

**THE PERMANENT SECRETARIAT OF
THE TRANSPORT COMMUNITY**

**Financial Statements
Year Ended December 31, 2022 and
Independent Auditors' Report**

**TRANSPORT COMMUNITY
2022 Annual Financial Statements**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Regional Steering Committee of the Transport Community

Opinion

We have audited the accompanying financial statements of the Permanent Secretariat of the Transport Community (the "Organization") which comprise the statement of financial position as at 31 December 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Belgrade, June 5, 2023




Đorđe Dimić
Certified Auditor
Crowe RS Advisory d.o.o.
Majke Jevrosime 23
11000 Belgrade, Serbia

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

ASSETS

| | | | |
|-------------------------------------|---|---------------------|---------------------|
| A. Current assets | | | |
| I. Cash and cash equivalents | 4 | 1,368,709.35 | 1,492,643.83 |
| II. Receivables and prepayments | 5 | 183,655.87 | 1,464.48 |
| Budget contributions receivables | | - | |
| Total current assets | | 1,552,365.22 | 1,494,108.31 |
| B. Non-current assets | | | |
| I. Intangible assets | 6 | | |
| Software and licences | | 512,836.70 | 27,116.40 |
| II. Tangible assets | 7 | | |
| Infrastructure, plant and equipment | | 76,904.69 | 4,985.03 |
| Total non-current assets | | 589,741.39 | 32,101.43 |
| TOTAL ASSETS | | 2,142,106.60 | 1,526,209.73 |

LIABILITIES

| | | | |
|---|----|---------------------|---------------------|
| A. Current liabilities | | | |
| I. Accounts payable | 8 | | |
| Trade payables | | 152,917.38 | 42,986.83 |
| Payables to staff | | 5,006.85 | 14,940.43 |
| Legal commitments | | 428,995.00 | 690,745.00 |
| Accruals | | 452,982.00 | 7,750.00 |
| Total accounts payables | | 1,039,901.23 | 756,422.26 |
| II. Unused budget appropriations | 9 | | |
| Unused appropriations 2020 (Contracting Parties) | | - | 48,692.50 |
| Unused appropriations 2021 (Contracting Parties) | | 700.00 | 688,993.55 |
| Unused appropriations 2022 (Contracting Parties)/Deferred | | 511,763.93 | |
| Total unused budget appropriations | | 512,463.93 | 737,686.05 |
| B. Non-current liabilities | | | |
| I. Investments | 10 | 589,741.39 | 32,101.43 |
| TOTAL LIABILITIES AND NET ASSETS | | 2,142,106.60 | 1,526,209.73 |

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2022

| | Notes | 12 Months Period ending Dec, 2022 | 12 Months Period ending Dec, 2021 |
|--|-------|--------------------------------------|--------------------------------------|
| | | (in EUR) | (in EUR) |
| REVENUE | 11 | | |
| Budget contributions | | | |
| Budget contributions parties | | 3,002,105.00 | 3,000,000.00 |
| Legal commitments, prior year | | 690,045.00 | 162,260.00 |
| Legal commitments, current year | | (428,995.00) | (690,745.00) |
| Allocation to investments | | (597,987.15) | (37,556.88) |
| Unused appropriations | | (511,763.93) | (688,993.55) |
| Total contributions | | 2,153,403.92 | 1,744,964.57 |
| TOTAL REVENUE | | 2,153,403.92 | 1,744,964.57 |
| EXPENSES | 12 | | |
| Staff costs | | | |
| Staff salaries | | 1,146,903.22 | 1,181,775.05 |
| Health/Pension/Social security contr. | | 148,180.37 | 113,169.16 |
| Other staff costs | | 26,241.00 | 90,895.36 |
| Total staff costs | | 1,321,324.59 | 1,385,839.57 |
| Depreciation and Amortization Expenses | | | |
| Fixed assets amortization charge | | 40,347.19 | 13,699.88 |
| Depreciation and amortization usage | | (40,347.19) | (13,699.88) |
| Total fixed assets amortization | | - | - |
| Operating expenses | | | |
| Running costs | | 818,208.28 | 350,390.24 |
| Recruitment costs | | 1,845.28 | - |
| Finance costs | | 12,025.76 | 8,734.76 |
| Total operating expenses | | 832,079.32 | 359,125.00 |
| TOTAL EXPENSES | | 2,153,403.91 | 1,744,964.57 |
| NET SURPLUS FOR THE PERIOD | | 0.00 | 0.00 |

Indirect Method Cash Flow Statement (paragraph 27(b))
Cash Flow Statement for Year Ended December 31, 2022

| | 2022 in EUR | 2021 in EUR |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus/(deficit) | - | - |
| Non-cash movements | | |
| Depreciation of non-current assets | 40,347.19 | 13,699.88 |
| Usage of obligation dedicated to assets | (40,347.19) | (13,699.88) |
| Decrease in receivables | - | 185,753.87 |
| (Increase)/Decrease in prepayments | (182,191.39) | (1,464.48) |
| Increase/(Decrease) in trade payables and other liabilities | 545,228.97 | 41,989.71 |
| Increase in legal commitments | (261,750.00) | 528,485.00 |
| Increase/(Decrease) in unused appropriations | (225,222.12) | (2,516,892.17) |
| Net cash flows from operating activities | <u>(123,934.54)</u> | <u>(1,762,128.07)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions of non-current assets | (597,987.15) | (37,556.88) |
| Net cash flows from investing activities | <u>(597,987.15)</u> | <u>(37,556.88)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Grant contribution for assets | 597,987.15 | 37,556.88 |
| Net cash flows from financing activities | <u>597,987.15</u> | <u>37,556.88</u> |
| Net increase/(decrease) in cash and cash equivalents | (123,934.54) | (1,762,128.07) |
| Cash and cash equivalents at beginning of period | <u>1,492,643.83</u> | <u>3,254,771.91</u> |
| Cash and cash equivalents at end of period | <u><u>1,368,709.35</u></u> | <u><u>1,492,643.83</u></u> |

Statement of Changes in Net Assets for the Year ended December 31, 2022

| | Budget Contributions | Repayments | Accumulated Surpluses / (Deficits) | Total Net Assets |
|--|-------------------------|--------------|--|-------------------|
| Balance as at January 1, 2022 | 737,686.05 | | | 737,686.05 |
| Contributions | 3,002,105.00 | | - | 3,002,105.00 |
| Allocated budget expenditures | (2,490,341.15) | - | - | (2,490,341.15) |
| Surplus for the period | - | - | 511,763.93 | 511,763.93 |
| Unused commitments 2021 | | | 700.00 | 700.00 |
| Unused appropriations | - | | (511,763.93) | (511,763.93) |
| Repaid unused appropriations | | (551,238.21) | | (551,238.21) |
| Offset unused appropriations | | (186,447.76) | | (186,447.76) |
| Balance as at December 31, 2022 carried forward | 1,249,449.90 | (737,685.97) | 700.00 | 512,463.93 |

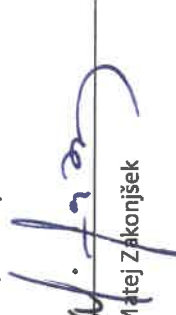
Statement of Comparison of Budget and Actual Amounts for the Year 2022

(All figures in EUR)

| Budget Heading/Line | Initial Budget | Budget Transfers | Final Budget | Actual Amounts 2022 on a comparable basis | Legal Commitments 2022 | Actual Amounts 2022 on a comparable basis incl. Legal Commitments | Actual amounts incl. Legal Commitments | Remaining Balance |
|------------------------------------|----------------|------------------|--------------|---|------------------------|---|--|-------------------|
| I. PERMANENT SECRETARIAT | 2,637,787.89 | 17,709.00 | 2,655,496.89 | 1,925,104.26 | 428,995.00 | 2,354,099.26 | 88.65% | 301,397.63 |
| I.1. Personnel Costs | 1,504,867.89 | - | 1,504,867.89 | 1,321,324.59 | | 1,321,324.59 | 87.80% | 183,543.30 |
| I.2. Travel costs | 156,910.00 | (15,691.00) | 141,219.00 | 124,989.86 | - | 124,989.86 | 88.51% | 16,229.14 |
| I.3. Office costs | 481,300.00 | 8,400.00 | 489,700.00 | 276,777.23 | 196,435.00 | 473,212.23 | 96.63% | 16,487.77 |
| I.4. Other costs and services | 274,710.00 | 3,000.00 | 277,710.00 | 202,012.58 | | 202,012.58 | 72.74% | 75,697.42 |
| I.5. STUDIES, Technical Assistance | 220,000.00 | 22,000.00 | 242,000.00 | - | 232,560.00 | 232,560.00 | 96.10% | 9,440.00 |
| II. MINISTERIAL COUNCIL | 30,400.00 | - | 30,400.00 | 6,611.84 | - | 6,611.84 | 21.75% | 23,788.16 |
| III. REGIONAL STEERING COMMITTEE | 18,560.00 | - | 18,560.00 | 16,109.01 | - | 16,109.01 | 86.79% | 2,450.99 |
| IV. TECHNICAL COMMITTEES | 154,800.00 | (15,480.00) | 139,320.00 | 106,887.12 | - | 106,887.12 | 76.72% | 32,432.88 |
| V. SOCIAL FORUM | 10,800.00 | (2,229.00) | 8,571.00 | 5,367.12 | - | 5,367.12 | 62.62% | 3,203.88 |
| TOTAL: | 2,859,147.89 | - | 2,859,147.89 | 2,061,345.12 | 428,995.00 | 2,490,340.12 | 87.10% | 368,807.77 |
| Budget Reserve (approx. 5%) | 142,957.39 | - | 142,957.39 | - | - | - | 0.00% | 142,957.39 |
| GRAND TOTAL: | 3,002,105.28 | - | 3,002,105.28 | 2,061,345.12 | 428,995.00 | 2,490,340.12 | 82.95% | 511,763.93 |

Signature of Director of the Transport Community Permanent Secretariat

Belgrade, 31 May 2023


Mr. Matej Zakonjšek



PERMANENT SECRETARIAT
OF THE TRANSPORT COMMUNITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

Belgrade, May 2023

1. INCORPORATION AND ACTIVITIES

The Transport Community has been established based on the Treaty signed between the European Union (Official Journal of the European Union No. L 278 p.3- 53) and the Republic of Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Kosovo.* (herein referred to as „Kosovo“), Montenegro and the Republic of Serbia; (hereinafter „the South East European Parties“).

All the above-mentioned parties are herein after referred to together as ‘the Contracting Parties’.

The aim of the Treaty is the creation of a Transport Community, (hereinafter „the TCT“) in the field of road, rail, inland waterway and maritime transport as well as the development of the transport network between the European Union and the South East European Parties.

In order to implement the Treaty provisions and make the Transport Community operational, a Permanent Secretariat (hereinafter 'the Secretariat') has been established. The seat of the Secretariat is in Belgrade as defined by the Agreement between the Transport Community and the Republic of Serbia signed on January 30, 2019. According to this Agreement, the Secretariat enjoys diplomatic privileges and immunities including exemption from any taxes such as VAT. The officials employed by the Secretariat are exempt from personal income taxes and social security contributions.

The Organization's register number is 17921304 and its tax identification number is 111305000.

2. GENERAL INFORMATION

The Transport Community is an international organisation in the field of mobility and transport, consisting of 33 participants – the entire EU and South East European Parties. The TCT is working on the integration of Western Balkans transport markets into the EU, by assisting the South East European Parties to adopt and implement the EU legislation in the field of transport and by supporting projects that are connecting Western Balkans regional partners among themselves and with the EU.

The Institutions established under the Treaty are the Ministerial Council, the Regional Steering Committee and the Permanent Secretariat. Further bodies established in the course of Treaty implementation are Technical committees, the Budget Committee and Social forum.

By the Decision No. 2020/02 of the Regional Steering Committee dated 29 July 2020, Mr. Matej Zakonjšek was appointed as Director of the Permanent Secretariat. Mr. Zakonjšek took office as of 01 August 2020.

* This designation is without prejudice to positions on status and is in line with UNSCR 1244 (1999) and the ICJ Opinion on the Kosovo declaration of independence.

2. GENERAL INFORMATION (continued)

The Secretariat has been registered in the Republic of Serbia as a Legal Entity with attributions of privileges and immunities as defined by the HQ Agreement. Its inauguration took place on 13 September 2019.

Tax number: 111305000; VAT Exempted
ID No.: 17921304

The Secretariat is tasked to:

- provide administrative support to the Ministerial Council, the Regional Steering Committee, the Technical committees, Budget committee and the Social Forum;
- act as a Transport Observatory to monitor the performance of the indicative TEN-T extension of the comprehensive and core networks to the Western Balkans;
- support the implementation of WB6 Parties Connectivity Agenda aiming to improve links within the Western Balkans as well as between the region and the European Union.

The establishment and functioning of the Transport Community and the Permanent Secretariat has been secured from the contributions of the European Union (80% of the Budget) and South East European Parties (20% of the Budget).

The share of contributions among the South East European Parties is defined by the ANNEX V of the Treaty.

3. SIGNIFICANT ACCOUNTING POLICIES

Legal Basis of Preparation

The financial statements comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The accounts of the Transport Community are kept in euro based on a calendar year.

As per Decision No 2022/07 of the Regional Steering Committee, the agreed Budget for the year 2022 was EUR 3,002,105.00 which needed to be spent for the operational functioning of the Permanent Secretariat, including staff remuneration, recruitment costs, organizing of meetings, running costs, purchase of equipment, studies and technical assistance; as well as the functioning of the other bodies of the TCT.

In accordance with the International Public Sector Accounting Standards framework, the accounting treatment for each transaction has to follow the following rules: Understandability, Relevance, Materiality, Reliability, Substance over Form, Prudence, Completeness.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax exemption

In accordance with the provisions of Article 24 of the Law on Value Added Tax of the Republic of Serbia, as well as the provisions of Article 19 of the Law on Excise Duties of the Republic of Serbia, in connection with the provisions of Articles 10, 14 and 15. of the Law on Ratification of the Agreement between the Republic of Serbia and the Transport Community on the Headquarters of the Transport Community Permanent Secretariat confirms that the Transport Community Permanent Secretariat is exempt from VAT and excise duties. Officials of the Secretariat (Director, Deputy Directors and all other persons permanently employed in the Secretariat) are exempt from VAT and excise duties for the import of goods, including motor vehicles, for personal or family needs.

Import of excise goods (all types of motor gasoline, all types of diesel fuel, liquefied petroleum gas for motor vehicles; alcoholic beverages and tobacco products) into the Republic of Serbia, as well as purchase of excise goods on the local market in the Republic of Serbia without VAT and Excise are predetermined by quotas. The purchase of these products on the local market can be done only in the quantities listed in the Registar issued by the Secretariat, signed by the Director, and then verified in the General Secretariat of the Government of the Republic of Serbia. The Tax Exemption Certificate is valid for a calendar year and was issued on 18.01.2022.

Depreciation method

Accounting treatment for property, plant and equipment is prescribed in IPSAS 17. The principal issue in accounting for property, plant and equipment are timing of recognition of assets, the determination of their carrying amounts and the depreciation charges to be recognized in relation to them. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used must reflect the pattern in which the asset's future economic benefit of service potential is expected to be consumed by the entity. The depreciation charge for each period should be recognized as an expense.

The Transport Community applies the straight-line method of depreciation. For specific classes of assets, the following useful lives are estimated:

- Computer software and other intangible assets - 3 years
- Computer hardware - 3 years
- Electronic devices - 3 years
- Technical equipment - 3 years
- Furniture - 5 years
- Motor vehicles - 5 years

Assets whose purchase price is below 400 Euros are fully depreciated in the year of purchase.

Foreign Currency Transactions

The functional currency of the Transport Community is euro and these financial statements are presented in euro. All transactions occurring in other currencies are translated in euro using a InforEuro rate¹ as published under:

https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en

Both realised, and unrealised gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than Transport Community's functional currency are recognised in the Statement of Financial Performance, in the net amount.

¹ See https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en; the rates indicated are the market rates for penultimate day of the previous month quoted by the European Central Bank or, depending on availability, provided by the delegations or other appropriate sources close to that date

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unused commitments

Unused commitments are budget contributions which have not been used (paid or invoiced) at the balance sheet date but for which commitments have been entered into in the current year or in prior years; they relate to the future periods and following IPSAS1 may not be shown as expenses² therefore are accounted as deductions from revenue.

Unused budget appropriations

Unused budget appropriations (not used and not committed at the end of the financial year) shall be proposed for repayment to the Contracting Parties. The repayment methodology is based on the budget report. The total calculated amount due shall equal/ be reconcilable with the amount of unused appropriations shown in the balance sheet as of 31 December. The table of repayments is subject to audit each year and shall be part of the Auditor's report.

² They do not meet the definition of expenses as defined by IPSAS1: *"Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners"*

4. 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 the bank.

Cash on hand is held in bank accounts with Raiffeisen Bank A.D. in Belgrade. Transport Community has one bank account in RSD and one bank account in EUR.

| | 31 December 2021 In EUR | 31 December 2021 In EUR |
|------------------------|----------------------------|----------------------------|
| Current RSD account | 253.05 | 1,519.41 |
| Current EUR account | 1,368,197.14 | 1,491,124.42 |
| Debit card account EUR | 259.16 | - |
| Total | 1,368,709.35 | 1,492,643.83 |

The total amount of cash and cash equivalents as at December 31, 2022 comprises of EUR 253.05 on the current RSD account and EUR 1,368,197.14 on the current EUR account and EUR 259.16 on a debit card account.

5. RECEIVABLES AND PREPAYMENTS

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

| | 31 December 2022 In EUR | 31 December 2021 In EUR |
|--------------------------|----------------------------|----------------------------|
| <i>Other receivables</i> | | |
| Receivables from staff | 1,400.98 | 604.79 |
| Total | 1,400.98 | 604.79 |

The other receivable amount includes costs which were recovered from staff members (for example private use of official phones and other costs)

| | 31 December 2022 In EUR | 31 December 2021 In EUR |
|--------------------|----------------------------|----------------------------|
| <i>Prepayments</i> | | |
| Prepaid expenses | 182,254.89 | 859.69 |
| Total: | 182,254.89 | 859.69 |

The prepaid expenses include a pre-financing payment for development of the Transport Observatory in the amount of EUR 179,850. The rest amount represents prepaid expenses and receivables from vendors.

6. 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). Full amortisation in the year of purchase is applied in case of software and licence costing EUR 400 or less. Costs capitalisable include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the intended manner.

Computer software and licences

| | 31 December 22 | 31 December 2021 |
|--|-------------------|------------------|
| | in EUR | in EUR |
| <i>Cost:</i> | | |
| Gross carrying amount 31 December previous year | 40,011.35 | 3,036.72 |
| Additions | 80,635.00 | 36,974.63 |
| ----- | | |
| Additions – Assets in development | 419,650.00 | |
| ----- | | |
| Disposals | - | - |
| Gross carrying amount at 31 December current year | 540,296.35 | 40,011.35 |
| | | |
| <i>Accumulated amortization:</i> | | |
| As at 31 December previous year | 12,894.95 | 3,036.72 |
| Depreciation charge for the current year | 14,564.70 | 9,858.23 |
| Disposals | - | - |
| Accumulated depreciation 31 December current year | 27,459.65 | 12,894.95 |
| | | |
| <i>Net carrying amount:</i> | | |
| Net carrying amount at 31 December current year | 512,836.70 | 27,116.40 |
| ----- | | |
| Net carrying amount at 31 December previous year | 27,116.40 | |
| ----- | | |

During 2022 additions made by the Transport Community amounted to EUR 80,635.00 (for 2021: EUR 36,974.63). Total amount of depreciation for 2022 is EUR 14,564.70 (For 2021: EUR 9,858.23).

The addition includes the Western Balkans Road Safety Observatory at the cost of EUR 78,985.00 Whereas the Additions – Assets in development includes the investment in the Transport Observatory, which is a multi-annual projected planned to be completed in 2023.

7. TANGIBLE ASSETS

All items of property, plant and equipment are presented by cost model. Repairs and maintenance are charged to the expenditure account during the financial period in which they incurred.

The Transport Community applies the straight-line method of depreciation. For specific classes of assets, the following useful lives are estimated:

- Computer hardware - 3 years
- Electronic devices - 3 years
- Technical equipment - 3 years
- Furniture - 5 years
- Motor vehicles - 5 years

Assets whose purchase price is below EUR 400.00 are fully depreciated in the year of purchase.

| <i>Infrastructure, plant and equipment</i> | 31 December 2022 in EUR | 31 December 2021 in EUR |
|---|----------------------------|----------------------------|
| Gross carrying amount 31 December previous year | 22,586.94 | 22,004.67 |
| Additions | 97,702.15 | 582.25 |
| Disposals | - | - |
| Gross carrying amount 31 December current year | 120,289.09 | 22,586.94 |
| <i>Accumulated depreciation:</i> | | |
| As at 31 December previous year | 17,601.91 | 13,760.26 |
| Depreciation charge for the current year | 25,782.49 | 3,841.65 |
| Disposals | - | - |
| Accumulated depreciation at 31 December current year | 43,384.40 | 17,601.91 |
| | | |
| Net carrying amount at 31 December current year | 76,904.69 | 4,985.03 |
| Net carrying amount at 31 December prior year | 4,985.03 | 8,244.40 |

During 2022 additions made by the Transport Community amounted to EUR 97,702.15 which included the purchasing of a video teleconferencing system and a motor vehicle. Total amount of depreciation for 2022 is EUR 25,782.49 (For 2021: EUR 3,841.65).

8. ACCOUNT PAYABLES

| | 31 December 2022 | 31 December 2021 |
|-------------------|---------------------|-------------------|
| | In EUR | In EUR |
| Trade payables | 152,917.38 | 42,986.83 |
| Staff payables | 5,006.85 | 14,940.43 |
| Legal commitments | 428,995.00 | 690,745.00 |
| Accruals | 452,982.00 | 7,750.00 |
| Total | 1,039,901.23 | 756,422.26 |

Trade payables include invoices received from suppliers for goods and services received by 31 December 2022 but not yet settled at the end of the year. Trade payables in total amount of EUR 152,917.38 are related to office running costs, travel costs, event participation costs etc.

Payables to staff include liabilities for reimbursement of official travel expenses and education allowances.

Legal commitments for the financial year 2022 refer to the contractual commitments entered by the Transport Community by 31 December 2022 without having received goods or services by the end of the year. The amount of Legal commitments for 2022 is EUR 428,995 and includes: two contracted studies: i) Improving climate resilience and adaptation measures; ii) Assessment of the rail market in WB6; last phase for the development of Transport Observatory, and purchase of a microphone system. In 2021 the value of legal commitments amounted to EUR 690,745.00

The accruals consist of the total value of goods and services that were provided by 31 December 2022 but haven't been invoiced by the vendors yet. Additionally, it includes staff entitlements from 2022 that were reimbursed after 31 December 2022. The total amount of EUR 452,982.00 includes costs related to the development of the Transport Observatory, specifically EUR 419,650.

9. UNUSED APPROPRIATIONS

| | 31 December 2022 | 31 December 2021 |
|--|-------------------|-------------------|
| | In EUR | In EUR |
| Unused legal commitments - 2021 (budget parties) | 700.00 | |
| Unused appropriations – 2022 (budget parties) | 511,763.93 | 737,686.05 |
| Total | 512,463.93 | 737,686.05 |

Unused budget appropriations (not used and not committed at the end of the financial year) are shown as liabilities towards the Contracting Parties. The total amount as at 31 December 2022 is EUR 512,463.93 representing unused appropriations from the financial year 2022 of EUR 511,763.93 and an amount of EUR 700.00 from an unused legal commitment stemming from 2021. On its first meeting the Budget Committee has recommended that the unused appropriations belonging to the South East Europe parties to be carried forward as Parties' contributions for the next Year's budget. Whereas the unused appropriations belonging to the European Union is to be repaid back. The calculation methodology is based on the budget report and made in accordance with the Annex V ('Contribution to the Budget of the Transport Community') of the Treaty.

The table of Unused budget appropriations is shown under Note 14.

10. INVESTMENTS

Given that the investments in tangible and intangible assets were made using the contributions of the Contracting Parties, the net carrying value of those assets is also shown as investment donations in the amount of EUR 589,741.39

The carrying amount as at 31 December 2022 of investments consists of the carrying amount as at January 2022 amounting to EUR 32,101.43 and additions amounting to EUR 597,987.15 that were reduced by depreciation and amortisation of EUR 40,347.19. The additions of 2022 include purchases of a video teleconferencing system, a motor vehicle, development of the Western Balkans Road Safety Observatory, the development of Transport Observatory, other software licence and office equipment.

11. REVENUE

| | 2022 | 2021 |
|---------------------------------|---------------------|---------------------|
| | In EUR | In EUR |
| Contributions | | |
| Budget contributions parties | 3,002,105.00 | 3,000,000.00 |
| Allocation to investments | (597,987.15) | (37,556.88) |
| Legal commitments, prior year | 690,045.00 | 162,260.00 |
| | | (690,745.00) |
| Legal commitments, current year | (428,995.00) | |
| | | (688,993.55) |
| Unused appropriations | (511,763.93) | |
| Total contributions: | 2,153,403.92 | 1,744,964.57 |

Amounts shown under budget contribution parties' represent total contributions related to the TCT 2022 budget of EUR3,002,105.00

| Parties | Contribution share in % | Contributions payable In EUR |
|-----------------------------|-------------------------|---------------------------------|
| European Union | 80.00% | 2,401,684 |
| Republic of Albania | 3.20% | 96,067 |
| Bosnia and Herzegovina | 3.55% | 106,575 |
| Republic of North Macedonia | 2.88% | 86,461 |
| Kosovo | 2.57% | 77,154 |
| Montenegro | 2.38% | 71,450 |
| Republic of Serbia | 5.42% | 162,714 |
| TOTAL | 100% | 3,002,105 |

Revenue adjustments are related to the allocation to investments in the amount of EUR 597,987.15 invested in tangible and intangible assets, legal commitments for the prior year EUR 690.045.00; legal commitments for the current year in the amount of EUR 428,995.00 (in 2021: EUR 690,745.00) unused appropriations in the amount of EUR 511,763.93 (in 2021: EUR 688,993.55).

12. EXPENSES

Staff remuneration

| | 2022 in EUR | 2021 in EUR |
|--|---------------------|---------------------|
| Salaries | 1,146,903.22 | 1,181,775.05 |
| Health insurance and pension contributions | 148,180.37 | 113,169.16 |
| Other staff costs | 26,241.00 | 90,895.36 |
| Total | 1,321,324.59 | 1,385,839.57 |

The Permanent Secretariat was not fully staffed throughout the year due to the resignation of three officials and their replacement. Staff remuneration costs in the total amount of EUR 1,321,24.56 (In 2021: EUR 1,385,839.57) include salaries in the amount of EUR 1,146,903.22 (in 2021: EUR 1,181,775.05); contributions for health and pension contributions in the amount of EUR 148,180.37 (In 2021: EUR 113,169.1). The other staff costs represent expenses for removal relocation allowances and costs.

Depreciation and amortization expense

| | 2022 In EUR | 2021 In EUR |
|--|------------------|------------------|
| Office equipment – Information Technology Hardware | 4,347.41 | 3,656.16 |
| Telecommunications equipment | 12,658.52 | 169.32 |
| Other equipment | 3,189.09 | 16.17 |
| Software licenses | 14,564.70 | 9,858.23 |
| Motor vehicles | 5,587.47 | |
| Total | 40,347.19 | 13,699.88 |

Depreciation and amortization expense include depreciation expenses for Information Technology Hardware (in the amount of EUR 4,347.41; telecommunications equipment depreciation charge amounted to EUR 12,658.52; Other equipment EUR 3,189.09; motor vehicle depreciation charge of EUR5,587.47; while amortization costs for software licences amounted to EUR 14,564.70.

12. EXPENSES (CONTINUED)

| Running costs of the Secretariat | 2022 | 2021 |
|---|-------------------|-------------------|
| | in EUR | in EUR |
| Travel costs | 124,989.86 | 62,679.27 |
| Office costs, equipment, and software | 24,476.02 | 10,859.64 |
| Other costs and services | 231,001.54 | 114,139.18 |
| Sub total | 380,467.42 | 187,678.09 |
| Studies and Technical Assistance | 2022 | 2021 |
| | in EUR | in EUR |
| Studies and Technical Assistance | 301,500.00 | 130,250.00 |
| Sub total | 301,500.00 | 130,250.00 |
| Other Transport Community Bodies | 2022 | 2021 |
| | in EUR | in EUR |
| Ministerial Council | 6,611.84 | 17,093.70 |
| Regional Steering Committee | 16,109.01 | 6,524.65 |
| Technical Committee Meetings | 106,887.12 | 8,843.80 |
| Social Forum | 5,367.12 | |
| Budget Committee | 1,265.77 | |
| Sub total | 136,240.86 | 32,462.15 |
| Recruitment costs | 2022 | 2021 |
| | In EUR | In EUR |
| Recruitment costs | 1,845.28 | - |
| Total | 1,845.28 | - |

Expenses arising from purchasing goods and services are reported on an accrual basis, recognising costs when a transaction occurs, rather than when payment is made.

12. EXPENSES (CONTINUED)

Finance costs

| | 2021 In EUR | 2021 In EUR |
|-------------------------|------------------|-----------------|
| Bank charges | 10,964.59 | 8,015.52 |
| Foreign exchange losses | 1,076.13 | 721.28 |
| Foreign exchange gains | (14.96) | (2.04) |
| Total | 12,025.76 | 8,734.76 |

Finance costs in the total amount EUR 12,025.76 include bank charges EUR 10,964.59 (in 2021: EUR 8,015.52), foreign exchange losses EUR 1,076.13 (in 2021: EUR 721.28), Foreign exchange gains EUR 14.96 (in 2021: EUR 2,04).

13. EXCHANGE GAIN AND LOSSES

Transport Community realises exchange gains and losses on accounts payable and accounts receivable transactions incurred in currencies other than euro based on the exchange rate in effect on transaction date. The net effect result exchange gains and losses in 2022 is represented in Note 9 – Expenses (Finance costs).

14. FINANCIAL INSTRUMENTS

As at 31 December 2022, the Transport Community was holding bank performance guarantees for the good execution of three service contracts. Total value of the guarantees was EUR **104,156.00**

15. RECONCILIATION OF STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AND STATEMENT OF FINANCIAL PERFORMANCE

(In EUR)

| Budget Heading / Line | Actual Amounts Budget Report 2022 | Legal Commitments 2021 | Differences Budget Report vs Financial Statements | Actual Amounts Statement of Financial Performance |
|----------------------------------|---|------------------------------|--|--|
| | (1) | (2) | (3) | (4)=(1)+(2)+(3) |
| I. PERMANENT SECRETARIAT | 1,925,104 | 690,045 | (597,986) | 2,017,163 |
| 1. Personnel Costs | 1,321,325 | - | - | 1,321,325 |
| 2. Travel costs | 124,990 | - | - | 124,990 |
| 3. Office costs | 276,777 | 345,685 | (597,986) | 24,476 |
| 4. Other costs and services | 202,013 | 42,860 | - | 244,873 |
| 5. STUDIES, Technical Assistance | - | 301,500 | - | 301,500 |
| II. MINISTERIAL COUNCIL | 6,612 | - | - | 6,612 |
| III. REGIONAL STEERING COMMITTEE | 16,109 | - | - | 16,109 |
| IV. TECHNICAL COMMITTEES | 106,887 | - | - | 106,887 |
| V. SOCIAL FORUM | 5,367 | - | - | 5,367 |
| VI. BUDGET COMMITTEE | 1,266 | - | - | 1,266 |
| Budget Reserve | - | - | - | - |
| TOTAL | 2,061,345 | 690,045 | (597,986) | 2,017,163 |

As required by IPSAS 24, a reconciliation is provided between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Financial Performance identifying separately any basis, timing and entity differences.

Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the depreciation of assets and the full recognition of legal commitments.

Column 2: Legal Commitments

Through the amendment of the Financial Rules as approved by the Regional Steering Committee, the Permanent Secretariat is allowed to carry over budget appropriations from previous in future years for funds that were committed. This column shows the expenses incurred during 2022 which are related to the legal commitments attributable to open commitments at the end of 2021.

Column 3: Differences between Actual Amounts in the Financial Statement and Actual Budget Amounts

The budget basis requires that the capital expenditures are recorded as current year expenses at acquisition costs. Accounting basis requires that these expenditures capitalised and depreciated over the useful life of the assets. The acquisition costs of additions to the assets in 2022 amount to EUR 597,986

16. STATEMENT OF BUDGETARY COMPARISON: EXPLANATION OF MATERIAL DIFFERENCES BETWEEN THE BUDGET AND ACTUAL AMOUNTS
(In EUR)

| Budget Heading / Line | Final Budget | Actual Amounts 2022 on a comparable basis | Legal Commitments 2022 | Actual Amounts 2022 on a comparable basis incl. Legal Commitments | Actual Amounts incl. Legal Commitments (%) | Unused Appropriations 2022 |
|---|--------------|--|------------------------------|---|---|-------------------------------|
| I. Permanent Secretariat | | | | | | |
| I.1. Human Resources | 1,504,868 | 1,321,325 | | 1,321,325 | 87.80% | 183,543 |
| The target of 100% was not reached due to staff turnover. During the year there were three resignations for which the job positions were not filled immediately due to recruitment procedures. | | | | | | |
| I.2. Travel costs | 141,219 | 124,989.86 | - | 124,990 | 88.51% | 16,229 |
| The main reasons for underspending are the utilisation of the motor vehicle purchased in May 2022 for the trips in the Region, and also travel prioritisation and cost optimisation. | | | | | | |
| I.3. Office costs, equipment, and software | 489,700 | 276,777.23 | 196,435 | 473,212 | 96.63% | 16,488 |
| The underspending of 3.67% is due to procurement procedures and market conditions. | | | | | | |
| I.4. Other costs and services | 277,710 | 202,012.58 | | 202,013 | 72.74% | 75,697 |
| Expenses include advertising, communication and visibility; financial costs and audit fees; meeting and conference costs; information technology and communication costs; consultancy services etc. In all of these budget lines, there were savings for reasons including partially virtual participation to events and meetings, co-sharing of the costs for organizing the annual summit event, lower communication costs (GSM and fixed phones) an unsuccessful procurement procedure for a document management system. | | | | | | |

16. STATEMENT OF BUDGETARY COMPARISON: EXPLANATION OF MATERIAL DIFFERENCES BETWEEN THE BUDGET AND ACTUAL AMOUNTS (Continued)

| | | | | | | |
|---|----------------|------------|---------|-----------|--------|----------------|
| I.5. Studies, Technical Assistance | 242,000 | - | 232,560 | 232,560 | 96.10% | 9,440 |
| The savings are a result of the procurement procedures i.e. market conditions. | | | | | | |
| II. Ministerial Council | 30,400 | 6,611.84 | - | 6,612 | 21.75% | 23,788 |
| Only one Ministerial Council with physical presence was organized as opposed to two planned ones. It took place in Brussels and was hosted by the European Union, resulting in lower costs for the budget of the Transport Community. | | | | | | |
| III. Regional Steering Committee | 18,560 | 16,109.01 | - | 16,109 | 86.79% | 2,451 |
| The savings are attributable to the virtual participation of the members of the Regional Steering Committee during some of the regular meetings. | | | | | | |
| IV. Technical Committees | 139,320 | 106,887.12 | - | 106,887 | 76.72% | 32,433 |
| The savings are attributable in part to the virtual participation of some of the members of the Technical Committees, and secondly due to lower than planned travel costs. | | | | | | |
| V. Social Forum | 8,571 | 5,367.12 | - | 5,367 | 62.62% | 3,204 |
| The savings are attributable in large part to the virtual participation on the annual Social Forum event which took place in Sarajevo. | | | | | | |
| VI. Budget Committee | 6,800 | 1,265.77 | | 1,266 | 18.61% | 5,534 |
| The savings are attributable in large part to the virtual participation of most of the members of the Budget Committee during the two meetings held at the Premises of the Permanent Secretariat. | | | | | | |
| | | | | | | |
| SUB TOTAL | 2,859,148 | 2,061,345 | 428,995 | 2,490,340 | 87.10% | 368,808 |
| Budget Reserve (approx. 5%) | 142,957 | - | | - | 0.00% | 142,957 |
| TOTAL | 3,002,105 | 2,061,345 | 428,995 | 2,490,340 | 82.95% | 511,764 |

17. CALCULATION OF UNUSED APPROPRIATIONS AND AMOUNTS REPAYABLE TO CONTRACTING PARTIES

(In EUR)

| Parties | Contribution share in % 2021 | 2022 Contributions paid | 2022 Share of costs | Unused commitments 2021 | 2022 Surplus | TOTAL Surplus |
|-----------------------------|------------------------------|-------------------------|---------------------|-------------------------|-------------------|-------------------|
| | <i>a</i> | <i>b</i> | <i>c=a*b</i> | <i>d</i> | <i>e=b-c</i> | <i>f=d+e</i> |
| European Union | 80.00% | 2,401,684.00 | 1,992,272.10 | 560.00 | 409,411.15 | 409,971.15 |
| Republic of Albania | 3.20% | 96,067.36 | 79,690.89 | 22.40 | 16,376.45 | 16,398.85 |
| Bosnia and Herzegovina | 3.55% | 106,574.73 | 88,407.08 | 24.85 | 18,167.62 | 18,192.47 |
| Republic of North Macedonia | 2.88% | 86,460.630 | 71,721.80 | 20.16 | 14,738.81 | 14,758.97 |
| Kosovo | 2.57% | 77,154.10 | 64,001.75 | 17.99 | 13,152.34 | 13,170.33 |
| Montenegro | 2.38% | 71,450.10 | 59,270.10 | 16.66 | 12,179.99 | 12,196.65 |
| Republic of Serbia | 5.42% | 162,714.10 | 134,976.44 | 37.94 | 27,737.61 | 27,775.55 |
| TOTAL | 100% | 3,002,105.00 | 2,490,340.12 | 700.00 | 511,763.97 | 512,463.93 |

18. KEY MANAGEMENT PERSONNEL

The key management personnel (as defined by IPSAS 20) of the Transport Community Permanent Secretariat are the Directory and the Deputy Director. The aggregate remuneration of members of the management and the number of managers determined on a full-time equivalent basis receiving remuneration within this category are:

| | 2022 | 2021 |
|------------------------|----------------|----------------|
| Aggregate remuneration | EUR 210,482.46 | EUR 206,752.68 |
| Number of persons | 2 persons | 2 persons |

The variance between the years is explained by the introduction of new rules on coverage of health insurance costs which came into effect as of July 2021

19. EVENTS AFTER THE REPORTING DATE

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

Signature of Director of the Transport Community Permanent Secretariat

Belgrade, 31 May 2023



Mr. Miroslav Zakonišek