RSM Serbia d.o.o., Beograd

BELGRADE CENTRE FOR SECURITY POLICY
BELGRADE

Financial Statements for 2018 in accordance
with accounting regulations prevailing in the
Republic of Serbia
and
Independent auditor's report

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RSM Serbia d.o.o. Beograd

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RZ 47/19

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Managing Board Belgrade Centre for Security Policy, Belgrade

We have audited the accompanying financial statements of Belgrade Centre for Security Policy, Belgrade, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Belgrade Centre for Security Policy, Belgrade as at December 31, 2018, and its financial performance for the year then ended in accordance with accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting.

Belgrade, June 30, 2019

Srđan Simić
Certified Auditor

RSM Serbia d.o.o.
Beograd-Novi Beograd

STATEMENT OF FINANCIAL POSITION

on 31 December 2018

(in RSD 000)

Item	Notes*	31.12.2018.	31.12.2017.
FIXED ASSETS		**294**	**482**
INTANGIBLE ASSETS		180	307
PROPERTY, PLANT AND EQUIPMENT		114	175
Land			
Buildings			
Plant and equipment			
Investment property			
Other property, plant and equipment			
NATURAL ASSETS			
LONG-TERM FINANCIAL INVESTMENTS			
LONG-TEARM RECEIVABLES			
CURRENT ASSETS		**21.956**	**17.887**
INVENTORIES		2.185	2.322
Material			
Work and services in progress and finished goods			
Merchandise			
Advances paid for inventories and services			
RECEIVABLES FROM SALES		66	441
OTHER RECEIVABLES		653	3.072
SHORT-TERM FINANCIAL INVESTMENTS			
CASH AND CASH EQUIVALENTS		19.052	12.052
VALUE ADDED TAX (VAT)			
PREPAYMENTS AND ACCRUED INCOME			
ASSETS		**22.250**	**18.369**
OFF-BALANCE SHEET ASSETS			
STAKES			
STAKES (OWN SOURCES)			
RETAINED SURPLUS OF REVENUES OVER THE EXPENDITURES			
Retained surplus of revenues over the expenditures from previous year			
Retained surplus of revenues over the expenditures from current year			
RETAINED SURPLUS OF EXPENDITURES OVER THE REVENUES			
Surplus of expenditures over the revenues from previous year			
Surplus of expenditures over the revenues from current year			
LONG-TERM PROVISIONS AND LIABILITIES		**22.250**	**18.369**
LONG-TERM PROVISIONS			
LONG-TERM LIABILITIES			
Long-term loans			
Other long-term liabilities			
SHORT-TERM FINANCIAL LIABILITIES			
LIABILITIES FROM BUSINESS OPERATIONS		95	61
OTHER SHORT-TERM LIABILITIES		650	
LIABILITIES FOR VALUE ADDED TAX (VAT)			
LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS, AND OTHER DUTIES			
ACCRUALS AND DEFERRED INCOME		21.505	18.308
EXCESS OF EXPENDITURE OVER INCOME ABOVE THE ROLE (OWN RESOURCES)			
LIABILITIES		**22.250**	**18.369**
OFF-BALANCE SHEET LIABILITIES			

*Notes refer to individual positions and they are presented as notes to the Financial Statements

These financial statements were approved for publication on 21 June, 2019 and were signed by the legal representative Belgrade Centre for Security Policy - Belgrade

Sonja Stojanović Gajić

Director

ВЦБП БЕОГРАД

Sonja Stojanović Gajić

STATEMENT OF COMPREHENSIVE INCOME

for year ended 31 December 2018

(in RSD 000)

Item	Notes*	2018.	2017.
INCOME AND EXPENSES FROM ORDINARY OPERATING			
OPERATING INCOME		**44.196**	**60.208**
INCOME FROM SALE GOODS, PRODUSCTS AND SERVICES		3.237	4.403
INCOME FROM MEMBERSHIP FEES			
SPECIAL REGULATION INCOME FROM BUDGET AND OTHER SOURCES			
INCOME FROM PREMIUMS, SUBVENTIONS, DAONATIONS, ETC.		40.959	55.805
INCOME FROM NON-FINANCIAL ASSETS			
OPERATING EXPENSES		**42.543**	**58.436**
COST OF GOODS SOLD			
INCOME FROM UNDERTAKING OF OUTPUTS AND GOODS FOR OWN PURPOSES			
INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS			
DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS			
COSTS OF MATERIAL AND ENERGY		209	775
COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES		29.670	35.725
COSTS OF PRODUCTION SERVICES		1.875	2.690
COSTS OF DEPRECIATION		188	199
COSTS OF LONG-TERM PROVISIONS			
COSTS OF GRANTS			
NON-PRODUCTION COSTS		10.601	19.047
OPERATING PROFIT		1.653	1.772
OPERATING LOSS			
FINANCIAL INCOME		106	186
Financial income incurred with parent companies, subsidiaries and other associated companies			
Income from interest			
FX gains and income from the effects of currency clause			
Dividend income			
Other financial income from financial assets			
FINANCIAL EXPENSES		172	1.969
Financial expenses from transactions with related parties			
Costs of interest			
FX losses and losses for currency clause effects			
Other financial expenses			
PROFIT FROM FINANCIAL ACTIVITIES (FINANCIAL PROFIT)			
LOSS FROM FINANCIAL ACTIVITIES (FINANCIAL LOSS)		66	1.783
REVENUES FROM VALUE ALIGNMENT OF OTHER ASSETS WHICH ARE VALUED AT FAIR VALUE THROUGH STATEMANT OF COMPREHENSIVE INCOME			
EXPENSES FROM VALUE ALIGNMENT OF OTHER ASSETS WHICH ARE VALUED AT FAIR VALUE THROUGH STATEMANT OF COMPREHENSIVE INCOME			
SURPLUS OF REVENUES OVER THE EXPENDITURES FROM VALUE ALIGNMENT OF OTHER ASSETS WHICH ARE VALUED AT FAIR VALUE THROUGH STATEMANT OF COMPREHENSIVE INCOME			
SURPLUS OF EXPENDITURES OVER THE REVENUES FROM VALUE ALIGNMENT OF OTHER ASSETS WHICH ARE VALUED AT FAIR VALUE THROUGH STATEMANT OF COMPREHENSIVE INCOME			
OTHER INCOME			13
OTHER EXPENSES		1.587	2
SURPLUS OF REVENUES OVER THE EXPENDITURES FROM ORDINARY OPERATING BEFORE TAXATION			
SURPLUS OF EXPENDITURES OVER THE REVENUES FROM ORDINARY OPERATING BEFORE TAXAT			
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SURPLUS OF REVENUES OVER THE EXPENDITURES BEFORE TAXATION			
SURPLUS OF EXPENDITURES OVER THE REVENUES BEFORE TAXATION			
TAX ON DIFFERENCE BETWEEN REVENUES AND EXPENDITURES			
Current Tax			
NET SURPLUS OF REVENUES OVER THE EXPENDITURES			
NET SURPLUS OF EXPENDITURES OVER THE REVENUES			

*Notes refer to individual positions and they are presented as notes to the Financial Statements

RSM Serbia d.o.o.
10 B/I Bulevar Mihajla Pupina Street
11070 Novi Beograd
Serbia

June 28, 2019

LETTER ON PRESENTED FINANCIAL STATEMENTS

This letter was composed with respect to the audit of financial statements of Belgrade Centre for Security Policy, Belgrade (hereinafter referred to as 'the Entity'), for the fiscal year ending 31st December 2018, on the basis of which you are to express the opinion whether the financial statements give fair and truthful view of the financial position, as well as of operational results of Entity as of 31st December 2018.

Certain presentations in this letter are limited to materially significant information and issues. Materially significant information and issues, regardless of their scope and amount, are information and issues whose omitting or erroneous presentation could influence sensible judgment of the persons relying on that information or issue.

With the respect to above-stated, according to our best knowledge and belief, I hereby confirm the following:

Financial statements, records and comparative data

1. Financial statements present a fair and truthful financial position and operational results and cash flow, in accordance with accounting regulations prevailing in the Republic of Serbia, and that they do not contain materially significant erroneous statements. The financial statements were approved by the management.

2. Significant accounting policies applied in the preparation of the financial statements are adequately described in the financial statements.

3. Every item within special purpose financial information is adequately classified, described and disclosed according to relevant regulations, and the financial statements were prepared according to going concern principle.

4. I accept responsibility with respect to the fact that the internal control system is organised in a manner which enables drawing up of financial statements in compliance with the accounting regulations prevailing in the Republic of Serbia.

5. There are no significant items, that we are aware of, which would require adjustment of comparative data in financial statements.

Errors and embezzlements

6. I confirm my responsibility for the design and implementation of the systems of internal control, which enable prevention of occurrence of errors and embezzlement and their timely noticing.

7. I consider that the effects of errors contained in the financial statements are not, individually or in total, material for the financial statements as a whole.

8. I am not aware of the existence of embezzlement, nor I doubt that embezzlement that could affect Entity has been committed by:

   - the management;
   - someone among employees, occupying an important role within the system of internal control or
   - others, having a material impact on financial statements.

9. There were no allegations of fraud, or a suspicion of fraud, which affect the Entity's financial statements reported by employees, former employees, analysts, regulatory authorities or others.

Compliance with the laws and other regulations

10. There were no non-compliances with the requirements of the regulatory authorities, which could have materially significant impact on financial statements, in case of non-compliance with the above stated requirements.

11. Business operations of the Entity for the year ending 31st December 2018 were not the subject of control by the state authorities or other form of external controls.

Information completeness

12. For the purposes of the audit, I place at your disposal:

   - all information that could influence drawing up of financial statements, such as records, documentation and other;
   - all additional information requested during audit;
   - unlimited access to employees able to provide essential audit evidence.

13. All transactions are recorded in the accounting records and presented in the financial statements.

Recognition, valuation and disclosure

14. The valuation methods and material assumptions we used in preparing accounting estimates, including those that are valued at fair value, are reasonably estimated.

15. There are no future plans or intensions that could have materially significant impact on accounting value or classification of assets and liabilities, presented in special financial statements as of 31st December 2018.

Real and potential liabilities

16. I am not aware of potential assets that should be presented and disclosed in financial statements.

17. The Entity does not have potential liabilities, based on sureties or guarantees to third parties.

18. There are no current disputes in which we are defendant party.

19. I am not aware of violations or possible violations of legal regulations whose effects should be disclosed in financial statements, or for which provisions should be made against possible losses, or existence of other liabilities or potential liabilities/losses for which it is necessary to conduct posting of potential losses.

Ownership and restrictions on property

20. The Entity possesses adequate documentation related to acquiring right to ownership of the assets it owns.

21. The Entity's assets are not encumbered by mortgages, pledges or other limitations.

22. All assets in our ownership are presented in the balance sheet.

Going-concern principle

23. Financial statements were drawn up according to going concern principle based on our estimation regarding the ability of Entity to continue its operations in accordance with going concern principle, considering all available information related to foreseeable future. I am not aware of any material uncertainty regarding events or business conditions that could affect ability of Entity to continue its operation operations in accordance with going concern principle.

Evens after balance sheet date

24. There were no events occurred after date of authorising the financial statements for issue and before this letter, which could affect these financial statements.

Sonja Stojanović Gajić, director