

**Regional School of Public Administration –  
ReSPA**

**Financial Statements  
for the year ended 31 December 2021  
in accordance with International  
Financial Reporting Standards**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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# Independent Auditor's Report

## To the Management of Regional School of Public Administration

### Opinion

We have audited the financial statements of Regional School of Public Administration (the "Entity"), which comprise:

- the statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising a summary of significant accounting policies and other explanatory information;

(the "financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Entity as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").



## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the financial statements section of our report. We are independent of the Entity in accordance with International Ethics Standards Board for Accountants International

Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibility of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditors’ 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 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 Entity’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 Entity’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 Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with management 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.

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**KPMG d.o.o. Beograd**

*KPMG d.o.o., Beograd*

Belgrade, 4 July 2022




**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**Year ended 31 December 2021**  
**(Amounts in EUR)**

	Note	<u>2021</u>	<u>2020</u>
<b>OPERATING INCOME</b>			
Income from the sales of services	4	16,326	9,734
Income from grants and membership fees	5	1,569,877	1,316,368
Other operating income		309	6,922
		<b>1,586,512</b>	<b>1,333,024</b>
<b>OPERATING EXPENSES</b>			
Costs of goods sold	6	(1,379)	(320)
Cost of materials, fuel and energy	7	(37,199)	(30,396)
Staff costs	8	(548,900)	(477,297)
Depreciation and amortisation	9	(37,518)	(46,768)
Costs of operating services	10	(265,763)	(240,892)
Costs of non-operating services	11	(705,740)	(554,713)
Other expenses		(327)	(557)
		<b>(1,596,826)</b>	<b>(1,350,943)</b>
<b>OPERATING LOSS</b>		<b>(10,314)</b>	<b>(17,919)</b>
Finance income		9	11
Finance costs		-	(1)
<b>NET FINANCE INCOME</b>		<b>9</b>	<b>10</b>
<b>LOSS BEFORE TAX</b>		<b>(10,305)</b>	<b>(17,909)</b>
Income tax expenses		-	-
<b>LOSS FOR THE YEAR</b>		<b>(10,305)</b>	<b>(17,909)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(10,305)</b>	<b>(17,909)</b>


These financial statements were adopted on 11 April 2022.

Signed on behalf of the Regional School of Public Administration, Branelovica, Danilovgrad by:

Operations and Finance Manager:

  
Borislav Orechovski

Director:

  
Maja Handjiska Trendafilova

Notes on the following pages form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As of 31 December 2021**  
**(Amounts in EUR)**

	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	101,885	-
Equipment and leasehold improvements	13	68,519	78,694
Long-term receivables	14	435,000	435,000
<b>Total non-current assets</b>		<b>605,404</b>	<b>513,694</b>
<b>Current assets</b>			
Inventories	15	19,798	27,703
Grants receivable	16	747,173	2,101,750
Cash and cash equivalents	17	1,457,990	1,093,494
Prepaid expenses		3,341	7,131
<b>Total current assets</b>		<b>2,228,302</b>	<b>3,230,078</b>
<b>TOTAL ASSETS</b>		<b>2,833,706</b>	<b>3,743,772</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		156,496	166,801
<b>Total equity</b>		<b>156,496</b>	<b>166,801</b>
<b>Non-current liabilities</b>			
Deferred income	18	2,106,325	2,998,886
<b>Total non-current liabilities</b>		<b>2,106,325</b>	<b>2,998,886</b>
<b>Current liabilities</b>			
Accounts payable	19	6,051	5,935
Accrued and other short-term liabilities	20	564,834	572,150
<b>Total current liabilities</b>		<b>570,885</b>	<b>578,085</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,833,706</b>	<b>3,743,772</b>

Notes on the following pages form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2021**  
**(Amounts in EUR)**

	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as of 1 January 2020</b>	<b>184,710</b>	<b>184,710</b>
<i>Total comprehensive income for the year</i>		
Loss for the period	(17,909)	(17,909)
<b>Balance as of 31 December 2020</b>	<b>166,801</b>	<b>166,801</b>
<b>Balance as of 1 January 2021</b>	<b>166,801</b>	<b>166,801</b>
<i>Total comprehensive income for the year</i>		
Profit for the current period	(10,305)	(10,305)
<b>Balance as of 31 December 2021</b>	<b>156,496</b>	<b>156,496</b>

Notes on the following pages form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
**Year ended 31 December 2021**  
**(Amounts in EUR)**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Inflows from operating activities		2,120,587	782,283
Inflows from grants	16	1,354,252	-
Inflows from membership fees	5	750,000	782,272
Inflows from other operating activities	4	16,326	-
Interest received		9	11
Outflows from operating activities		(1,626,862)	(1,271,443)
Payments to suppliers		(1,081,433)	(798,531)
Payments to and on behalf of employees		(545,429)	(472,912)
<b>Net cash from/(used in) operating activities</b>		<b>493,725</b>	<b>(489,160)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets and equipment	12, 13	(129,229)	(46,815)
<b>Net cash used in investing activities</b>		<b>(129,229)</b>	<b>(46,815)</b>
<b>Net cash increase / (decrease)</b>		<b>364,496</b>	<b>(535,975)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,093,494</b>	<b>1,629,469</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	17	<b>1,457,990</b>	<b>1,093,494</b>

Notes on the following pages form an integral part of these financial statements.

## 1. FOUNDATION AND BUSINESS ACTIVITY

In June 2003 the Council of Ministers of the European Union (hereinafter: the "EU") endorsed "The Thessaloniki Agenda for the Western Balkans: Moving towards European Integration" which supported the creation of a regional mechanism for training and education of civil servants.

In accordance with the "Thessaloniki Agenda for the Western Balkans: Moving towards European Integration" in May 2006 the "Protocol on Cooperation in the Creation of the Regional School of Public Administration" (hereinafter "ReSPA") was signed in Brussels, between the Governments or Councils of Ministers of the Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, Republic of North Macedonia, Montenegro, the Republic of Serbia and UNMIK in presence of representatives of the European Commission. After signing the Protocol on Cooperation in the Creation of ReSPA, the Governing Board at Ministerial level of ReSPA was formed, comprising representatives of ReSPA member countries. In addition, ReSPA Secretariat was formed, comprised of representatives of the Organization for Economic Development and Co-operation. At the invitation of the European Commission, all member countries had the opportunity to apply for the head office of ReSPA, and afterwards, at the 6th Board Meeting of ReSPA, held in Paris on January 31, 2008, it was decided that the head office be in Danilovgrad.

By signing the Letter of Intent in Ljubljana on June 12, 2008, six countries committed to sign the "Agreement Establishing the Regional School of Public Administration". The representatives of five member countries of ReSPA signed the "Agreement Establishing the Regional School of Public Administration" in Podgorica on November 21, 2008, while Bosnia and Herzegovina signed the Agreement in 2009. In accordance with the International "Agreement Establishing the Regional School of Public Administration", the agreement shall be in effect seven years from the date of its entry into force upon signing, with an option of its extension. As at June 27, 2016, the Governing Board at Ministerial level voted by the two-third majority vote in favour of extension of the Agreement's validity for another seven years starting on August 1, 2017 and issued Decision no. GB-ML R/02-2016 thereon. In accordance with the International Agreement Establishing ReSPA, the agreement shall be in effect seven years from the date of its entry into force upon signing, with an option of its extension. At the end of the fifth year of the validity of this Agreement, ReSPA member countries will decide by the two-third majority vote if this Agreement is to be renewed for additional seven years.

ReSPA establishes close co-operation with ministers, senior public servants and heads of function in Member countries. ReSPA also works in partnership with the European Union, specifically Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR), other regional players such as OECD/SIGMA and Regional Cooperation Council (RCC), as well as agencies and civil society organizations. Since its inception, ReSPA, as an international organization and a key regional endeavour in Public Administration Reform, has contributed to capacity-building and networking activities through in-country support mechanisms, peering and the production of regional research material.

ReSPA works primarily through regional networks which operate at three levels: Ministerial, Senior Officials, and networks/working groups of experts and senior practitioners. There is one network – Programme Committee composed of the representatives of institutions in charge of PAR, Public Financial Management (PFM) and government policy planning and the European Integration (EI) coordination process and five Working groups: (1) Centre-of-Government Institutions; 2) Better Regulation; 3) Human Resource Management and Development; 4) EGovernance; and 5) Quality Management.

## 1. FOUNDATION AND BUSINESS ACTIVITY (Continued)

The Government of Montenegro as the host country has provided all the necessary conditions, including premises for ReSPA with complete equipment and facilities for capacity building activities, necessary for the effective performance of its functions, in accordance with the Agreement on ReSPA Establishment and Agreement concluded between ReSPA and the Government of Montenegro on the Headquarters and the Functioning of ReSPA in the Host Country (the "Host Country Agreement").

As from the effective date of the International Agreement on Establishment of ReSPA through June 23, 2011, the Governing Board at Ministerial level of ReSPA, appointed the Human Resources Management Authority of Montenegro as a Provisional Administrator of ReSPA. After signing the Agreement between ReSPA and the Government of Montenegro on the Headquarters and the Functioning of ReSPA in the Host Country on June 23, 2011, the administration of ReSPA was transferred to the management members of ReSPA itself.

ReSPA is located in Danilovgrad (Branelovica), Montenegro, as an institution providing capacity building activities at the regional level and beyond. As of December 31, 2021, ReSPA had 16 employees (December 31, 2020: 16 employees).

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

### 2.1. Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

They were authorised for issue by the ReSPA's directors on 11 April 2022.

Details of the applied accounting policies are included in Note 3.

### 2.2. Basis of measurement

The accompanying financial statements have been prepared under historical cost basis.

### 2.3. Functional and presentation currency

The Financial Statements are presented in euro (EUR), which is the ReSPA's functional currency.

### 2.4. Impact and application of newly Issued and amended standards

#### (a) *New standards, amendments and interpretations to existing standards mandatory for the first time for the financial year beginning on 1 January 2021*

The application of the following standards, interpretations of standards (IFRIC) and amendments to the existing standards mandatory for the first time for the financial in the annual period beginning on or after 1 January 2021, did not result in changes to accounting policies and did not have a material impact on the accompanying financial statements:

- COVID – 19 Related Rent Concessions (Amendment to IFRS 16 - effective date 1 January 2020);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, effective date 1 January 2021);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16, effective date 1 April 2021);

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

### 2.4. Impact and Application of Newly Issued and Amended Standards (Continued)

#### (b) *Standards Issued but not yet effective*

New amendments that are effective for annual periods beginning on or after 1 January 2022 and whose earlier adoption is permitted on 1 January 2021, are listed below:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37, effective date 1 January 2022);
- Annual Improvements to IFRS 2018-2020 (IFRS 1, IFRS 9, IFRS 16, IAS 41, effective date 1 January 2022);
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16, effective date 1 January 2022);
- References to Conceptual Framework (Amendments to IFRS 3, effective date 1 January 2022);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1, effective date 1 January 2023);
- IFRS 17 *Insurance Contracts* and Amendments to IFRS 17 *Insurance Contracts* (effective date 1 January 2023);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2, effective date 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8, effective date 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12, effective date 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – effective date deferred indefinitely;

The abovementioned new amendments to standards have not been applied by the ReSPA in preparing these financial statements on the basis of early adoption. Also, ReSPA does not expect any significant impact of these amendments to its financial statements.

### 2.5. Use of Estimates

The preparation of financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods (prospective applications).

ReSPA has not identified significant judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements.

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The accounting policies provided below are consistently used by the ReSPA in all periods presented in the accompanying financial statements.

#### 3.1. Operating income

ReSPA operating income comprises of:

- Income from membership (contribution) fees;
- Income from financial donations/grants; and
- Other income.

Operating income is recognized when increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities.

The amount of income arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

##### ***Income from membership fees***

Income from contributions fees is recognized on an accrual basis in the period in which it arises. Income recognized for the financial year will equal the total of eligible expenditures incurred by the ReSPA during the year on an accrual basis. If membership contributions are higher than incurred expenditure or not used at the end of financial year (i.e. carry over contributions), it is recognized as deferred income within accrued liabilities. ReSPA governing bodies may decide to allocate unused (carry over) contributions to working capital fund. Accrued liability is released as revenue in the statement of profit or loss when eligible expenditure is incurred and approved by the Budget Committee. In case membership contributions are lower than incurred eligible expenses, accrued receivable is recognized. Change in accrued liability is recorded as carry over income if it has been decreased as a decrease to reported membership fees income if accrued liability has been increased.

##### ***Income from EU grants***

Income generated from a financial donation from European Commission (EC) comprises grants approved to ReSPA for the purpose of financing its operations. Grants received for the purpose of financing operations are initially recorded as deferred income under accrued liabilities line item and are recognized as income on a systematic and rational basis for the period, in the amount necessary to cover the operational costs. Deferred income represents the excess of cash received over the income earned from the donor.

Grants received for the purpose of financing operations are initially recorded as deferred income under accrued liabilities line item and are recognized as income on a systematic and rational basis for the period, in the amount necessary to cover the operational costs. Deferred income represents the excess of cash received over the income earned from the donor.

Assets received free of charge as grants, i.e., donated assets (IT equipment, furniture for furnishing the facilities given to ReSPA for use and other related equipment), are recognized at cost at the time of receipt. The accruals are formed in the amount of the cost value of equipment and are deferred and allocated to the revenues over the useful lives of the donated equipment items. Relating income is recognized as operating income.

### **3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **3.1. Operating income (Continued)**

##### ***Income from EU grants***

At the time when income is recognized, the related expenditure is also recognized (as per the "matching principle"). The expenses are charged to the statement of profit or loss and other comprehensive income in the accounting period to which they relate, and when they do not qualify for recognition as assets.

#### **3.2. Operating expenses**

The expenses presented in the financial statements of ReSPA can be divided into the following categories:

- Cost of goods sold, fuel and energy used;
- Staff costs; and
- Other operating expenses.

Costs of goods sold, are the costs incurred relating to income generated from services rendered in the ReSPA Campus. Expenses related to fuel and energy used mainly include utility costs, maintenance, fuel and other costs relating to the operational activity of ReSPA Campus.

Staff costs mainly include Gross salary, per diems for business trips, expenses relating to transport, accommodation and meals on business trips.

The operating expenses of ReSPA mainly relate to implementation of EC Grant, seminars, and services relating to ReSPA visibility, advertisement, legal, accounting, professional, translation and other services. Operating expenses comprise of costs of operating services, costs of non-operating services and other operating expenses.

Expenses are recognised in the income statement when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are recognised in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. This process, commonly referred to as the matching of costs with revenues, involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events.

Cost of goods sold relating to the income generated from services rendered in ReSPA Campus is recognized in the period where the sale takes place and the amount recognized as Cost of goods sold is equal to the inventory value of the items that are sold.

#### **3.3. Employee Benefits**

Pursuant to the provisions of Chapter "X - Privileges and Immunities" of the Agreement on Establishment of ReSPA signed in Podgorica on November 21, 2008 and the Certificate on Registration issued by the Ministry of Foreign Affairs of Montenegro - Department for Consular Affairs and Diaspora, and pursuant to the provisions of Article 166, paragraph 1 of the Law on General Administrative Procedure ("Official Gazette of the Republic of Montenegro", nos. 60/02, 60/03 and "Official Gazette of Montenegro", no. 32/11) and on the basis of Article 18a paragraph 4) item 1) of the Law on Social Security ("Official Gazette of Montenegro", nos. 13/07, 79/08, 86/09, 78/10, 14/12, 62/13, 08/15, and 22/17), ReSPA is exempt from payment of personal income tax and other benefit (payroll) contributions.

### 3.4. Foreign Exchange Gains and Losses

All assets and liabilities denominated in foreign currencies as of the statement of financial position date are translated into EUR by applying the official exchange rates as of that date. Business transactions denominated in foreign currencies are translated into EUR by applying the official exchange rates. Foreign exchange gains or losses arising upon the translation of assets and liabilities and transactions are credited or charged to the statement of profit or loss and other comprehensive income as finance income or expenses.

### 3.5. Taxes and Contributions

Pursuant to the provisions of Chapter "X - Privileges and Immunities" of the Agreement on Establishment of ReSPA signed in Podgorica on November 21, 2008 and the Certificate on Registration issued by the Ministry of Foreign Affairs of Montenegro - Department for Consular Affairs and Diaspora, and pursuant to the provisions of Article 166, paragraph 1 of the Law on General Administrative Procedure, and according to the following:

- Article 184, paragraph 1) item 1) of the Customs Law ("Official Gazette of Montenegro" nos. 21/08, 28/12, 62/13),
- Article 25, paragraph 1) item 8b) of the Law on Value Added Tax ("Official Gazette of the Republic of Montenegro" nos. 04/06, and "Official Gazette of Montenegro" nos. 16/07, 29/13 09/15, 53/16, 01/17, 50/17),
- Article 6, paragraph 1) item 1) of the Law on Personal Income Tax ("Official Gazette of the Republic of Montenegro" nos. 37/04, 78/06 and "Official Gazette of Montenegro" nos. 86/09, 14/12, 06/13, 62/13, 60/14, 79/15, 83/16), and
- Article 18a paragraph 4) item 1) of the Law on Social Security ("Official Gazette of Montenegro" nos. 13/07, 79/08, 86/09, 78/10, 14/12, 62/13, 08/15 and 22/17).

ReSPA is exempt from customs duties, taxes and other fiscal charges.

### 3.6. Intangible Assets

Purchased intangible assets must be entered at their acquisition cost. This includes the purchase price, including import dues and non-reimbursable consumption taxes withheld and directly assignable costs (e.g. legal consultancy fees, costs for function tests) payable in order to prepare the asset for its intended use. Cash discounts and other rebates are deducted during determination of the acquisition costs. After the initial recognition, intangible assets are carried at their cost less any accumulated amortization and any impairment losses. Intangible assets comprise purchased software.

The amortization of the intangible assets is calculated on a straight-line basis over the estimated useful life, not exceeding a period of 5 years.

Subsequent expenditures are to be capitalized if they can be reliably measured and assigned and there is sufficient probability that the expenditure is associated with a significant extension of the benefit beyond the previous performance level.

### 3.7. Property, plant and equipment

Property, plant and equipment (PPE) are defined as tangible assets that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes, and
- are expected to be used during more than one period.

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.7. Property, plant and equipment (Continued)

During initial measurement, PPE are valued at their acquisition or conversion cost. Cost can also be defined as the fair value of consideration given for the asset as well as all directly attributable costs necessary to bring the asset to the necessary location and condition. Cost comprises:

- the purchase price, including import duties and non-refundable purchase taxes less any trade discounts and rebates;
- directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

ReSPA accounts for property, plant and equipment using cost model. ReSPA begins with the depreciation when the asset is available for use and ceases at the earlier of the date:

- that the asset is classified as held for sale, and
- that the asset is derecognized.

Subsequent expenditures such as the replacement of a part of property or equipment, modification, adaptation or general repair of the assets are recognized as an increase in the net book value of the respective assets, when it is probable that future economic benefits will flow to the ReSPA, and when the cost can reliably be measured.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the statement of profit or loss and other comprehensive income.

#### 3.8. Depreciation

Depreciation is provided on a straight-line basis at rates designed to write off. The basic annual rates of depreciation used in 2021 were unchanged in comparison to 2020 and are presented in the following table:

	Useful life (in years)	Rate (%)
Vehicles	5	20
Computers	5	20
Other equipment	10-33.33	3-10

The period and depreciation method applied shall be reviewed at least at each financial year end and if there has been a significant change in expected useful life of an item of property, plant and equipment, the depreciation period has to be appropriately changed. This change has to be disclosed in the annual financial statements.

#### 3.9. Impairment of Assets

The management reviews the carrying amounts of its tangible assets at each statement of financial position date to determine if there is any indication that the loss was suffered due to such assets impaired. If there are such indicators, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. If it is not possible to estimate the recoverable amount of a particular asset, the management makes an appraisal of the recoverable amount of the cash-generating unit to which the asset belongs.



### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.9. Impairment of Assets (Continued)

The recoverable amount is the net selling price or value in use, depending on which one is higher. For the purposes of appraisal of the value in use, estimated future cash flows are discounted to the present value using a discount rate that reflects the current market estimate of the time value of money and the risks specific to that asset. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than the carrying amount, then the carrying amount of that asset (or cash-generating unit) is reduced to the recoverable amount.

Impairment losses are recognized immediately as an expense. When subsequently reversing the impairment loss, the carrying amount of the asset (the cash-generating unit) is increased to the revised estimated recoverable amount of that asset, where the higher carrying amount does not exceed the carrying amount that would have been established that in previous years there were no recognized losses on that asset (cash-generating unit) due to impairment. Reversal of impairment loss is immediately recognized as income.

#### 3.10. Inventories

ReSPA initially recognise inventory when it has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably. ReSPA recognise inventories when it expects to generate benefits from their use, or eventual sale to customers. Initial measurement of inventories is at cost. Cost includes the invoiced value increased for import expenses and other non-recoverable duties, transportation, manipulative and other expenses that can be directly attributed to acquisition.

After the initial measurement, inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The net realizable value is the price at which inventories may be sold in the normal course of business, after deduction of the costs to sell.

Provisions that are charged to other expenses are made where appropriate in order to reduce the carrying value of such inventories according to the management's best estimate of their net realizable value. Inventories found to be damaged, expired or of a substandard quality are impaired or written off in full.

The inventory value in ReSPA is the total of all the different types of goods and consists of storehouse inventories, goods in retail and other inventories. Physical count of inventory must be performed at least once a year and as per same day reconciled to the booking in the General Ledger. Any difference between the physical inventory and the booking has to be corrected so the booking reflects the actual inventory.

#### 3.11. Financial Instruments

##### ***Recognition and initial measurement***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when ReSPA becomes a party to the contractual provisions of the instrument. Receivables mainly include receivables due from donors which represent the excess of income earned over the cash received from donor. Receivables are recognized in the full amount when grant contract is signed when there is reasonable assurance that the ReSpa will comply with the relevant conditions and the grant will be received.

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.11. Financial Instruments (Continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transactions costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ***Classification and subsequent measurement***

Financial assets are classified and measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The classification of financial assets on initial recognition depends on characteristics of contractual cash flows of financial assets and business model for managing those assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition, ReSPA may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Due to nature of trade and other receivables, ReSpa has not identified or recognized any ECL.

Financial assets are classified as loan and receivables that are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

Trade receivables and other receivables are held for cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, balances on current accounts held with banks and other highly liquid financial assets whose maturity is up to three months.

##### ***Derecognition of Financial Assets***

ReSPA derecognised a financial asset when the rights to inflows from this asset expire or when these rights are transferred to a third party. Each right per transferred financial asset, which is created or retained by the ReSPA, is recognised as a separate asset or liability.

##### ***Measurement at Amortised Cost***

An amortised cost of a financial asset is the amount at which financial assets are initially measured, net of principal repayments, and increased or decreased by accumulated depreciation using the effective interest rate method.

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.11. Financial Instruments (Continued)

##### *Measurement at Fair Value*

The fair value of financial instruments is the amount at which a financial asset can be exchanged or a liability settled among informed and willing parties in an independent transaction.

The fair value is determined using the available market information on the reporting date and other measurement models applied by the ReSPA.

The fair value of certain financial instruments stated at nominal value approximates their carrying amount. These instruments include cash and cash equivalents, receivables and payables that do not have a contracted maturity or a fixed interest rate.

Other receivables and payables are adjusted to the present value by discounting future cash flows using the current interest rates. Due to the nature of the ReSPA's operating activities and its general policies, the management believes that there are no significant differences between the carrying amount and fair value of financial assets and financial liabilities.

##### *Financial Liabilities*

Financial liabilities are initially recognised at fair value that represents the fair value of the received compensation. Subsequent to the initial recognition, financial liabilities are stated at amortised cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss. The amortised cost of a financial liability is the amount at which financial liabilities are initially measured, increased or decreased by accumulated amortisation using the effective interest rate method.

A liability is classified as current if it is expected to be settled in an ordinary course of the business cycle of the ReSPA, i.e. if it matures within a 12- month period after the balance sheet date. All other liabilities are classified as non-current.

ReSPA derecognised a liability when it is settled, reversed or transferred to a third party.

### 4. INCOME FROM THE SALES OF SERVICES

	2021	(In EUR) 2020
Income from services provided	16,326	9,734
<b>Total</b>	<b>16,326</b>	<b>9,734</b>

In 2021 sales income from services in the amount of EUR 16,326 (2020: EUR 9,734) relates to the income from ReSPA's engagement as a project partner with BACID II Project, a 3-year ADA-funded programme implemented by the Austrian Association of Cities and Towns and KDZ Centre for Public Administration Research.

**5. INCOME FROM GRANTS AND MEMBERSHIP FEES**

	<b>2021</b>	<b>(In EUR) 2020</b>
Income from the financial grants (Note 18)	892,561	753,521
Membership fees	677,316	562,847
<b>Total</b>	<b>1,569,877</b>	<b>1,316,368</b>

Income from the financial grant refers to funds from the grant of the European Commission under the Grant Contract Mainstream of ReSPA Activities No. CN 2019/405 139 signed on May 16, 2019, with a scheduled implementation period of 36 months. On 16 February 2022 ReSPA received approval from EC for non-cost extension of the grant until 31 December 2022.

Pursuant to the provisions of Article 23, Chapter IX of the Agreement on Establishment of ReSPA signed in Podgorica on November 21, 2008, all the countries that are parties to the Agreement are required to pay an annual fee (for the Core Budget) in the amount of EUR 150,000 per member country. Accordingly, during the year 2021, the member countries paid the total of EUR 750,000, and each member paid the sum of EUR 150,000.

Income from membership fees of the member countries and contribution from ReSPA Working Capital Fund for the period from January 1 through December 31, 2021 and for the comparative period from January 1 through December 31, 2020 are shown in the following table:

	<b>2021</b>	<b>(In EUR) 2020</b>
Republic of Albania	150,000	150,000
Bosnia and Herzegovina	150,000	150,000
Republic of North Macedonia	150,000	150,000
Republic of Montenegro	150,000	150,000
Republic of Serbia	150,000	150,000
Carry over effect	(72,684)	(187,153)
<b>Total</b>	<b>677,316</b>	<b>562,847</b>

According to the ReSPA Financial Regulation, Article 10., appropriations (membership contributions), which have not been used at the end of the financial year for which they were entered, shall be carried over into the following year as income and the Budget Committee may at its first meeting of the following financial year permit their use for any authorized ReSPA activity or for payment into Working Capital. Carry-over appropriations which have not been used at the end of the 31 December 2021, amounted to EUR 562,601 (Note 20).

**6. COST OF GOODS SOLD**

	<b>2021</b>	<b>(In EUR) 2020</b>
Cost of goods sold	1,379	320
<b>Total</b>	<b>1,379</b>	<b>320</b>

**7. COST OF MATERIALS, FUEL AND ENERGY**

	<b>2021</b>	<b>(In EUR) 2020</b>
Maintenance materials	2,338	1,193
Fuel and electricity	22,217	16,102
Office supplies	12,644	13,101
<b>Total</b>	<b>37,199</b>	<b>30,396</b>

**8. STAFF COSTS**

	<b>2021</b>	<b>(In EUR) 2020</b>
Gross employee salaries	463,702	438,683
Transport, accommodation and meals on business trips	85,198	38,614
<b>Total</b>	<b>548,900</b>	<b>477,297</b>

**9. DEPRECIATION AND AMORTISATION**

	<b>2021</b>	<b>(In EUR) 2020</b>
Amortisation of intangible assets (Note 12)	49	1,176
Depreciation of tangible assets (Note 13)	37,469	45,592
Other provisions	-	-
<b>Total</b>	<b>37,518</b>	<b>46,768</b>

**10. COSTS OF OPERATING SERVICES**

	<b>2021</b>	<b>(In EUR) 2020</b>
Maintenance costs	16,528	14,302
Transportation costs	11,104	909
Postage and telecommunication services	22,799	14,750
Costs of rent	35,759	11,846
Costs of organizing seminars	179,078	199,085
Other	495	-
<b>Total</b>	<b>265,763</b>	<b>240,892</b>

Costs of organizing seminars in the amount of EUR 179,078 (2020: EUR 199,085) refer to the costs of organizing seminars within ReSPA, in ReSPA's premises, abroad as well as to the cost of summer schools organized by ReSPA.

## 11. COSTS OF NON-OPERATING SERVICES

	2021	(In EUR) 2020
Representation cost	16,328	5,025
Banks charges	15,689	8,307
Legal, accounting and consultancy services	60,704	52,854
Other intellectual service	511,307	419,550
Costs of other non-operating service	48,425	30,067
Cost of insurance and insurance premiums	29,677	26,310
Other	23,610	12,600
<b>Total</b>	<b>705,740</b>	<b>554,713</b>

Legal, accounting and consultancy services are mostly related to the cost of accounting in the amount of EUR 18,180 (2020: EUR 11,880) and translation services in the amount of EUR 23,434 (2020: EUR 40,911).

Other intellectual services refer to intellectual services provided by individuals for preparation and participation in activities organized by ReSPA.

Cost of other non-operating services in amount of EUR 48,425 include services of other companies in the amount of EUR 31,576 related to visibility and promotional activities

## 12. INTANGIBLE ASSETS

	Licences	Software	Intangible assets under development	Total
<b>Cost</b>				
Balance, January 1, 2020	3,378	15,280	-	18,658
Additions during the year	1,176	-	-	1,176
Disposals	-	-	-	-
<b>Balance, December 31, 2020</b>	<b>4,555</b>	<b>15,280</b>	<b>-</b>	<b>19,835</b>
Balance, January 1, 2021	4,555	15,280	-	19,835
Additions during the year	-	9,000	92,934	101,934
<b>Balance, December 31, 2021</b>	<b>4,555</b>	<b>24,280</b>	<b>92,934</b>	<b>121,769</b>
<b>Accumulated Depreciation</b>				
Balance, January 1, 2020	3,378	15,280	-	18,658
Charge for the year (Note 9)	1,176	-	-	1,176
<b>Balance, December 31, 2020</b>	<b>4,555</b>	<b>15,280</b>	<b>-</b>	<b>19,835</b>
Balance, January 1, 2021	-	15,280	-	15,280
Charge for the year (Note 9)	-	49	-	49
<b>Balance, December 31, 2021</b>	<b>4,555</b>	<b>15,329</b>	<b>-</b>	<b>15,329</b>
<b>Net Book Value</b>				
<b>December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2021</b>	<b>-</b>	<b>8,951</b>	<b>92,934</b>	<b>101,885</b>

Addition during the 2021, in the amount of 92,934 EUR relates to purchase of ERP IT system.

### 13. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	(In EUR)			
	<u>Leasehold improvements</u>	<u>IT and office equipment</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost</b>				
Balance, January 1, 2020	47,019	1,117,101	24,860	1,188,980
Additions during the year	-	45,639	-	45,639
Disposals	(1,563)	(118,438)	-	(120,001)
<b>Balance, December 31, 2020</b>	<b>45,456</b>	<b>1,044,302</b>	<b>24,860</b>	<b>1,114,618</b>
Balance, January 1, 2021	<b>45,456</b>	<b>1,044,302</b>	<b>24,860</b>	<b>1,114,618</b>
Additions during the year	-	27,295	-	27,295
Write-off	-	(9,274)	-	(9,274)
<b>Balance, December 31, 2021</b>	<b>45,456</b>	<b>1,062,323</b>	<b>24,860</b>	<b>1,132,639</b>
<b>Accumulated Depreciation</b>				
Balance, January 1, 2020	42,111	1,058,644	11,265	1,112,020
Charge for the year (Note 9)	-	40,620	4,972	45,592
Disposals	(3,807)	(117,881)	-	(121,688)
<b>Balance, December 31, 2020</b>	<b>38,304</b>	<b>981,383</b>	<b>16,237</b>	<b>1,035,924</b>
Balance, January 1, 2021	<b>38,304</b>	<b>981,383</b>	<b>16,237</b>	<b>1,035,924</b>
Charge for the year (Note 9)	-	32,746	4,720	37,469
Write-off	-	(9,270)	-	(9,270)
<b>Balance, December 31, 2021</b>	<b>38,304</b>	<b>1,004,859</b>	<b>20,957</b>	<b>1,064,123</b>
<b>Net Book Value</b>				
<b>December 31, 2020</b>	<b>7,152</b>	<b>62,919</b>	<b>8,623</b>	<b>78,694</b>
<b>December 31, 2021</b>	<b>7,152</b>	<b>57,464</b>	<b>3,903</b>	<b>68,519</b>

### 14. LONG-TERM RECEIVABLE

Long-term receivables in the amount of 435,000 EUR (2020 435,000) represent 10% of the total funds granted in the current EC grant IV. The amount is due after the end of the grant period and after EC receives Expenditure verification report confirmed by independent auditor.

### 15. INVENTORIES

	(In EUR)	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Goods on stock in the warehouse	19,798	27,703
<b>Total</b>	<b>19,798</b>	<b>27,703</b>

As of December 31, 2021, ReSPA had inventories in the amount of EUR 19,798 relating to Visibility Materials from the previous EC Grant, Office Stationary material (Core) and food, beverages and cleaning materials that are used in the Hotel.

**16. GRANTS RECEIVABLE**

	(In EUR)	
	December 31, 2021	December 31, 2020
Short - term receivables due from donors	747,173	2,101,750
<b>Total</b>	<b>747,173</b>	<b>2,101,750</b>

During the year 2021 ReSPA received second instalment from Grant IV in the amount of EUR 1,354,252. The last contract was signed May 23, 2019. The value of the grant is EUR 4,350,000. The remaining amount relates to receivables for grant that have not yet been paid and for which there is also a calculated liability at accrued liability.

	(In EUR)
	December 31, 2021
<b>Reconciliation receivables due from donors in 2021</b>	
<b>Opening balance</b>	<b>2,101,750</b>
Recognition of receivables	-
Grant IV - second pre-financing payment	(1,354,252)
Grant III - final payment	-
<b>Outstanding as at 31 December 2021</b>	<b>747,173</b>

ReSPA has recognized receivables due European Commission for the grant IV in the total amount EUR 747,173 as it believes there is reasonable assurance it will comply with the relevant conditions and the grant will be received.

**17. CASH AND CASH EQUIVALENTS**

	(In EUR)	
	December 31, 2021	December 31, 2020
Current accounts	427,424	84,468
Foreign currency accounts	1,030,566	1,009,026
<b>Total</b>	<b>1,457,990</b>	<b>1,093,494</b>



**18. DEFERRED INCOME**

	(In EUR)	
	December 31, 2021	December 31, 2020
Deferred income - EC grant IV	2,106,325	2,998,886
<b>Total</b>	<b>2,106,325</b>	<b>2,998,886</b>

Changes in deferred income arising from EU financial donations received for the years 2021 and 2020 are shown in the following table:

	(In EUR)	
	Year ended December 31, 2021	Year ended December 31, 2020
Balance at the beginning of year	2,998,886	3,752,407
Increase during the period - Grant	-	-
Grants used during the year (Note 5)	(892,561)	(753,521)
<b>Balance at the end of the year</b>	<b>2,106,325</b>	<b>2,998,886</b>

**19. ACCOUNTS PAYABLE**

	(In EUR)	
	December 31, 2021	December 31, 2020
Payables to suppliers:		
- domestic	5,804	5,212
- foreign	247	750
<b>Total</b>	<b>6,051</b>	<b>5,962</b>

**20. ACCRUED AND OTHER SHORT-TERM LIABILITIES**

	(In EUR)	
	December 31, 2021	December 31, 2020
Payables under the contract on hiring experts	181	11,481
Deferred income for carry-over appropriations	562,601	489,917
Other accrued liabilities	2,242	70,752
<b>Total</b>	<b>564,834</b>	<b>572,150</b>

**21. KEY MANAGEMENT REMUNERATIONS**

Remunerations paid to the key management personnel for the period from January 1 through December 31, 2021 amounted to EUR 132,510 (2020: EUR 134,392).

## 22. RISK MANAGEMENT

### 22.1. Capital Risk Management

Management manages with equity risk on a case-to-case basis with the aim to ensure that ReSPA will continue to operate on a going concern basis.

### 22.2. Categories of Financial Instruments

	(In EUR)	
	December 31, 2021	December 31, 2020
Grants receivable	747,173	2,101,750
Long term receivables	435,000	435,000
Cash and cash equivalents	1,457,990	1,093,494
<b>Financial assets</b>	<b>2,640,653</b>	<b>3,630,244</b>
Accounts Payable	6,051	5,935
Other liabilities and accrued liabilities	2,233	82,206
<b>Financial liabilities</b>	<b>8,284</b>	<b>88,141</b>

ReSPA does not enter into transactions with derivative financial instruments, such as interest rate swaps or forwards. In addition, in the course of the year ended December 31, 2021, ReSPA did not undertake transactions involving financial instruments.

Basic financial instruments held by ReSPA comprise cash and cash equivalents and receivables, which arise directly from ReSPA's operations, as well as accounts payable.

### 22.3. Financial Risk Management

In its business activities, ReSPA is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. ReSPA does not use derivative financial instruments or any other form of hedges against these risks.

There is no formal framework for risk management implemented within ReSPA, aside from the provisions stipulated in the Financial Regulations referring to credit risk and liquidity risk derived from the principles of operation within Inter-governmental organisations. The Financial Department focuses mainly on liquidity risk, acting on a case-to-case basis to mitigate risks and minimize losses. However, such activities, on "as needed" basis, may not be entirely effective, and therefore ReSPA cannot prevent adverse effects of fluctuations in the risk variables on the operations, financial position and financial performance.

### 22.4. Credit Risk

Credit risk includes the risk that a specific counterparty will be unable or unwilling to discharge their obligation and cause a financial loss. The ReSPA's risk management is monitoring that exposure per counterparty on an on-going basis, with respect to accounts receivable. The ReSPA does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

## 22. RISK MANAGEMENT (Continued)

### 22.4. Credit Risk (Continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	(In EUR)	
	December 31, 2021	December 31, 2020
<b>Financial assets</b>		
Trade and other receivables	747,173	2,101,750
Long term receivables	435,000	435,000
Cash and cash equivalents	1,457,990	1,093,494
<b>Total</b>	<b>2,640,163</b>	<b>3,630,244</b>

The maximum exposure to credit risk for accounts receivable at the reporting date by type of customer are presented in the following table:

	(In EUR)	
	December 31, 2021	December 31, 2020
Grants receivable	747,173	2,101,750
Long term receivables	435,000	435,000
<b>Total</b>	<b>1,182,173</b>	<b>2,536,750</b>

The aging of trade receivables at the reporting date was:

	(In EUR)	
	December 31, 2020	December 31, 2019
Not past due	1,182,173	2,536,750
Past due 0-30 days	-	-
Past more than 30 days	-	-
<b>Total</b>	<b>1,182,173</b>	<b>2,536,750</b>

### 22.5. Liquidity Risk

Liquidity management is centralized on the ReSPA level. ReSPA manages its assets and liabilities in the manner so as to ensure that ReSPA is able to settle its liabilities at any time.

ReSPA has sufficient amount of highly liquid assets (cash and cash equivalents) and continuous cash flows from service rendering which enables it to settle its liabilities on maturity. The ultimate responsibility for liquidity risk management rests with the Financial Department, which is responsible for the management of ReSPA's short, medium and long-term funding and liquidity management requirements. ReSPA manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecasted and actual cash flows and matching between maturities of financial assets and liabilities. ReSPA does not use financial derivatives.

Also, the business policy led to dispersion in decision-making levels regarding the acquisition of goods/services. The dispersion is secured through the amount limits to the power/authorizations in making decisions on the liquidity risk exposure vested in an individual or in a ReSPA's department.

## 22. RISK MANAGEMENT (Continued)

### 22.5. Liquidity Risk (Continued)

The following table provides the details of outstanding contractual maturities of non-derivative assets and liabilities of ReSPA. The amounts presented are based on the undiscounted cash flows arising from financial assets and liabilities based on the earliest date upon which ReSPA will be due to collect such receivables or settle such payables. The table includes both interest and principal cash flows.

	Up to 3 Month	3–12 months	1-3 years	(In EUR) Total
Cash and cash equivalents	1,457,990	-		1,457,990
Trade and other receivables	-	747,173	435,000	1,182,173
<b>Financial Assets</b>	<b>1,457,990</b>	<b>747,173</b>	<b>435,000</b>	<b>2,640,163</b>
Accounts payable	6,051	-		6,051
Other liabilities	-	211		211
Other accrued liabilities	2,022			2,022
<b>Financial liabilities</b>	<b>8,073</b>	<b>211</b>		<b>8,284</b>
<b>Maturity gap as at December 31, 2021</b>	<b>1,449,917</b>	<b>746,962</b>	<b>435,000</b>	<b>2,631,879</b>
Cash and cash equivalents	1,093,494	-		1,093,494
Trade and other receivables	-	2,101,750	435,000	2,536,750
<b>Financial Assets</b>	<b>1,093,494</b>	<b>2,101,750</b>	<b>435,000</b>	<b>3,630,244</b>
Accounts payable	5,935	-		5,935
Accrued liabilities	70,725	11,481		11,481
<b>Financial liabilities</b>	<b>76,660</b>	<b>11,481</b>		<b>88,141</b>
<b>Maturity gap as at December 31, 2020</b>	<b>1,016,834</b>	<b>2,090,269</b>	<b>435,000</b>	<b>3,542,103</b>

### 22.6. Fair Values of Financial Assets and Liabilities

The following table shows the carrying values of financial assets and financial liabilities and their fair values:

In EUR	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other receivables	747,173	747,173	2,101,750	2,101,750
Cash and cash equivalents	1,457,990	1,457,990	1,093,494	1,093,494
<b>Financial assets</b>	<b>2,205,163</b>	<b>2,205,163</b>	<b>3,195,244</b>	<b>3,195,244</b>
Accounts payable	6,051	6,051	5,935	5,935
Other liabilities	211	211	11,481	11,481
Other accrued liabilities	2,022	2,022	70,725	70,725
<b>Financial liabilities</b>	<b>8,284</b>	<b>8,84</b>	<b>88,141</b>	<b>88,141</b>

**22. RISK MANAGEMENT (Continued)**

**22.6 Fair Values of Financial Assets and Liabilities (Continued)**

The fair value of other financial assets and liabilities carried at amortized value maturing within a year approximates their fair value as the original interest rates do not differ significantly from the market interest rates.

**23. LITIGATION**

As of December 31, 2021, ReSPA was not involved in legal disputes either as a defendant or as a plaintiff.

**24. EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period with materially significant impact to the financial statements of ReSPA at 31 December 2021.