

# Audit Report on the Financial Statements

as of 31.12.2023

Energy Community

1010 Wien

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Energy Community

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To the Director and  
the Members of the Budget Committee of  
Energy Community  
Vienna

We have completed the audit of the financial statements as of December 31, 2023 of

**Energy Community,  
Vienna,**

(referred to as "the Company")

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

## 1. Audit contract and performance of the engagement

The Organisation, represented by the Director, engaged Mazars Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the financial statements as at 31 December 2023, and to issue a report thereon. Prior to our engagement as auditor, we issued a declaration on our independence pursuant to section 270 UGB (Austrian Company Code). The Organisation, represented by the Director, concluded an engagement letter with us to audit the financial statements as at 31 December 2023, including the accounting system in accordance with International Public Sector Accounting Standards (IPSAS).

Due to reorganisation measures, Mazars Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was renamed Forvis Mazars Audit GmbH Wirtschaftsprüfungsgesellschaft.

The audit is a voluntary audit.

The audit included assessing whether the statutory requirements were adhered to concerning the preparation of the financial statements.

The audit as of December 31, 2022 was performed by another auditor.

We conducted our audit in accordance with the legal requirements and Generally Accepted Standards on Auditing as applied in Austria. These standards require the application of the International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB).

We draw attention to the fact that the audit is to provide reasonable assurance as to the accuracy of the financial statements. Absolute assurance is not attainable due to the inherent limitations of any internal control system and due to the sample-based test nature of an audit, there is an unavoidable risk that material misstatements in the financial statements remain undetected. Areas which are generally covered in special engagements were not included in our scope of work.

# Audit contract and Performance of the engagement

Energy Community

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We performed the audit, with interruptions, **from** March 2024 **to** September 2024 mainly at our office. The audit was substantially completed at the date of this report.

**Auditor responsible** for the proper performance of the engagement is **Ms Bettina Maria Szaurer**, Austrian Certified Public Accountant.

Our audit is based on the engagement letter concluded with the Organisation, an integral part of which are the General Conditions of Contract for the Public Accounting Professions ("AAB") issued by the Austrian Chamber of Tax Advisers and Auditors on 18 April 2018 (refer to Appendix 6). These General Conditions of Contract do not only apply between the Organisation and the auditor, but also towards third parties. Section 275 UGB applies with regard to our responsibility and liability as auditor toward the Organisation and towards third parties. As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Organisation and any third parties arising from the audit are limited to a total of EUR 2 million.

## **2. Breakdown and description of significant items in the financial statements**

The breakdown and description of all significant financial statement items are included in the notes to the financial statements. We therefore refer you to the respective disclosures by the Director in the notes to the financial statements.

## 3. Summary of audit findings

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

During our audit, we obtained evidence that the statutory requirements and generally accepted **accounting principles** in Austria 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.

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

### 3.2. Information provided

The Company's management provided all evidence and explanations requested by us. We obtained a representation letter signed by the Director which we included in our working papers.

The previous auditor granted access to relevant information about the audited organisation and about the last audit performed.

### 3.3. Internal Control System

The Organisation has implemented an internal control system in the field of financial management that supports the Organisation in its operations (in this field). In the interim phase of our audit, we have understood and evaluated the manual journal entries process and the period-end financial reporting process. We have not identified any issues during the performance of our audit procedures.

## 4. Auditor's Report

### Report on the Financial Statements

#### Audit Opinion

We have audited the financial statements of

**Energy Community,  
Vienna.**

which comprise the Statement of Financial Position as of 31 December 2023, the Statement of Financial Performance for the Year ending 31 December 2023, the Statement of Comparison of Budget and Actual Amounts for the Year 2023, the Indirect Method Cash Flow Statement for the Year ending 31 December 2023 and the notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Organisation as of 31 December 2023, of the financial performance and of its cash flow for the financial year then ended in accordance with International Public Sector Accounting Standards (IPSAS). The Statement of Comparison of Budget and Actual Amounts for the Year 2022 is prepared, in all material respects, also in accordance with IPSAS.

#### Basis for Opinion

We conducted our audit in accordance with Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and 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 Organisation in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Organisation and any third parties arising from the audit of the financial statements are limited to a total of EUR 2 million.

#### Other matters

The annual financial statements of Energy Community for the financial year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 16 November 2023.

**Responsibilities of the Director and the Budget Committee for the Financial Statements**

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards, and for such internal control as the Director 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, the Director is responsible for assessing the Organisation'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 the Director either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

The Budget Committee is responsible for overseeing the Organisation's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Standards on Auditing, which require the application of 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.

As part of an audit in accordance with Austrian Generally Accepted Standards on Auditing, which require the application of 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company 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.

Energy Community

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We communicate with the Budget Committee 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.

A Director's report was not prepared in accordance with section 243 para. 4 UGB.

Vienna, 02.09.20224

Forvis Mazars Audit GmbH  
Wirtschaftsprüfungsgesellschaft

.....  
ppa Bettina Maria Szaurer  
Austrian Certified Public Accountant

.....  
ppa Marianne Archam  
Austrian Certified Public Accountant

## Appendices

## Statement of Financial Position as of 31 December 2023

## Appendix 1

ASSETS	Notes	31 December 2023	31 December 2022
		in EUR	in EUR
<b>A. Current assets</b>			
I. Cash and cash equivalents*	1	299.790.740,95	137.516.207,25
II. Receivables	2		
	1. VAT (Federal Ministry of Finance)	58.227,89	85.272,92
	2. Budget contributions receivables		
	3. Other receivables	2.100,00	1.800,00
<b>Total receivables</b>		<b>60.327,89</b>	<b>87.072,92</b>
III. Prepayments	3	73.621,79	23.145,76
<b>Total current assets</b>		<b>299.924.690,63</b>	<b>137.626.425,93</b>
<b>B. Non-current assets</b>			
I. Intangible assets	4		
	Software and licences	0,00	2.503,33
II. Tangible assets	5		
	Infrastructure, plant and equipment*	87.888,29	116.379,69
III. Leases	6	0,00	0,00
<b>Total non-current assets</b>		<b>87.888,29</b>	<b>118.883,02</b>
<b>TOTAL ASSETS</b>		<b>300.012.578,92</b>	<b>137.745.308,95</b>
<b>LIABILITIES</b>			
<b>A. Current liabilities</b>			
I. Accounts payable	7		
	1. Trade payables	331.481,16	190.167,23
	2. Other liabilities	73.327,41	22.403,39
	3. Unused commitments	194.193,83	493.493,81
	4. Unused appropriations	98.797,64	112.705,81
	5. Unused donations	299.226.890,59	136.807.655,69
<b>Total current liabilities</b>		<b>299.924.690,63</b>	<b>137.626.425,93</b>
<b>B. Non-current liabilities</b>			
I. Investments	8	<b>87.888,29</b>	<b>118.883,02</b>
<b>TOTAL LIABILITIES</b>		<b>300.012.578,92</b>	<b>137.745.308,95</b>

\*This amount includes the funds on separate bank accounts of Ukrainian Energy Support Fund and Moldova Energy Rescue Scheme, where the Energy Community acts as a Fiduciary. Therefore, it is not part of the operating budget

## Statement of Financial Performance for the Year ending 31 December 2023

## Appendix 2

	Notes	31 December 2023 in EUR	31 December 2022 in EUR
<b>REVENUE</b>	9		
1. Contributions and Donations			
a) Budget Contribution Parties		5.080.365,00	4.958.853,00
b) Other donations*		212.368.914,84	137.483.489,76
c) Allocation to investments		-89.615,52	-16.930,03
d) Legal commitments, prior year		493.493,81	243.614,78
e) Legal commitments, current year		-194.193,83	-493.493,81
f) Unused appropriations		-26.413,55	-28.426,12
g) Unused donations		-162.404.742,90	-136.651.153,70
<b>Total donations</b>		<b>55.227.807,85</b>	<b>5.495.953,88</b>
2. Finance revenue		2.487.888,26	20.696,26
3. Other income		1.540,00	1.859,72
<b>TOTAL REVENUE</b>		<b>57.717.236,11</b>	<b>5.518.509,86</b>
<b>EXPENSES</b>	10		
1. Salaries		-4.010.422,16	-3.148.135,30
2. Depreciation and amortisation and disposal			
a) of fixed intangible and tangible assets		-120.610,25	-98.510,23
b) usage of obligations dedicated for assets		120.610,25	98.510,23
Total depreciation and amortisation and disposal			
3. Operating expenses		-53.706.813,95	-2.370.374,56
<b>TOTAL EXPENSES</b>		<b>-57.717.236,11</b>	<b>-5.518.509,86</b>
<b>NET SURPLUS FOR THE PERIOD</b>		<b>0,00</b>	<b>0,00</b>

\*This amount includes the funds on separate bank accounts of Ukrainian Energy Support Fund and Moldova Energy Rescue Scheme, where the Energy Community acts as a Fiduciary. Therefore, it is not part of the operating budget

Statement of Comparison of Budget and Actual Amounts for the Year 2023

Appendix 3

(in EUR)

Original Budget 2023	Changes due to other Sources of Revenue	Budget Transfers 2023	Final Budget 2023	Actual amounts 2023 on a comparable basis	Legal Commitments 2023	Actual amounts 2023 on a comparable basis incl. Legal Commitments	Actual amounts on a comparable basis incl. Legal Commitments [in %]	Unused Donations	Unused Appropriations
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Notes

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ORDINARY BUDGET

1. HUMAN RESOURCES

<b>Subtotal Human Resources</b>	<b>2.906.865,00</b>	<b>0,00</b>	<b>91.600,00</b>	<b>2.998.465,00</b>	<b>2.998.119,56</b>	<b>0,00</b>	<b>2.998.119,56</b>	<b>99,99%</b>	<b>345,44</b>
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2. TRAVEL EXPENSES

Daily Subsistence Allowance (DSA)	89.600,00	0,00	-4.600,00	85.000,00	84.365,19	0,00	84.365,19	99,25%	634,81
Travel Expenses (flights and incidentals)	182.400,00	0,00	-18.400,00	164.000,00	163.909,71	0,00	163.909,71	99,94%	90,29
<b>Subtotal Travel Expenses</b>	<b>272.000,00</b>	<b>0,00</b>	<b>-23.000,00</b>	<b>249.000,00</b>	<b>248.274,90</b>	<b>0,00</b>	<b>248.274,90</b>	<b>99,71%</b>	<b>725,10</b>

3. OFFICE EXPENSES

Office rent	215.000,00	0,00	-44.500,00	170.500,00	170.427,07	0,00	170.427,07	99,96%	72,93
Office equipment	70.000,00	0,00	-12.600,00	57.400,00	57.385,95	0,00	57.385,95	99,98%	14,05
Consumables	150.000,00	1.240,00	-29.500,00	121.740,00	121.638,31	0,00	121.638,31	99,92%	101,69
Other Services	70.000,00	0,00	12.300,00	82.300,00	81.851,93	0,00	81.851,93	99,46%	448,07
<b>Subtotal Office Expenses</b>	<b>505.000,00</b>	<b>1.240,00</b>	<b>-74.300,00</b>	<b>431.940,00</b>	<b>431.303,26</b>	<b>0,00</b>	<b>431.303,26</b>	<b>99,85%</b>	<b>636,74</b>

4. OTHER COSTS AND SERVICES

Advertising, communication and representation	50.000,00	0,00	26.300,00	76.300,00	53.433,02	21.550,00	74.983,02	98,27%	1.316,98
Studies, research and consulting	516.500,00	0,00	-97.600,00	418.900,00	247.686,65	161.048,50	408.735,15	97,57%	10.164,85
Costs of outsourced services (IT, payroll, etc.)	200.000,00	0,00	7.200,00	207.200,00	193.469,89	11.480,00	204.949,89	98,91%	2.250,11
Costs of Audit, Legal and Financial Advice	130.000,00	0,00	1.900,00	131.900,00	129.828,56	0,00	129.828,56	98,43%	2.071,44
Financial services	26.000,00	0,00	0,00	26.000,00	23.260,30	0,00	23.260,30	89,46%	2.739,70
Conference costs	120.000,00	0,00	126.000,00	246.000,00	244.757,66	0,00	244.757,66	99,49%	1.242,34
Refunding	284.000,00	0,00	-22.600,00	261.400,00	260.704,06	0,00	260.704,06	99,73%	695,94
Training	70.000,00	0,00	-35.500,00	34.500,00	32.829,21	115,33	32.944,54	95,49%	1.555,46
<b>Subtotal Other Costs and Services</b>	<b>1.396.500,00</b>	<b>0,00</b>	<b>5.700,00</b>	<b>1.402.200,00</b>	<b>1.185.969,35</b>	<b>194.193,83</b>	<b>1.380.163,18</b>	<b>98,43%</b>	<b>22.036,82</b>

<b>Subtotal Operating Expenses</b>	<b>2.173.500,00</b>	<b>1.240,00</b>	<b>-91.600,00</b>	<b>2.083.140,00</b>	<b>1.865.547,51</b>	<b>194.193,83</b>	<b>2.059.741,34</b>	<b>98,88%</b>	<b>23.398,66</b>
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<b>TOTAL EXPENSES - ORDINARY BUDGET</b>	<b>5.080.365,00</b>	<b>1.240,00</b>	<b>0,00</b>	<b>5.081.605,00</b>	<b>4.863.667,07</b>	<b>194.193,83</b>	<b>5.057.860,90</b>	<b>99,53%</b>	<b>23.744,10</b>
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0,00 0,00

EXTRAORDINARY BUDGET

Donation Austria	0,00	170.000,00	0,00	170.000,00	170.000,00	0,00	170.000,00	100,00%	0,00
Sponsor's Donation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00%	0,00
Donation Poland	0,00	1.876,24	0,00	1.876,24	1.876,24	0,00	1.876,24	100,00%	0,00
Donation IVF Visegrad Fund	0,00	25.122,00	0,00	25.122,00	28.506,89	0,00	28.506,89	113,47%	-3.384,89
Grant Contract EU4Energy II	0,00	706.179,72	0,00	706.179,72	500.822,88	0,00	500.822,88	70,92%	205.357,04
Grant Contract EU4Energy II Plus	0,00	883.961,00	0,00	883.961,00	870.152,60	0,00	870.152,60	98,44%	13.808,40
Grant Contract European Climate Foundation	0,00	10.000,00	0,00	10.000,00	0,00	0,00	0,00	0,00%	10.000,00
Ukraine Energy Support Fund*	0,00	349.488.672,69	0,00	349.488.672,69	50.863.889,37	0,00	50.863.889,37	14,55%	298.624.983,32
Contract EU4Climat CC	0,00	15.924,00	0,00	15.924,00	15.654,00	0,00	15.654,00	98,30%	270,00
Moldova Energy Rescue Scheme*	0,00	377.515,14	0,00	377.515,14	1.658,62	0,00	1.658,62	0,44%	375.856,52

<b>TOTAL EXPENSES - EXTRAORDINARY BUDGET</b>		<b>351.679.250,79</b>		<b>351.679.250,79</b>	<b>52.452.360,20</b>		<b>52.452.360,20</b>	<b>14,91%</b>	<b>299.226.890,59</b>
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<b>ORDINARY &amp; EXTRAORDINARY BUDGET</b>	<b>5.080.365,00</b>	<b>351.680.490,79</b>	<b>0,00</b>	<b>356.760.655,79</b>	<b>57.316.027,27</b>	<b>194.193,83</b>	<b>57.510.221,10</b>	<b>16,12%</b>	<b>299.226.890,59</b>
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\*The Energy Community acts as a Fiduciary. Therefore, it is not part of the operating budget

## Indirect Method Cash Flow Statement for the Year ending 31 December 2023

	<b>2023</b>	<b>2022</b>
	in EUR	in EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus (Deficit) from ordinary activities	0,00	0,00
<b>Non-cash movements</b>		
+ Depreciation and disposal of non-current assets	120.610,25	98.510,23
- Usage of obligations dedicated for assets	-120.610,25	-98.510,23
- Increase in receivables	32.987,99	-43.743,13
- Increase/Decrease in prepayments	-50.476,03	3.455,24
- Decrease in trade payables and other liabilities	192.670,30	133.431,16
+ Increase in unused legal commitments	-299.299,98	249.879,03
+ Increase in unused appropriations	-13.908,17	-1.499.604,36
+ Increase in unused donations	162.412.559,59	136.661.213,70
<b>Net cash flows from operating activities (1)</b>	<b>162.274.533,70</b>	<b>135.504.631,64</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions of non-current assets	-89.615,52	-16.930,33
<b>Net cash flows from investing activities</b>	<b>-89.615,52</b>	<b>-16.930,33</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grant contribution for assets	89.615,52	16.930,33
<b>Net cash flows from financing activities</b>	<b>89.615,52</b>	<b>16.930,33</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>162.274.533,70</b>	<b>135.504.631,64</b>
<b>Cash and cash equivalents at the beginning of 1 January 2023</b>	<b>137.516.207,25</b>	<b>2.011.575,61</b>
<b>Cash and cash equivalents at the end of 31 December 2023</b>	<b>299.790.740,95</b>	<b>137.516.207,25</b>

(1) Cash flows from operating activities include interest received in amount to EUR	2.487.888,26	20.696,26
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**NOTES  
TO THE FINANCIAL STATEMENTS OF  
THE ENERGY COMMUNITY**

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## 1. OBJECTIVES AND BUDGET OF THE ORGANISATION

The Energy Community ("EnC", "Organisation") has been established under the Treaty signed in Athens on 25 October 2005 and entered into force on 1 July 2006. By the latest decision of the Ministerial Council on 14 December 2023, the duration of the Treaty was extended until 13 December 2033.

The Energy Community stands for a process that aims to extend the EU internal energy market to the South East Europe region, Georgia, Moldova and Ukraine. The task of the Energy Community is to organise the relations between the Parties to the Treaty and create a legal and economic framework in relation to gas and electricity sectors falling within the scope of the energy *acquis*. The main objectives 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 Institutions established under the Treaty are the Ministerial Council, the Permanent High Level Group, the Regulatory Board, the Fora, and the Secretariat. Further bodies established in the course of Treaty implementation through Ministerial Council decisions are Task Forces/Coordination Groups/ Committees etc.

The Secretariat is the only permanent institution of the Energy Community established by the Treaty and has its seat in Vienna, Austria.

By the *Agreement between the Energy Community and the Republic of Austria regarding the seat of the Secretariat of the Energy Community* ("Agreement", "Headquarters Agreement") of 1 July 2007, Austria recognises the legal personality of the Energy Community as an international organisation. Energy Community is registered in the Republic of Austria by the Federal Ministry of European and International Affairs with the assigned organisation number (1010180000).

Energy Community is funded from contributions derived from the Parties to the Treaty that are the European Union, on the one side, and the Contracting Parties<sup>1</sup> on the other side and voluntary contribution from the Republic of Austria (host country) and other donors. The Organisation operates within the framework of a biennial programme and budget which provides the appropriations to constitute the budgetary expenditures authorisation approved by the Ministerial Council every second year<sup>2</sup>. Energy Community *Procedures for Establishment and Implementation of Budget, Auditing and Inspection* ("Budgetary Procedures") in its latest version of 2024 provide the financial framework for the management of resources / budget assigned.

The responsibility for the implementation of the Energy Community budget lies with the Director of the Secretariat. Pursuant to Article 79 of the *Budgetary Procedures*<sup>3</sup> the accounts of the previous year are established no later than 31 March.

<sup>1</sup> As of January 2024: Albania, Bosnia & Herzegovina, North Macedonia, Georgia, Moldova, Montenegro, Kosovo\*, Serbia, Ukraine

<sup>2</sup> See Article 74 of the Treaty

<sup>3</sup> Procedural Act of the Ministerial Council of the Energy Community # 2024/06/MC-EnC of 19 February 2024 laying down the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection

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

These accounts are validated by the Director as an authorising officer under the Budgetary Procedures.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Legal basis of preparation

The accounts of the Energy Community "EnC" are kept in accordance with Procedural Act # 2024/06/MC-EnC of 19 February 2024<sup>4</sup> on the *Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection (Budgetary Rules)*.

The financial statements have been prepared on an accrual and going concern basis<sup>5</sup> and the policies have been applied consistently throughout the period. The statements comply with the requirements of the International Public Sector Accounting Standards (IPSAS).

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

### Prepayments for research and consultancy contracts

Energy Community has funds in its annual budget of up to over EUR 500,000 for consultancy work. The contracts for studies are concluded for a duration of up to 1 year (in regular cases), whereas their execution may fall beyond the same financial year. The agreed-upon deliveries are presented in accordance with agreed milestones reflected accordingly in the contracts. It is normally agreed with the service provider(s) that a first payment will be made after the receipt of the inception report, and the next instalments are paid after receiving interim and final reports.

All deliverables are subject to the Director's approvals, followed by notification and respective payments of agreed-upon instalments.

Only the final report of a study generates the benefit for the Energy Community with an added value for the progress to be made within the Treaty implementation. The preceding reports (inception, interim) reflect the ongoing progress made in study execution without generating any added value for the Energy Community.

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 and Completeness. Due to the fact that the instalments based on the inception or interim report do not represent an added value for the EnC and based on the economic content of the regularly requested services and following the general accounting rules in accordance with the IPSAS framework, all instalments are considered as

<sup>4</sup> Procedural Act of the Ministerial Council of the Energy Community # 2024/06/MC-EnC of 19 February 2024 laying down the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection

<sup>5</sup> 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.

prepayment in the Statement of Financial Position as at 31 December of the relevant financial year. The prepayments are booked into an expense account upon receipt of the final results of the consultancy service.

### **Tax exemption**

Based on the *Agreement between the Energy Community and the Republic of Austria regarding the seat of the Secretariat*, the Republic of Austria recognises the Energy Community with its international juridical personality and its legal capacity in Austria. Based on Article 10 of the Agreement, it is exempt from all forms of taxation. This freedom from taxation refers – among others - to indirect taxes included in the prices of goods and services (VAT) supplied to EnC.

The requirements of the claiming procedure, as established by the responsible Ministry of Finance in Austria, result in the fact that invoices with a gross amount less than EUR 73 are not eligible for tax refund, thus all invoices with a gross amount below EUR 73 are charged to an expenditure account.

### **Depreciation and amortisation method**

Accounting treatment for property, plant and equipment is prescribed in IPSAS 17. The principal issue in accounting for property, plant and equipment are the timing of recognition of assets, the determination of their carrying amounts and the depreciation charges to be recognised 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 recognised as an expense.

The Energy Community applies the straight-line method of depreciation and amortisation. 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

The non-current assets are presented in the Statement of Financial Position at its carrying amount in Section "B. Non-current assets". The depreciation and amortisation of the non-current assets is presented in the Statement of Financial Performance in the Section "Expenses. 2. Depreciation and amortisation and disposal, a) of non-current intangible and tangible assets".

### **Foreign currency transactions**

The functional currency of the Energy Community is EURO and these financial statements are presented in euro. All transactions occurring in other currencies are translated into euro using the InforEur rate<sup>6</sup> as published under:

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/index\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm).

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 the Energy Community's functional currency are recognised in the Statement of Financial Performance.

### **Provisions**

Provisions are recognised when the Organisation has a legal obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligations and where a reliable estimate of the amount of the obligation can be made.

### **Unused appropriations**

Unused appropriations are budget contributions from any sources of revenue (Parties' contributions, finance/other income) which have not been used in the current year and which have to be paid back to the Parties in the following year; unused appropriations are calculated as a difference between total revenue (incl. interest and other income) and incurred actual expenditures (incl. unused commitments). For accounting purposes, as long as there is a restriction on the use of funds<sup>7</sup>, unused appropriations and unused commitments may not be presented as equity but have to be shown as a liability.

### **Unused commitments**

Unused commitments are budget contributions that have not been used (paid or invoiced) at the reporting date but for which commitments (e.g. by the commissioning of studies) have been entered into in the current year or in prior years; they related to the future periods, may not be shown as expenses<sup>8</sup> following IPSAS 1 and therefore are accounted as deductions from revenue.

### **Unused donations**

Unused donations are in advance agreed<sup>9</sup> contributions received from third parties (governments) or other institutions/sources (EU grants) at an amount and purpose agreed upon in advance, which have not been used entirely at the reporting date.<sup>10</sup>

<sup>6</sup> see [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/index\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm) ; the rates indicated are the market rates for the 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

<sup>7</sup> according to the Energy Community Budgetary Procedures

<sup>8</sup> they do not meet the definition of expenses as defined by IPSAS 1: "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".

<sup>9</sup> Article 15 of the Budgetary Procedures

<sup>10</sup> The amounts included in the framework agreements of Ukrainian Energy Support Fund and Moldova Energy Rescue Scheme, where the Energy Community acts as a Fiduciary are not subject to an advanced agreement

### **Unused budget appropriations**

Unused budget appropriations (not used and not committed at the end of the financial year) shall be paid back to the Parties on an annual basis. The repayment methodology is based on the budget report and made in accordance with Annex IV ('Contribution to Budget') of the Treaty. The total calculated amount due shall equal/ be reconcilable with the amount of *unused appropriations* shown in the Statement of Financial Position as at 31 December. The table of repayments is subject to audit each year and shall be part of the auditor's report.

### **Budget amendments**

Budget amendments are made on an annual basis to reflect sources of revenue other than contributions from the Parties (i.e. other interest and income interest). The Commission proposed on 22 March 2011 to the Budget Committee to consider the amendment of the 2011 budget in order to reflect the interest and other income obtained by the Energy Community in the years 2007-2010. Following this proposal, the Budget Committee decided at the same meeting that the budget 2011 should be amended accordingly. As a consequence, on 6 October 2011 the amendment decision was approved by the Ministerial Council upon the Commission's proposal (see Procedural Act of the Ministerial Council of the Energy Community PA/2011/01/MC-EnC). Following this decision, revenues from other sources should be recorded at the beginning of each budget year (following the financial year in question) as *pro memoria*. The exact amount shall be then reflected in the financial statements for a given year. It implies – based on the *principle of equilibrium* - that the expenditure in each year can increase up to the sum of the contributions from the Parties and of the other revenue obtained by the Energy Community.

### **Changes in accounting policy**

The Organisation recognises the effect of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

### 3. NOTES TO THE FINANCIAL STATEMENTS

#### **Note 1: Cash and cash equivalents**

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

Cash on hand is held in a several bank accounts in Austria.

Included in cash and cash equivalents on 31 December 2023 are EUR 789,393.00 in a bank account (2022: EUR 1,752,429.48), EUR 298,624,983.32 in a separate bank account fiduciary for the Ukraine Energy Support fund (2022: EUR 135,763,094.73), EUR 375,856.52 also in a separate bank account fiduciary for the Moldova Rescue Scheme (2022: EUR -127.13) and petty cash amounting to EUR 508.11 (2022: EUR 810.17).

#### **Note 2: Receivables**

	<b>31 December 2023 in EUR</b>	<b>31 December 2022 in EUR</b>
VAT (Federal Ministry of Finance, Austria)	58.227,89	85.272,92
Budget contributions	0,00	0,00
Other receivables	2.100,00	1.800,00
<b>Total receivables</b>	<b>60.327,89</b>	<b>87.072,92</b>

Receivables are carried at the original amount less write-off. Receivables are written off 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.

On 31 December 2023 the total amount of receivables resulted from VAT claims against the Federal Ministry of Finance of the Republic of Austria for value-added tax refunds of EUR 58,227.89 (2022: EUR 85,272.92), and other receivables at the amount of EUR 2,100.00 (2022: EUR 1,800.00). The position of 'Other receivables' comprises mainly deposits of EUR 1,800.00 (2022: EUR 1,800.00) and participation fee of the Summer School Project of EUR 300.00 (2022: EUR 0.00) that were not received at the date of 31 December 2023.

#### **Note 3: Prepayments**

	<b>31 December 2023 in EUR</b>	<b>31 December 2022 in EUR</b>
Prepaid expenses	6.955,79	5.063,50
Payments in advance (studies for research and consulting)	66.666,00	18.082,26
<b>Total prepayments</b>	<b>73.621,79</b>	<b>23.145,76</b>

The prepaid expenses account represents amounts advanced to different suppliers for services extending beyond the financial year 2023 (like contracts concluded etc).

In 2023 there were prepayments in advance for consultancy contracts referring to advance payments to providers of the service where the finalisation of it has not been completed at the end of the year 2023. The amount of EUR 66,666.00 (2022: EUR 18,082.26) relates to the contracts concluded for research and consulting in the areas of work of the Energy Community. Furthermore, in 2023 there was also a prepaid expense concerning some User fees with an amount of EUR 5,834.25 (2022: EUR 5,063.50). The fees for the users belong to the years 2023 and 2024, but the invoices were already rendered in 2023. There was also a prepaid expense concerning some training agreements with an amount of EUR 1,053.27 (2022: EUR 0.00) and a prepaid expense concerning maintenance fee with an amount of EUR 68.27 (2022: EUR 0.00).

#### **Note 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 the intended manner. Costs associated with maintaining computer software and licences are recognised as expenses as incurred.

<i>Computer software and licences</i>	<b>31 December 2023 in EUR</b>	<b>31 December 2022 in EUR</b>
Gross carrying amount at 31 December previous year	32.830,00	128.270,96
Additions	-	-
Disposals	14.210,00	95.440,96
<b>Gross carrying amount at 31 December current year</b>	<b>18.620,00</b>	<b>32.830,00</b>
Accumulated depreciation at 31 December previous year	30.326,67	110.147,63
Depreciation charge for current year	2.503,33	15.620,00
Disposals	-	95.440,96
<b>Accumulated depreciation at 31 December current year</b>	<b>18.620,00</b>	<b>30.326,67</b>
<b>Net carrying amount at 31 December current year</b>	<b>-</b>	<b>2.503,33</b>
<i>Net carrying amount at 31 December previous year</i>	<i>2.503,33</i>	<i>18.123,33</i>

**Note 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.

<i>Infrastructure, plant and equipment</i>	<b>31 December 2023</b> in EUR	<b>31 December 2022</b> in EUR
Gross carrying amount at 31 December previous year	776.258,88	1.026.637,90
Additions	89.615,52	16.930,03
Disposals	- 120.139,15	- 267.309,05
<b>Gross carrying amount at 31 December current year</b>	<b>745.735,25</b>	<b>776.258,88</b>
Accumulated depreciation at 31 December previous year	659.879,19	844.298,31
Depreciation charge for current year	82.251,28	80.935,94
Disposals	- 84.283,51	- 265.355,06
<b>Accumulated depreciation at 31 December current year</b>	<b>657.846,96</b>	<b>659.879,19</b>
<b>Net carrying amount at 31 December current year</b>	<b>87.888,29</b>	<b>116.379,69</b>
<i>Net carrying amount at 31 December previous year</i>	<i>116.379,69</i>	<i>182.339,59</i>

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Financial Performance. Assets whose purchase price is below EUR 1,000.00 are fully depreciated or amortised in the year of purchase.

**Note 6: Leases**

Leases of tangible assets where the lessee has substantially all the risks and rewards of ownership are classified as financial lease. Leases where the lessor retains a significant portion of the risks and rewards inherent to the ownership are classified as operating lease. Payments made under operating leases are charged to the Statement of Financial Performance for the portion accrued during the financial year.

On 31 December 2023, Energy Community had no outstanding commitments. In the previous year 2022 there had also been no outstanding commitments.

	31 December 2023 in EUR	31 December 2022 in EUR
Within one year	0,00	0,00
Between two and five years	0,00	0,00
<b>Total</b>	<b>0,00</b>	<b>0,00</b>

**Note 7: Accounts payable**

Accounts payable include, under trade payables, invoices received from suppliers not yet settled at the end of the year of EUR 331,481.16 (2022: EUR 190,167.23)

	31 December 2023 in EUR	31 December 2022 in EUR
Trade payables	331.481,16	190.167,23
Other liabilities	73.327,41	22.403,39
Legal commitments	194.193,83	493.493,81
Unused appropriations	98.797,64	112.705,81
Unused donations	299.226.890,59	136.807.655,69
<b>Total accounts payable</b>	<b>299.924.690,63</b>	<b>137.626.425,93</b>

Account numbers 3691 and 3800 were reclassified from the position trade payables to the position other liabilities and therefore a comparison to the previous year amounts is not possible.

Other liabilities of EUR 73,327.41 (2022: EUR 22,403.39) relate mainly to other provisions of EUR 30,050.00 (2022: EUR 21,000.00).

Legal commitments of the financial year 2023 refer to contractual commitments entered into by the Energy Community by 31 December 2023 without having received goods or services by the end of the year.

Unused appropriations shown as liability towards the Parties represent an amount to be paid back to the Parties under the Treaty subject to further reconciliation with previous periods. As a general rule, the calculated repayment amounts are based on the Statement of Financial Performance for the year ending 31 December.

The repayment amount for 2023 is EUR 98,797.64 (2022: EUR 112,705.81) and is composed of three components 1) portion of unused budget appropriations in 2023 of EUR 26,413.55, 2) portion of unused budget appropriations from 2022 in the amount of EUR 28,426.00 and 3) portion of unused budget appropriations from 2020 in the amount of EUR 43,860.12 and from 2019 in the amount of EUR 97.97.

Unused donations of the financial year 2023 in the amount of EUR 299,226,890.59 (2022: EUR 136,807,655.69) refer to payment appropriations received from other sources as the Parties' contributions reduced by the actual amounts spent in 2023. These positions, presented under extraordinary budget in the Statement of Comparison of Budget and Actual Amounts, refer to three ongoing grant contracts concluded in 2020/2021 with the EU. This item includes EUR 205,357.04 (2022: EUR 157,291.72) for grant contract EU4Energy Phase II and EUR 270.00 (2022: EUR 11,492.00) for grant contract EU4Climate and EUR 13,808.40 (2022: EUR 883,961.00) for grant contract EU4Energy Phase II Plus. It also contains a payment appropriation of EUR 298,624,983.32 (2022: EUR 135,763,094.73) from the Ukraine Energy Support Fund and EUR 375,856.52 (2022: 0.00) from the Moldova Energy Rescue Scheme. These amounts belong to Ukrainian Energy Support Fund and Moldova Energy Rescue Scheme, where the Energy Community acts as a Fiduciary. Therefore, it is not part of the operating budget. It also contains a payment appropriation of EUR 10,000.00 from the Grant Contract European Climate Foundation and in 2022 the Project had a receivable donation of EUR 6,000.00. There are also receivable donations from the Donation IVF Visegrád Fund of EUR 3,384.69 (2022: EUR 4,060.00). The donation from the Republic of Poland was completely used in 2023 (2022: EUR 1,876.24).

#### **Note 8: Investment donations**

Since the investments were made by using the contributions of the Parties to the Treaty, the same amount is also shown as "investment donations".

The carrying amount as at 31 December 2023 of investments consists of the carrying amount as of 1 January 2023 amounting to EUR 118,883.02 (in 2022: EUR 200,462.92) and additions amounting to EUR 89,615.52 (in 2022: EUR 16,930.03) that were reduced by depreciation of EUR 84,754.61 (in 2022: EUR 96,556.24) and by disposals of EUR 35,855.64 (in 2022: EUR 1,953.99). The additions of the year include the expenditures related to the Secretariat's investment, mainly in hardware and leasehold improvements.

## Note 9: Revenue

	2023 in EUR	2022 in EUR
<b>I. Contributions and Donations</b>		
Budget Contribution Parties	5.080.365,00	4.958.853,00
Other donations	212.368.914,84	137.483.489,76
Allocation to investments	-89.615,52	-16.930,03
Legal commitments, prior year	493.493,81	243.614,78
Legal commitments, current year	-194.193,83	-493.493,81
Unused appropriations	-26.413,55	-28.426,12
Unused donations	-162.404.742,90	-136.651.153,70
<b>Subtotal Contributions and donations</b>	<b>55.227.807,85</b>	<b>5.495.953,88</b>
<b>II. Finance revenue</b>		
Finance revenue	2.487.888,26	20.696,26
<b>Subtotal other sources of revenue</b>	<b>2.487.888,26</b>	<b>20.696,26</b>
<b>III. Other sources of revenue</b>		
Other revenue	1.540,00	1.859,72
<b>Subtotal other sources of revenue</b>	<b>1.540,00</b>	<b>1.859,72</b>
<b>Total revenue</b>	<b>57.717.236,11</b>	<b>5.518.509,86</b>

Amounts shown under 'budget contribution parties' represent actual revenue received from the Parties and adopted by the Ministerial Council.

Other donations represent revenue received in connection with contributions made by donors for defined projects (or purposes) under special accounts (extraordinary accounts) not included in the ordinary budget of the Energy Community. In 2023, the donation from the Federal Ministry of Science, Research and Economy of Austria amounted to EUR 170,000.00 (in 2022: EUR 170,000.00). Further donations arrived in 2023 from the grant contract EU4Energy Phase I, amounting to EUR 548,888.00. In 2023, further payments were received under the Moldova Fund of EUR 375,000.00, the Ukraine Energy Support Fund of EUR 211,240,204.84, (where the Energy Community acts as a Fiduciary and is not part of the operating budget) the Donation European Climate Foundation of EUR 10,000.00 and the IVF Visegrád Fund – Summer School Project of EUR 24,822.00.

Revenue adjustments are related to the deferral of unused revenue and follow the accounting policies established at the Energy Community.

Interest income of EUR 2,487,888.26 was offset in 2023 (in 2022: EUR 20,696.26), which belongs to the beneficiary of the Ukraine Energy Support fund.

**Note 10: Expenses**

**ORDINARY BUDGET**

Types of expenses	2023	2022
	in EUR	in EUR
Human Resources expenses	2.998.119,56	2.838.620,17
Expenses for studies, research and consulting	726.201,65	310.759,05
Costs of audit, legal and financial advice	129.828,56	75.428,09
Reimbursement of travel expenses to conference participants	260.704,06	181.421,34
Travel expenses	163.909,71	140.967,51
Consumables (office cleaning, supplies, running costs, electricity)	121.638,31	138.550,81
Expenses of conferences and seminars	244.757,66	208.072,32
Cost of outsourced services (IT, payroll)	193.469,89	256.212,59
Trainings	45.138,57	94.660,39
Daily Subsistence Allowance (DSA)	84.365,19	78.003,95
Office rent	170.427,07	193.203,43
Office equipment	-	0,60
Other services	81.851,93	64.445,50
Advertising, communications and representation	53.433,02	56.768,72
Financial Services	23.260,30	27.763,07
<b>Subtotal ordinary budget</b>	<b>5.297.105,48</b>	<b>4.664.877,54</b>

**EXTRAORDINARY BUDGET**

Types of expenses	2023	2022
	in EUR	in EUR
Other costs	197.964,78	282.702,92
Donations	50.860.008,87	23.339,90
Human Resources expenses	1.012.302,60	309.515,13
Office rent	286.531,42	194.899,97
Travel expenses	62.558,70	20.204,22
Expenses of conferences and seminars	-	13.090,79
Reimbursement of travel expenses to conference participants	-	2.665,20
Consumables (office cleaning, supplies, running costs, electricity)	764,26	7.214,19
<b>Subtotal extraordinary budget</b>	<b>52.420.130,63</b>	<b>853.632,32</b>
<b>TOTAL EXPENSES (ORDINARY AND EXTRAORDINARY BUDGET)</b>	<b>57.717.236,11</b>	<b>5.518.509,86</b>

Expenses arising from the purchase of goods and services are reported on a modified accrual basis, recognising expenses when goods are received and services rendered.

Expenses are presented for the ordinary budget of the Energy Community in the separation of the extraordinary budget (see above).

Personnel expenditure includes short-term employees such as base salary, accident insurance contribution and inflationary adjustment of the base salary. Travel includes costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for the staff. Costs of legal and financial advice include a provision for the costs of the potential outcome of the ongoing arbitration (decision award) with a former employee of the Energy Community, costs of court procedure and the arbitrator's work.

EXTRAORDINARY BUDGET Types of expenses	2023	2022	Donation Austria 2023	Donation Poland 2023	Donation IVF Vyshegrad Fund 2023	Grant Contract EU4Energy 2023	Contract EU4Climat CC 2023	Moldova Rescue Scheme 2023	Ukraine Energy Support Fund 2023
	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR
Other costs	197 964.78	282 702.92	-	7 887.84	1 876.24	167 207.58	15 654.00	1 658.62	3 680.50
Donations	50 860 008.87	23 339.90	-	-	-	-	-	-	50 860 008.87
Human Resources expenses	1 012 302.60	309 515.13	-	-	-	1 012 302.60	-	-	-
Office rent	286 531.42	194 899.97	170 000.00	-	-	116 531.42	-	-	-
Travel expenses	62 558.70	20 204.22	-	19 854.59	-	42 704.11	-	-	-
Expenses of conferences and seminars	-	13 090.79	-	-	-	-	-	-	-
Reimbursement of travel expenses to conference participants	-	2 665.20	-	-	-	-	-	-	-
Consumables (office cleaning, supplies, running costs, electricity)	764.26	7 214.19	-	764.26	-	-	-	-	-
<b>Subtotal extraordinary budget</b>	<b>52,420,130.63</b>	<b>853,632.32</b>	<b>170,000.00</b>	<b>28,506.69</b>	<b>1,876.24</b>	<b>1,338,745.71</b>	<b>15,654.00</b>	<b>1,658.62</b>	<b>50,863,689.37</b>
<b>TOTAL EXPENSES (ORDINARY AND EXTRAORDINARY BUDGET)</b>	<b>57,717,236.11</b>	<b>5,518,509.86</b>							

Expenses in the extraordinary budget represent different types of expenditure financed from other sources of revenue than Parties' contributions.

Expenditures under the Ukraine Energy Support Fund represent expenses which are recognized as fiduciary.

#### **Note 11: Exchange gains and losses**

Energy 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 the date of the transaction. In 2023, there were effects realised from exchange gains or losses with an amount of EUR 118.29 (2022: EUR -398.11).

**Note 12: Reconciliation of Statement of Comparison of Budget and Actual Amounts and Statement of Financial Performance**

(in EUR)	Actual amounts Budget Report 2023	Legal Commitments 2022	Differences Budget Report vs. Financial Statements	Actual amounts Statement of Financial Performance
	(1)	(2)	(3)	(4)= (1)-(2)-(3)
<b>ORDINARY BUDGET</b>				
<b>1. HUMAN RESOURCES</b>				
<b>Subtotal Human Resources</b>	2.998.119,56	0,00	0,00	2.998.119,56
<b>2. TRAVEL EXPENSES</b>				
Daily Subsistence Allowance (DSA)	84.365,19	0,00	0,00	84.365,19
Travel Expenses (flights and incidentals)	163.909,71	0,00	0,00	163.909,71
<b>Subtotal Travel Expenses</b>	<b>248.274,90</b>			<b>248.274,90</b>
<b>3. OFFICE EXPENSES</b>				
Office rent	170.427,07	0,00	0,00	170.427,07
Office equipment	57.385,95	0,00	-57.385,95	0,00
Consumables	121.638,31	0,00	0,00	121.638,31
Other Services	81.851,93	0,00	0,00	81.851,93
<b>Subtotal Office Expenses</b>	<b>431.303,26</b>	<b>0,00</b>	<b>-57.385,95</b>	<b>373.917,31</b>
<b>4. OTHER COSTS AND SERVICES</b>				
Advertising, communication and representation	53.433,02	0,00	0,00	53.433,02
Studies, research and consulting	247.686,65	478.515,00	0,00	726.201,65
Costs of outsourced services (IT, payroll, etc.)	193.469,89	0,00	0,00	193.469,89
Costs of Audit, Legal and Financial Advice	129.828,56	0,00	0,00	129.828,56
Financial services	23.260,30	0,00	0,00	23.260,30
Conference costs	244.757,66	0,00	0,00	244.757,66
Refunding	260.704,06	0,00	0,00	260.704,06
Training	32.829,21	12.309,36	0,00	45.138,57
<b>Subtotal Other Costs and Services</b>	<b>1.185.969,35</b>	<b>490.824,36</b>	<b>0,00</b>	<b>1.676.793,71</b>
<b>Subtotal Operating Expenses</b>	<b>1.865.547,51</b>	<b>490.824,36</b>	<b>-57.385,95</b>	<b>2.298.985,92</b>
<b>TOTAL EXPENSES - ORDINARY BUDGET</b>	<b>4.863.667,07</b>	<b>490.824,36</b>	<b>-57.385,95</b>	<b>5.297.105,48</b>
<b>EXTRAORDINARY BUDGET</b>				
Donation Austria	170.000,00	0,00	0,00	170.000,00
Sponsor's Donation	0,00	0,00	0,00	0,00
Grant Contract EU4Climat CC	15.654,00	0,00	0,00	15.654,00
Donation Poland	1.876,24	0,00	0,00	1.876,24
IVF Visegrad Fund	28.506,69	0,00	0,00	28.506,69
Grant Contract CONNECTA	0,00	0,00	0,00	0,00
Grant Contract European Climate Foundation	0,00	0,00	0,00	0,00
Ukraine Energy Support Fund	50.863.689,37	0,00	0,00	50.863.689,37
Moldova Rescue Scheme	1.658,62	0,00	0,00	1.658,62
Grant Contract EU4Energy	1.370.975,28	0,00	-32.229,57	1.338.745,71
<b>TOTAL EXPENSES - EXTRAORDINARY BUDGET</b>	<b>52.452.360,20</b>	<b>0,00</b>	<b>-32.229,57</b>	<b>52.420.130,63</b>
<b>ORDINARY &amp; EXTRAORDINARY BUDGET</b>	<b>57.316.027,27</b>	<b>490.824,36</b>	<b>-89.615,52</b>	<b>57.717.236,11</b>

The Energy Community budget is established on a modified accrual basis in accordance with the Budgetary Procedures and Rules, and is approved by the Ministerial Council.

The reconciliation provides an explanation of both the changes between the original and final budget after transfers, and the material differences between the budget and the actual amounts. Energy Community budget and financial accounts are prepared using two different bases: the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a modified accrual basis.

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 approval of the Budget Committee, 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 2023 that is attributable to open commitments from 2022 is shown in this column.

#### Column 3: Differences between Actual Amounts in the Financial Statements 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 are capitalised and depreciated over the useful life of the assets. The acquisition costs of additions to the assets in 2023 amount to EUR 57,385.95 (in 2022: EUR 13,595.00) for the ordinary budget and EUR 32,229.57 for the extraordinary budget for the grant contract EU4Energy (in 2022: EUR 3,335.03).

#### ***Note 13: Statement of Comparison of Budget and Actual Amounts: Explanation of material differences between the budget and actual amounts***

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

## **Human Resources**

The 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.

On 31 December 2023, Energy Community employed 56<sup>11</sup> staff. The utilisation of the Human Resources budget (incl. short-term appointments, i.e. internship and secondment) amounted to 99.99% (in 2022: 99.61%).

## **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 organised at different locations outside the Secretariat's headquarters. The level of utilisation reached 99.71% (in 2022: 99.87%) of the actual expenditure for this budget line of EUR 248,274.90 (2022: EUR 218,971.46).

## **Office expenses**

The budget line office expenses for acquisitions of non-current assets, office furniture, computer equipment and software, as well as expenses for telephone, cleaning, maintenance and repair, and rental expenses. The final expense for this budget line of EUR 431,303.26 (2022: EUR 419,454.61), was implemented at 99.85% (2022: 97.77%).

## **Other costs, services**

### *Advertising, communication and representation*

Advertising, communication and representation 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. In 2023 the Energy Community initiated several contracts related to studies and research, where not all of them were finalised in 2023. Taking into account those legal commitments the utilisation of the final expense of EUR 74,983.02 (in 2022: EUR 56,768.72) remained at 98.27% (in 2022: 99.94%).

### *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. In 2023 the Energy Community initiated several contracts related to studies and research, where not all of them were finalised in 2023.

Taking into account those legal commitments, budget utilisation 2023 for studies, research and consulting of EUR 408,735.15 (2022: EUR 587,894.05) was used at 97.57% (in 2022: 99.98%). The budget of this position was slightly adjusted within the financial year from the original level of EUR 516,500.00 (in 2022: EUR 503,984.00) to EUR 418,900.00 (in 2022: EUR 587,984.00).

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<sup>11</sup> This number contains permanent and temporary personnel funded by both ordinary and extraordinary (grants) budgets.

#### *Cost of outsourced services (IT, payroll, etc.)*

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

In 2023 the Energy Community initiated several contracts related to studies and research, where not all of them were finalised in 2023.

Taking into account those legal commitments, utilisation of this budget position amounted to 98.91% (in 2022: 99.97%).

#### *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.

The final budget of EUR 131,900.00 was used in 98.43% (in 2022: EUR 75,500.00; 99.90%).

#### *Financial services*

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

The utilisation of the final budget of EUR 26,000.00 in 2023 was at 89.46% (in 2022: EUR 28,300.00, utilisation at 99.99%) was caused by a steadily increasing number of financial transactions outside the EU area (refunding, suppliers of services and technical assistance).

#### *Conference costs*

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

The budget of this position was adjusted within the financial year from the original level of EUR 120,000.00 (in 2022: EUR 120,000.00) to EUR 246,000.00 (in 2022: EUR 208,100.00). The utilisation amounts to 99.49% (in 2022: 99.99%).

#### *Refunding*

Refunding represents the reimbursement of travel expenses to the eligible participants at the meetings organised by the Institutions of the Energy Community. The budget of this position was slightly adjusted within the financial year from the original level of EUR 284,000.00 (in 2022: EUR 284,000.00) to EUR 261,400.00 (in 2022: EUR 181,500.00). The final budget was utilised at almost 99,73% (in 2022: 99.96%).

### Training

In general, this budget line allocates different trainings for employees of the Energy Community. In 2023 some of those trainings were not finished as they continue in 2024.

Taking into account those legal commitments, budget utilisation 2023 for training of EUR 34,500.00 (2022: EUR 67,500.00) was used at 95.49% (in 2022: 99.86%).

### Write-Off receivable Ukraine

The receivable from Ukraine in the amount of EUR 167,458.80 (2022: 190,879.00) was written off proportionally to the different PI groups in accordance with the decision of the 20<sup>th</sup> Ministerial Council on 14<sup>th</sup> December 2023.

### Note 14: Reconciliation unused appropriations of Statement of Comparison of Budget and Actual Amounts and Statement of Financial Performance

(in EUR)	Budget Report	Statement of Financial Performance	Variance
<b>Initial Budget</b>	<b>5.080.365,00</b>	<b>5.080.365,00</b>	-
Budget adjustment for other income and interest income	1.540,00	1.540,00	-
Donations of the Republic of Austria (rent expenses)	170.000,00	170.000,00	-
Sponsor's Donation			-
Donation Poland	1.876,24	1.876,24	-
IVF Visegrad Fund	24.822,00	24.822,00	-
Grant Contract EU4Energy II	706.179,72	706.179,72	-
Grant Contract EU4Energy II Plus	883.961,00	883.961,00	-
Contract EU4Climat CC	15.924,00	15.924,00	-
Grant Contract European Climate Foundation	10.000,00	10.000,00	-
Ukraine Energy Support Fund	349.491.187,83	349.491.187,83	-
Moldova Energy Rescue Scheme	375.000,00	375.000,00	-
<b>Final Budget</b>	<b>356.760.855,79</b>	<b>356.760.855,79</b>	-
Legal Commitments 2023	- 194.193,83	- 194.193,83	-
Unused Donations 2023	- 299.226.890,59	- 299.226.890,59	-
<b>Sub-total</b>	<b>57.339.771,37</b>	<b>57.339.771,37</b>	-
Personnel costs (ordinary + extraordinary budget)	- 4.010.422,16	- 4.010.422,16	-
Operating expenses (ordinary + extraordinary budget)	- 53.305.605,11	- 53.706.813,95	401.208,84
<b>Sub-total</b>	<b>- 57.316.027,27</b>	<b>- 57.717.236,11</b>	<b>401.208,84</b>
Additions non current assets		89.615,52	89.615,52
Legal commitment 2022		493.493,81	493.493,81
<b>Total = Unused budget appropriations</b>	<b>23.744,10</b>	<b>26.413,55</b>	<b>- 2.669,45</b>
Changes in accrual for leave			-
Unused legal commitments 2022			2.669,45
<b>Difference</b>			<b>0,00</b>

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 Ukraine Energy Support Fund donation does not pertain to the regular activities of the Energy Community Secretariat and is specific to fiduciary undertakings. Therefore, the Ukraine Energy Support Fund donation should be regarded separately from all other donations.

**Note 15: Repayment of unused budget appropriations**

Based on the decision of the Ministerial Council of 6 October 2011, starting in 2012, the repayment amount to the Parties shall consider, in addition to the position of unused budget appropriations shown in the Statement of Financial Position<sup>12</sup>, all other sources of revenue (incl. interest gained)<sup>13</sup>.

The calculated repayment amounts to the Parties resulting from budget implementation in 2023 are presented below.

**Table of Repayments of not used budget appropriations and other income**

Parties	Contribution in EUR	Contribution in %	Unused Appropriations 2023	Unused Legal Commitments 2022	Total repayment amount
			(1)	(2)	(3) = (1) + (2)
European Union	4.815.170,00	94,78%	22.504,67	2.530,11	25.034,77
Republic of Albania	4.572,00	0,09%	21,37	2,40	23,77
Bosnia and Herzegovina	10.161,00	0,20%	47,49	5,34	52,83
Georgia	5.588,00	0,11%	26,12	2,94	29,05
Kosovo*	3.556,00	0,07%	16,62	1,87	18,49
North Macedonia	5.080,00	0,10%	23,74	2,67	26,41
Moldova	5.080,00	0,10%	23,74	2,67	26,40
Montenegro	2.540,00	0,05%	11,87	1,33	13,21
Serbia	28.450,00	0,56%	132,97	14,95	147,93
Ukraine	200.166,00	3,94%	935,52	105,18	1.040,69
<b>TOTAL</b>	<b>5.080.363,00</b>	<b>100,00%</b>	<b>23.744,10</b>	<b>2.669,45</b>	<b>26.413,55</b>

The total repayment amount for unused budget appropriations 2023 amounts to EUR 26,413.55.

<sup>12</sup> Minutes of the Budget Committee meeting of 11 April 2013 (item 5a)

<sup>13</sup> Minutes of the Budget Committee meeting of 22 March 2012 (item 2)

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

**Note 16: Key management personnel**

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

	2023	2022
Aggregate remuneration	311,808.00	305,690.64
Number of persons	2 persons	2 persons

The aggregate remuneration of the Director and Deputy Director is in line Budget for the years 2022 – 2023 as adopted by the Ministerial Council of the Energy Community.

**Note 17: Events after the reporting date**

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

**Signature of the Director of the Secretariat of the Energy Community**

Vienna, 30.08.2024

  
 Artur Lorkowski

# General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

## Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

## SECTION I

### 1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, 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 (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.

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

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor 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.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, 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 contractor the amount of the annual salary of the member of staff taken over.

### 2. 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 without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, 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 contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) 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.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

### 3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself 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 acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

#### 4. Reporting Requirements

(1) (Reporting by the contractor) 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) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such 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 contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

#### 5. Protection of Intellectual Property of the Contractor

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

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

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

#### 6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made 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 professional 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 contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor 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 Item 7.

#### 7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2<sup>nd</sup> Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) 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 no 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.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. 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 sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

#### 8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her 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) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor 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.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

#### 9. Withdrawal and Cancellation („Termination“)

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) 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 Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments 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 9. (4).

#### 10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

#### 11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1)). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor 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 ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

#### 12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flatrate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation 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 at the amount stipulated in Section 456 1<sup>st</sup> and 2<sup>nd</sup> Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, 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. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), 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.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

#### 13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor 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 contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor 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 funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor 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 of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

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

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

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

## SECTION II

### 15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG: If the consumer has not made his/her contract statement in the office usually used by the contractor, 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 contractor as well as instructions on the right to withdraw from 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 contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

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

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and 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 contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

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

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (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 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor 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) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time 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

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