

APPEL B.V./N.V.

Attn. the Board of Directors

(address)

(date)

Dear Sirs,

In connection with our on-going appointment as auditors of *(APPEL B.V./N.V.) [and its subsidiaries, as listed in the appendix 1 to this letter]* [note 1]* we would like to set out the basis on which we are to act as auditors and summarise the respective areas of responsibility of the directors and ourselves. *[note 2]*

1 Audit

Our responsibility as auditors of *APPEL B.V./N.V. [and its subsidiaries]* is to examine the annual accounts [including consolidated annual accounts]* for the year ending 31 December 200X with a view to expressing an opinion on the presentation of the financial position at such date and of the results of operations *[and cash flows]** for the year then ending, in accordance with accounting principles generally accepted in the Netherlands, as set out in Article 362, paragraph 1 [and paragraph 8]*, Book 2 of the Netherlands Civil Code ('B2 NCC'). *[note 3]* In addition, we will review the other financial and non-financial information presented within the financial report or accompanying the annual accounts for consistency with the annual accounts. As prescribed by Article 393, 'B2 NCC', we will specifically review whether the Annual report of the directors is drawn up in accordance with Article 391, 'B2 NCC' and is consistent with the annual accounts. We will also review whether the Other information includes the information required under Article 392, paragraph 1.b to 1.g, 'B2 NCC'. We are required to refer to any inconsistencies between the Annual report and the annual accounts in our auditors' report.

We will conduct our audit(s)* in accordance with Netherlands law and regulations. These laws and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall position as presented by the annual accounts.

Our audit procedures may include the following:

- consideration of the accounting and internal control systems;
- tests on the workings of the systems;
- assessment of the accounting principles used and methods applied;
- assessment of presentation of financial information to confirm compliance with legal and professional requirements;
- tests of selected recorded transactions with documentation required by law and good business practice;
- tests of physical existence, ownership and recorded value of selected assets;

- tests of authenticity and conditions of selected liabilities;
- direct confirmation with selected third parties (e.g. banks, customers, suppliers) of amounts due to or by them and other relevant information;
- *test of the consolidation, including any consolidation adjustments*;*
- other procedures we consider necessary for the purpose of our forming an opinion.

The extent and nature of these procedures, which may vary from year to year, will depend on our evaluation of the internal control exercised by management, the business systems employed, the quality of record keeping and the results of such procedures. Where possible we will rely on the controls of your company's internal control system, which are intended to detect or prevent intentional and unintentional errors. [We will liaise with your internal auditors to ensure the proper co-ordination of our work while ensuring that adequate audit coverage is achieved.]* *[note 4]*

The annual accounts are the responsibility of the management. In this regard, management is responsible for safeguarding the assets of the company, maintaining proper accounting records and maintaining an appropriate system of internal control (including procedures regarding the reliability and continuity of computerised systems and the prevention and detection of fraud, other irregularities and errors and non-compliance with law or regulations).

Our audit is not designed to specifically detect fraud. Because of the nature of audit samples and other inherent limitations of an audit, together with the inherent limitations of any system of internal control, there is an unavoidable risk that some material misstatement may remain undiscovered.

We shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the annual accounts or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations). However, our examination should not and cannot be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.

We would like to bring to your notice that in the practice of our profession we are bound to the rules and regulations issued by our professional Institute Furthermore, we are bound by laws and other regulations, such as the "Wet Toezicht Accountantsorganisaties" (Dutch law regarding auditors), the 'Wet Identificatie bij Dienstverlening' ('WID', the Dutch Identification Act), and the 'Wet Melding Ongebruikelijke Transacties' ('Wet MOT', the Dutch act regarding Disclosure of Unusual Transactions). The WID requires us to identify each client before we can render any services to that client. Consequently, we should have received a certified extract from the trade register prior to the rendering of our services, and we should make, in person, a copy of your passport and/or that of other representatives of the company, who we will identify. If for a statutory audit we receive data or information which support a reasonable suspicion of a material fraud, in the context of the financial statements, we are, under certain circumstances, based on the WTA required to report this to the relevant authorities i.e. the AFM and the KLPD. If during the course of our audit, we become aware that an act of fraud has or may have been committed we will report these matters to you (and to your Supervisory Board)*. If, during the course of our work, there are indications of unusual transactions, it is possible, pursuant to the

regulations of the Wet MOT, that we are required to report this to the 'Meldpunt Ongebruikelijke Transacties' (Unusual Transactions Reporting Office), without notifying you thereof. [note 5]

In addition to our auditors' report on the annual accounts, it is our practice to report to management any material weaknesses in internal controls which come to our notice during the course of the audit engagement. However, our audit procedures are not primarily directed to this end and cannot be relied upon to disclose all such matters which a more extensive examination specifically directed thereto might disclose.

During the audit and its conclusion we will discuss with appropriate members of management certain aspects of the annual accounts and in particular their judgements regarding collectibility of accounts receivable, valuation of inventories, the need for provisions and other matters not readily susceptible to objective determination. In order to ensure that we properly comprehend the results of our discussions we ask that these opinions be updated and confirmed to us in writing, in the form of a management representation letter, as of the date on which our auditors' report will be issued.

Our auditors' report is to be submitted to the [*Supervisory Board of Directors and the*]* General Meeting of Shareholders together with the annual accounts and to be included with those documents which will be published (such as the annual accounts, the Annual report of the directors and the Other information). We request you to provide us in advance with the documents to be published, for our review. Our auditors' report may not be published without our prior written permission.

In accordance with Article 393, Section 4, Book 2 of the Netherlands Civil Code we will report those findings arising from our audit which we feel should be brought to the attention of the directors [*and the Supervisory Board of Directors*]*. [note 6]

We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to other representatives of <naam accountantspraktijk> than those engaged on the audit (including information provided in connection with other services).

We look forward to your staff's full co-operation and trust that they will make available to us whatever records, documents and other information we need for our audit.

2 Access to working papers

All working papers and files, other materials, reports and work created, developed or performed by <naam accountantspraktijk> during the course of the audit are the property of <naam accountantspraktijk>. We may be required to give access to our audit working papers for regulatory purposes or because of other legal obligations.

3 [Interim financial statements [note 7]

In connection with our audit of the annual accounts, we will perform reviews of *APPEL B.V./N.V.'s* unaudited [*consolidated*] *interim/quarterly** financial statements and related data

for each of the first three quarters in the year ending 31 December 200X, before they are released. These reviews will be conducted in accordance with auditing standards generally accepted in the Netherlands. The scope of work undertaken will be substantially less than that undertaken in an audit. Accordingly, because of the limited scope, this work may not reveal material modifications necessary to make the interim financial statements according to accounting principles generally accepted in the Netherlands with respect to review engagements.

We will, however, report to *APPEL B.V./N.V.** on the results of our work performed and will communicate any matters that come to our attention that we believe may require material modifications to the interim financial statements to make them in conformity with applicable standards for preparing such statements. Our report on the interim financial statements will not be intended for the use or benefit of anyone other than *APPEL B.V./N.V.*]*

Accounting and other services [note 8]

We are available as and when the need arises, to carry out the following accounting services on your behalf/*We have agreed that we will provide you the following accounting services**:

- giving advice on appropriate accounting principles and their application;
- providing assistance with the preparation of the [consolidated] annual accounts on the basis of drafts prepared by you.

[You have also requested <naam accountantspraktijk> to provide other services in respect of (payroll accounting, bookkeeping, taxation, etc)*. The terms under which such services are to be provided are dealt with in a separate letter.]*

4 [Reports issued for third parties [note 9]

At the conclusion of the audit, you also require us to issue a* report(s)* on the company's/group's [turnover from rented properties which we understand you will provide to the property owner, X Corporation]* (*specify the nature of the report*). Where not covered by a separate engagement letter, our work for this/those* report(s)* will be performed during the course of the audit and the terms of our audit engagement (as described in this letter) will also apply to this/those* report(s)*. Other than to you and the party for whom this work is performed, we shall not owe any responsibility or duty of care to any third party to whom this report is/those reports are* provided.]

[There may be other situations, for example in relation to loan agreements or other contractual obligations, where a third party seeks to request us, in our capacity as auditors, to report to them. This would also include providing a report on specific components of the annual accounts (for example, turnover). Any contractual arrangements between you and a third party which seeks to impose such requirements upon us will not, as a matter of law, be binding on us.

However, depending on the circumstances we may agree to provide reports to third parties, but not in our capacity as your auditors under this engagement letter. Any such possible

requirements must be discussed with us at the earliest opportunity and well before the loan agreement or other arrangement is finalised. In this regard, however, it is our policy not to extend our duty of care in respect of our audit report to the annual accounts. Separate engagement letters will be issued if and when we would agree to issue such reports.]*

[Electronic communications *[note 10]*

We may from time to time communicate with you electronically. However, as you are aware, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Accordingly, while we will use commercially reasonable procedures to check for the then most commonly known viruses before sending information electronically and notwithstanding any collateral contract, warranty or representation, neither <naam accountantspraktijk> Accountants N.V. nor its partners, employees or agents shall have any liability to you on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error or omission arising from or in connection with the electronic communication of information to you and your reliance on such information and including (but not limited to) the acts or omissions of our service providers. Such exclusion of liability shall not apply to us in the event of such acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of our partners, employees or agents.

We will be obliged if you could inform us should you wish us not to use electronic communications.

If the communication relates to a matter of significance on which you wish to rely and you are concerned about the possible effects of electronic transmission you should request a hard copy of such transmission from us. If you wish us to password protect all or certain documents transmitted could you please discuss this with us and we will make appropriate arrangements.]*

5 Publication of documents bearing the name of <naam accountantspraktijk>

Following our consent to publish your annual accounts together with our auditors' report, any subsequent reproduction (other than the mere photocopying of the entire document) or publication of your company's annual accounts or any document with which we are associated and/or on which we issue an auditors' report requires our prior written consent. This includes publication on an Internet website, [filing in connection with the SEC's Electronic Data Gathering, Analysis, and Retrieval ('EDGAR') system]* *[note 11]*, the publication or forwarding of any financial report stating our name, as well as the use of our name in any other document (including an offering document) to be published or made available to third parties.

In all such cases you must provide us with a draft of the document on a timely basis to read, and obtain our written approval for inclusion of our auditors' report, before the document is finalised and distributed. Where our auditors' report is to be reproduced in any medium, the complete annual accounts, including notes, must be presented. Any agreement on our part to

perform work in connection with the above will be a separate engagement and subject to a separate engagement contract.

6 Safeguarding service

It is our desire to provide you at all times with high-quality service to meet your needs. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the auditor responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact *Mr APPEL <naam vertrouwenspersoon>*, In this way, we are able to ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly, and to do all we can to explain the position to you.

7 Fees [note 13]

Our fees are based upon the degree of responsibility and skill involved and the time necessarily occupied for the work. Individual hourly rates vary according to the team member's degree of responsibility, experience and skills required. Our fee for work performed will be billed *on a monthly basis/in line with the progress of our work**.

Payment has to be made within the agreed periods but under no circumstances later than <15> days from the date of the invoice.

Our estimate of the fee for the audit of the current year is € ... (*excluding value-added tax and out-of-pocket expenses, which will be billed on an actual basis*)/(*including expenses but excluding value-added tax*)*. We propose the following instalments:

- ... (*amount*)/...%* upon commencement of the planning phase of the audit (*date*)*;
- ... (*amount*)/...%* upon commencement of the interim audit (*date*)*;
- ... (*amount*)/...%* upon commencement of the year-end audit (*date*)*;
- the remainder after completion of the activities.

8 Independence [note 14]

The applicable law and regulations, NIVRA/NOvAA rules and regulations and the applicable independence regulations of the regulators of the Dutch and foreign stock exchange markets (for example, the Securities & Exchange Commission - SEC - in the USA), as well as auditing standards generally accepted in other countries require us to maintain independence in our services to audit clients and restrict us from providing certain services to our audit clients. To enable us to ensure that we are, and will remain, independent from you, your shareholders and any group and affiliated companies, we request you to provide us with details of, and any changes to, your legal structure, including names of all direct and indirect shareholders and all other direct and indirect related group and affiliated companies of *APPEL B.V./N.V.*, indicating whether any of them are listed on a stock exchange. Changes in the organisation and organisation structure while we are carrying out our services could lead to a situation where we are obliged to withdraw from providing certain services to *APPEL B.V./N.V.*

9 Other matters

The enclosed General Terms & Conditions are applicable to the work performed in the execution of this engagement by <naam accountantspraktijk>. With regard to the limitation of liability with respect to the present engagement, article 13.1, paragraph c is applicable, except when prohibited by applicable law, regulation and/or regulatory practice, and article 13.1, paragraphs a, b and d are not applicable.

This engagement letter is also effective for years subsequent to 200X, until it is replaced by a new engagement letter, unless the engagement is terminated, either by the company or <naam accountantspraktijk>.

We would be grateful if you would contact us as soon as possible if you have any questions regarding the above.

Please sign and return the attached copy of this letter to confirm the aforementioned.

Yours truly,

(must be signed by an auditor in the name of <naam accountantspraktijk>)

- Appendices: 1. List of subsidiaries*
2. General Terms & Conditions

.....

We confirm that the above letter from you correctly sets out the services required from you and the basis on which they are to be provided.

Signed on behalf of APPEL B.V./N.V. by:

Name:

Position:

Date:

Guidance notes (not part of the example engagement letter)

Note 1

In order to correctly identify which companies we are required to audit, we should list those companies that are audited by the same engagement team and are covered by the same engagement letter. If the management of certain companies is separate, a separate engagement letter should be issued for those companies if this is required by our policies.

Note 2

If the above engagement contract is to be used for a new client (first year audit), the following wordings should be used in the introductory paragraph:

"In accordance with the resolution at the meeting of *(date)* of the *General Meeting of Shareholders/ Supervisory Board/Board of Directors**, you have requested that we audit the annual accounts of *(APPEL B.V./N.V.) [and its subsidiaries, as listed in appendix 1 to this letter]**. We have met with *(named officials of the company)* to discuss the content and performance of this engagement and are pleased to confirm our acceptance of this engagement and record the outcome of our meeting. This letter sets out the basis on which we are to act as auditors and the respective areas of responsibility of the directors and ourselves."

Note 3

Explicit reference to Article 362, paragraph 8, Book 2 of the Netherlands Civil Code is included to explain that 'Dutch GAAP' now also includes 'EU IFRS'. In case of a 'Dutch GAAP', not 'EU IFRS', audit the reference to paragraph 8 can be deleted. There's also the possibility to add certain specific 'IFRS items' to the engagement letter. Consider the following examples:

- It is now possible to choose between EU IFRS and Dutch GAAP for the parent company accounts. It is possible that the company may not have made its choice, hence there is an open issue, which is reflected in an additional paragraph.
- We made reference to the fact that you have already performed agreed upon procedures to the IFRS transition and comparative figures and you will rely on these to the extent possible if this has been done.

To be added to the paragraph 'Our audit procedures may include the following':

- Consideration of the accounting, internal control and risk management systems [in particular in relation to the IFRS transition project to determine how management has ensured that all adjustments necessary to convert the Dutch GAAP figures to IFRS have been identified]*;
- Detailed tests in relation to the IFRS adjustments including the options given under IFRS 1.

Note 4

Required only where the company has internal auditors and the client expects us to, and we intend to, rely on certain of the work performed by the internal auditors.

Note 5

The text needs to be tailored to the specific circumstances of the client.

Identification can take place as follows:

- Natural persons can be identified with their passport or driving license. We need to consult with our clients and the representatives of legal entities in order to obtain in a practical way a copy of their passport or driving license. We need to identify the client in person, therefore this copy cannot be sent by mail to us unless it is a copy certified by a notary.

- Regarding our clients registered at the trade register or the register of foundations of a Dutch Chamber of Commerce we have to obtain certified extracts. We have asked other legal entities, religious communities and public entities in a separate letter to identify themselves as requested by the WID. We have done the same for foreign clients.

We are obliged to retain this information for at least 5 years.

More information regarding the WID and the Wet MOT can be found on the Portal.

Note 6

This paragraph should be amended to reflect the specific report(s) we have agreed to (or intend to) provide to management and the directors.

Note 7

Required only where interim financial statements are presented by the company and we are expected to review these.

Note 8

This is a general section offering or agreeing to provide certain ad hoc accounting assistance to the client. Care should be taken to ensure that our independence is not impaired as a result of providing such services (especially for SEC clients).

If other services are being provided by other departments – for example: general bookkeeping services, payroll accounting, taxation, etc, this should be the subject of a separate engagement contract and the last paragraph of section 4 should be used.

For a new engagement, this paragraph for additional services may be modified as follows:

“You informed <naam accountantspraktijk> that you require our services in respect of (payroll accounting, bookkeeping, taxation, etc)*. The terms under which such services are to be provided are dealt with in a separate letter. In connection with this, we have requested (name of partner/manager) to contact you.”

Note 9

The paragraph on reporting to third parties must be included (after appropriate tailoring to reflect the nature of these reports) if additional reports are to be provided to the client – for example, reports on turnover, compliance with contractual obligations, etc. Care must be exercised when such additional reports are provided. Usually, such reports involve agreed-upon procedures and limited assurance or negative assurance. Since the work for these reports may be done as part of the audit, our audit terms and General Terms & Conditions should be applicable to these reports also. These reports would be addressed to the client and/or a governmental department (or a landlord) and a copy may be provided to these parties. Our reports are to contain a clause restricting the client circulating these reports to any other third party and denying any duty of care or responsibility to any other third party.

Sometimes, extra work is required for these reports, and the risk associated with these reports could be higher (for example, reports on compliance with loan covenants). It is advisable to have a separate engagement contract for any additional report which involves a significant amount of effort or generally carries higher risk. Such reports must not be addressed to any party other than the client unless the other party has signed up to the terms of such a report and the limitations thereof in a separate engagement letter.

The 2nd paragraph in this section has been drafted for this purpose – it may be tailored/amended as appropriate or deleted when not required. This paragraph covers those reports we do not know about at the commencement of the engagement – we would discuss any such additional reports separately prior to performing any work on these reports. Similarly, we may want to cover certain reports (for example where there are other addressees to the report) in a separate engagement letter.

Note 10

The section on electronic communications must be used if we communicate with the client via e-mail and the client agrees to this. This section is important to highlight to the client the risks of electronic communications. If a client is not prepared to accept the risk of communicating electronically, this section is not required, and in such circumstances, we must not communicate with the client, or send any reports via e-mail, etc.

Note 11

The reference to EDGAR filings is applicable only for those SEC clients filing their annual accounts electronically. It should be deleted in all other circumstances, or replaced with appropriate language if any other electronic means of filing is used.

Note 12

It is often the case that fees are not agreed early enough for an audit assignment. The delay in agreeing fees with a client should not hold up the issue of an engagement contract since the fees can always be agreed separately. If the fees are to be agreed separately, the following paragraph can be used:

"Our fees are based upon the degree of responsibility and skill involved and the time necessarily occupied on the work. Our proposal for the fees for the audit work for the year ending 31 December 200X as set out in this letter, together with the related billing arrangements, (will be/have been) summarised in a separate letter (to be) issued to Mr APPEL (on date)."

Note 13

The section on independence is included to seek the client's assistance in obtaining/maintaining the data necessary to determine that we are/continue to be independent, in accordance with applicable rules, from those companies with whom we have to maintain independence. Following receipt of this information from the client, the engagement partner/director and manager should take immediate steps to include within the Independence List names of any listed companies within the organisation structure and whether any of these entities report to the SEC. By doing so, we will be able to ensure that our Independence List is complete and it will enable us to ensure that not only do we maintain independence from the correct entities, but we also identify those SEC regulated clients to whom we cannot provide a number of non-audit services.