amounted to 99,59% (in 2012: 80,54%). The original budget of EUR 112.200,00 (in 2012: 110.000,00 EUR) was adjusted to EUR 97.200,00 (in 2012: EUR 110.000,00).

2.4.8.4.4. *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 2013 intense external accounting expertise was required, due to absence of in-house accounting competences. The costs of the services by the interim accountant (external company) required amending this budget line at the end of 2013 for an amount of EUR 20.000,00 (in 2012: 0,00 EUR). The final budget of EUR 60.800,00 (in 2012: 45.000,00 EUR) was used in 84,40% (in 2012: 77,87%; 2013: EUR 51.312,21 vs. 2012: EUR 35.043,41).

2.4.8.4.5. *Financial Services (bank)*

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.

Relatively high level of utilization of the final budget of EUR 12.240,00 (in 2012: EUR 17.000,00) in 2013 (90,71%, in 2012: 73,17%) was caused by numerous transactions outside the EU area relating to the reimbursement of travel expenditures.

2.4.8.4.6. 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 214.200,00 (in 2012: 210.000,00 EUR) to EUR 175.200,00 (in 2012: 165.000,00). The utilization amounts to 57,24% (in 2012: 96,23%). Within this budget line substantial savings were made due to change of approach in the organisation of the events (less catering services).

2.4.8.4.7. 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 265.200,00 (in 2012: EUR 260.000,00) to EUR 285.200,00 (in 2012: EUR 280.709,37). The final budget was utilized in 90% (in 2012: 100%).

2.4.8.4.8. 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 40.800 (in 2012: EUR 40.000) to EUR 20.800 (in 2012: EUR 37.290,63). Thus the final budget for refunding was utilized by 65,74% (in 2012: 95,03%).

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: Actual Amounts 2013 - charged to Budget 2012

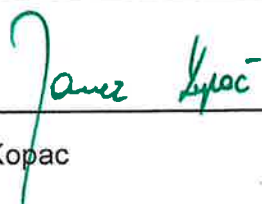
Through the approval of the Budget Committee (see 2.2.10.) the Energy Community is entitled to expend unused budget from previous years in future years as long as the funds are committed. The portion of expenditures incurred in the course of 2013 that is attributable to open commitments from 2012 is shown in this column.

Column 3: Differences between Actual Amounts in the Financial Statements and Actual Budget Amounts**Note 1**

Amount of 16.482,79 EUR represents the increase in the accruals between December 31, 2012 and December 31, 2013. The accrued expenses are not covered by the approved budget.

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 Kopac

14.02.2014

Energy Community, Vienna, Austria

31 December 2013

NON-CURRENT ASSETS MOVEMENT SCHEDULE as of 31 December 2013

	1 January 2013	Cost of Acquisition and Manufacture additions	Manufacture disposals	31 December 2013	accumulated depreciation	asset value 31 December 2013	asset value 31 December 2012	depreciation for the year
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
FIXED ASSETS								
I. Intangible assets								
Software und licences	84.268,89	8.507,44	18.118,00	74.658,33	55.754,19	18.904,14	25.697,90	15.301,20
II. Tangible assets								
Infrastructure, plant and equipment	348.584,18	78.634,94	85.169,72	342.049,40	261.070,23	80.979,17	70.152,90	67.808,67
	<u>432.853,07</u>	<u>87.142,38</u>	<u>103.287,72</u>	<u>416.707,73</u>	<u>316.824,42</u>	<u>99.883,31</u>	<u>95.850,80</u>	<u>83.109,87</u>

Energy Community, Vienna, Austria
December 31, 2013

DEVELOPMENT OF INVESTMENT DONATIONS as of 31 December 2013

	Net Book Value 1 January 2013	additions	usage	31 December 2013
	EUR	EUR	EUR	EUR
Investment Donations				
Software and licences	25.697,90	8.507,44	15.301,20	18.904,14
Plant and equipment	70.152,90	78.634,94	67.808,67	80.979,17
	<u>95.850,80</u>	<u>87.142,38</u>	<u>83.109,87</u>	<u>99.883,31</u>

Conditions of Contract



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 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.

(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.