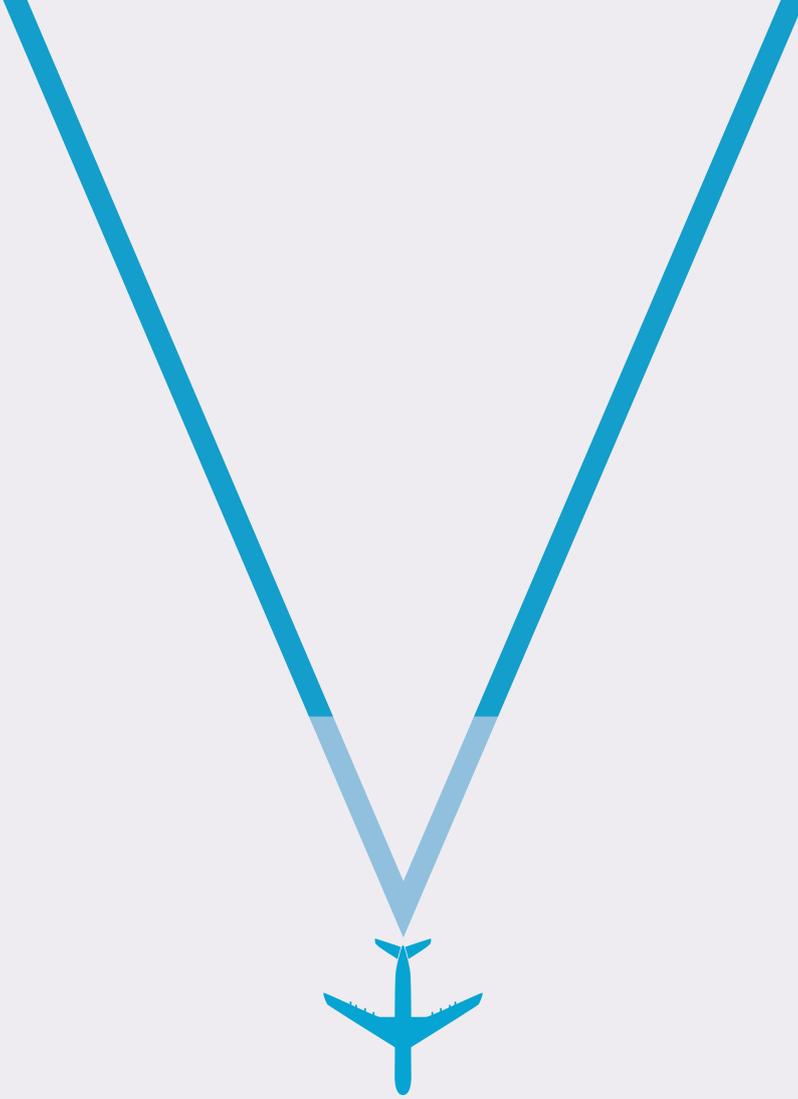




ANNUAL REPORT 2014

SERBIA AND MONTENEGRO AIR TRAFFIC SERVICES SMATSA llc, BELGRADE



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01

CEO`s Introduction



Radojica Rovčanin,
SMATSA CEO

The year 2014 was a year of challenge for SMATSA LLC. It started by new organisational structure establishment in order to manage the Company more efficiently.

At the beginning of April, the upper airspace over Kosovo and Metohija was reopened for civil air traffic, following many years of interruption, intense negotiations and planning. SMATSA LLC's approach to this process was constructive and professional and within the guidelines of the relevant State institutions. North Atlantic Treaty Organization (NATO) made a decision to grant the provision of air traffic control services to the Hungarian provider – HUNGAROCNTRON, and based on concluded contracts, SMATSA LLC has rented the radar image and radio signal to the Hungarian provider of air traffic control services.

In the spring 2014, Serbia faced the worst natural disaster in its history, the consequences of which are still visible. SMATSA LLC, as well as its employees and management, took an active part in flood relief efforts and damage control. SMATSA LLC also invited its colleagues all over the world to help and this initiative resulted with a significant amount of financial means for this purpose. So, I am using this opportunity to express my gratitude to all my colleagues and employees for humanity they showed. SMATSA LLC's humanitarian work is recognised within the company and the Economic Journalists Club awarded SMATSA LLC with the "Corporate Social Responsibility" prize.

It is my pleasure to point out some statistical data showing that we achieved the growth of the traffic of 7% altogether in 2014. During the year, we accomplished a total number of 550,000 flights in the airspace under SMATSA LLC's jurisdiction. During the peak days we had more than 2,600 flights per day, providing the top quality service without any delays caused by the air traffic control.

In the course of 2014, SMATSA LLC actively participated in another important regional event. SMATSA LLC transferred the duties of air traffic control and jurisdiction over the BIH airspace to the altitude of 9,900 metres (flight level 325) to BIH Provider – BHANSA. BHANSA thus completely took over the responsibility for and provision of the air traffic control services in the stated airspace.



During 2014, we made necessary preparations and started with the realisation of the preconditions for introducing navigational procedures, within our domain of jurisdiction, based on Performance Based Navigation – PBN, at international airports where we provide our services: in Belgrade, Niš, Podgorica, and Tivat. The procedures were designed by applying spatial navigation, using GNSS (Global Navigation Satellite System). The concept of the Continuous Descent Approach – CDA was used for the first time in the Republic of Serbia and the State of Montenegro, enabling savings in fuel consumption, reduction of environmental pollution and noise in the aerodrome surroundings. The application of these procedures at Belgrade and Niš airports is planned for 30th April 2015. In addition, various activities in terms of analysis and creating preconditions were undertaken in order to equip Niš airport with the Instrument Landing System – ILS, CAT I.

Company management adopted SMATSA LLC's Business Strategy for the period up to 2020, in 2014. This document represents a modern and accurate SMATSA LLC business plan within all business domains, with a special emphasis on strategic positioning and application of all required international and, particularly, European standards, recommendations and service upgrades.

We had an active role in proposing a future solution for FAB, within a joint Working group for the formation of the future Functional Airspace Block (FAB) which was established by Montenegro Civil Aviation Agency, Civil Aviation Directorate of the Republic of Serbia and SMATSA LLC. Working group activities results were presented in the document "Analysis of the possibilities and requirements for FAB formation with optimal solution proposal", which was adopted by the directors of all three organisations.

We also started several infrastructure projects – we initiated the project for creating preliminary design of a new control tower at Belgrade Airport. We also commenced a reconstruction of the control tower at Tivat airport, and we analysed possibilities for a new radar station location in order to provide a better radar coverage of the south and east of the Republic of Serbia.

We intensified international cooperation, an integral part of our business activities, with the neighbouring air traffic control service providers, especially with Croatian provider CroControl. For the season 2015 (April-October period), it is planned to introduce a concept of free flying across the borders, during the night hours (route network suspension, as well as flying routes free planning, without taking into account state borders and areas of jurisdictions).

We continue to provide flight calibration of ground-based radio navigation aids from the air according to previously concluded contracts, as well as to participate in the international Bids for providing these services. We also concluded some new contracts; a new class of self-funding air traffic control students enrolled; SMATSA Aviation Academy enrolled 83 candidates for various training types.

In 2015 we will face numerous new challenges. SMATSA LLC will further strive to meet the expectations and maintain trust of its users.

02

About Serbia and Montenegro Air Traffic Services SMATSA LLC

2.1 Organisation Profile

Serbia and Montenegro Air Traffic Services SMATSA LLC (SMATSA LLC) was established in order to provide air traffic services within the area of its jurisdiction, as well as to perform other activities in the field of air navigation.

The founders of SMATSA LLC are the Governments of the Republic of Serbia and of the State of Montenegro.

Upon signing the Contract in 2012 by the Governments of the Republic of Serbia and the State of Montenegro, and after the Agreement on Cooperation in the Air Traffic Domain, concluded between the Republic of Serbia and the State of Montenegro, the continuity of a mutual air traffic control service provider - SMATSA LLC – was confirmed.

SMATSA LLC operates fully in accordance with the national and international regulations and international agreements and it participates in the work of the most important international aviation organisations, thus representing the Republic of Serbia and the State of Montenegro in the best possible way. The mission of SMATSA LLC is the provision of high quality air navigation services (the services in ATM, CNS, MET and AIS domains) to civil and military aircraft, in order to maintain and enhance safe, orderly, and expeditious air traffic within the airspace of the FIR/UIR Beograd and in the airspace of other countries, as in compliance with the bilateral state agreements. Its mission is also the provision of ANSP personnel training, pilot training, flight calibration services of ground-based navigation aids from the air and system and aircraft maintenance services.

SMATSA LLC managing bodies are the following:

THE ASSEMBLY

THE SUPERVISORY BOARD and

THE CEO

2.2 Air Navigation Services (ANS)

A primary business activity of SMATSA LLC is the provision of air navigation services (ANS) comprising the following:

- Air Traffic Services – ATS,
- Communication, Navigation and Surveillance – CNS,
- Aeronautical Information Services – AIS, and
- Aeronautical Meteorological Services – MET.

Serbia, Montenegro and Bosnia and Herzegovina entrusted SMATSA LLC with the provision of aeronautical services in the air traffic. The SMATSA LLC area of jurisdiction covers the airspace over:

- the Republic of Serbia,
- the State of Montenegro,
- a part of the international airspace over the Adriatic Sea, and
- a part of Bosnia and Herzegovina.



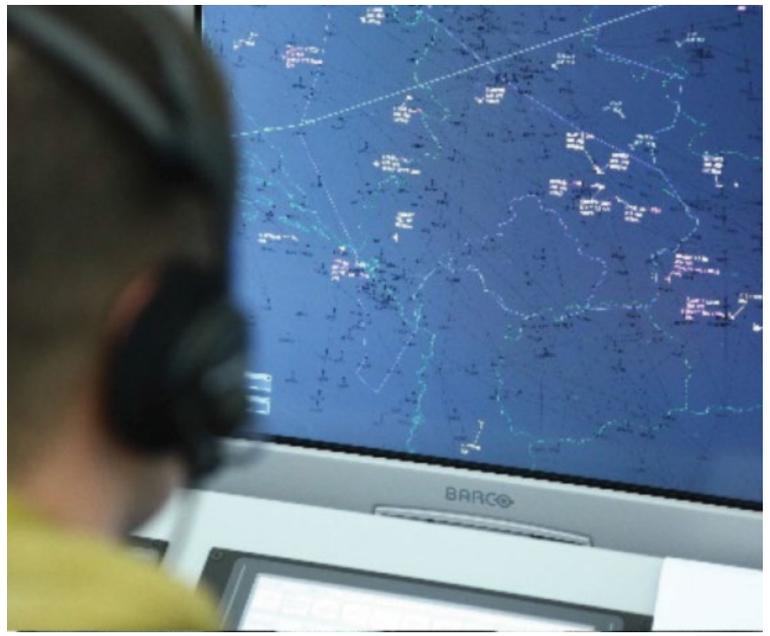


Figure 1. Air Traffic Control Centre Belgrade

2.3 Additional Services

In addition to provision of ANS, SMATSA LLC provides additional services including the following:

- ANS Personnel and Pilot Training,
- Flight Calibration of Ground-Based Radio Navigation Aids, and
- Aircraft Maintenance.



Figure 2. Territory where SMATSA LLC provides ANS services

03

Important Business Results in 2014

3.1 ATM Upgrades

Being a modern, highly qualified and responsible company, which aims to become a leader in southeast Europe, Serbia and Montenegro Air Traffic Services SMATSA LLC is constantly improving its air traffic services provision thus enabling safe, orderly and expeditious flow of air traffic. Conditioned by the volume and the expected traffic growth, in order to provide high quality services to civil and military aircraft within the airspace of its jurisdiction, one of the SMATSA LLC's tasks is to contribute to the implementation of the Single European Sky (SES) in cooperation with the regional and pan-European business and institutional partners.

Reopening of the upper airspace over Kosovo and Metohija for civil air traffic in April 2014 had an important influence on the improvement and normalisation of the air traffic in the region, as well as on increasing efficiency and timeliness. After 15 years of suspension, this airspace was reintegrated into the European ATS routes network, in cooperation with EUROCONTROL, NATO and HungaroControl. In accordance with the NATO decision, Hungarian provider – HungaroControl provides air traffic services. SMATSA LLC, following the guidelines of the relevant state institutions, signed contracts for renting the radar image and radio signal to the HungaroControl, thus establishing mutually beneficial cooperation on corporative and operational levels.

Within ATFCM framework, on 3th April, H24 Cross Border DCT options were introduced between the SMATSA LLC and Croatia Control airspace of jurisdiction. After the end of the 2014 summer season, all the options were revised and a new list was made, the implementation of which is planned for 2015. Also, the application of the Free Route concept across borders at night hours (between 23:00-05:00 UTC) starting from AIRAC date 30th APRIL, 2015 was agreed upon between SMATSA LLC and CCL Ltd. BHANSA's agreement is necessary for the realisation of this plan, which is expected to be obtained at the beginning of 2015. As a part of AoR, a preliminary design of the first phase of the lower airspace reorganisation was made.

In the course of 2014, within the preparation for construction of the Aerodrome Control Beograd tower project, a series of activities were performed. In relation to this, "Feasibility study for reconstruction or construction of the new control tower at ADC Beograd" was developed. Furthermore, a project team was formed to develop a provisional architectural design. Starting from May, we have been working on the preparation and construction of the aerodrome control tower in Tivat. A provisional design was developed and made compliant and the conditions for operation from ADC Podgorica were secured, which will be providing services as long as the works are in progress.

Within the activities performed for improving navigational conditions at aerodrome Niš and to promote Niš to low cost companies, we developed instrument landing precision procedure ideas – ILS for RWY 11 and RWY 29.

Installation of the new version of the TopSky-ATC software was performed on 11th September. The system was thus upgraded to support FPL 2012 and with AIW (Airspace Intrusion Warning) – warning on the aircraft which are not planned to enter the sector) and QML (Quick Look Management) – enables defining of altitude complementary filter functionalities.

On 18th September, when sporting activity zone was introduced, operation of the paragliders was enabled with facilitated coordination of aerodrome control centres. In this manner, the problem of the simultaneous use of the airspace by paragliders in Vršac and SMATSA Aviation Academy was solved.

The initial assessment of the fulfilment of qualification criteria for issuing a Certificate of competence for conducting

air traffic controllers' competence training within SMATSA LLC operational units, ADC Podgorica and ADC Tivat, was conducted on 2nd and 3rd October, 2014 by Montenegro Civil Aviation Agency. This assessment was done in compliance with the Regulation on licenses and training organisations of air traffic controllers, which resulted in Certificate of competence issuance.

SMATSA LLC transferred air traffic control services provision and responsibility of the airspace under its jurisdiction to BH Provider – BHANSA above the part of the BIH airspace to the altitude of 9,900 metres (flight level 325), in the night between 12th and 13th November, 2014. Thus BHANSA took over the responsibility and provision of the air traffic control services in the stated airspace. SMATSA LLC continues to provide air traffic control services above this altitude in this part of BIH. Apart from this, SMATSA LLC trained BH ATCOs and provided maximal technological support and fulfilled all contractual obligations concerning this issue. In the table below the indicators for measuring the business performance in the field of air traffic management are presented.

Table 1. Planned and accomplished values of ATM indicators in 2014

Indicator	Planned	Accomplished
Delays per flight generated by SMATSA LLC	< 0.18 minute	0.0056 minute
No. of flights taking-off within the given slot	> 83%	87.97%
No. of serious incidents proven by the analyses to be caused by ATM	< 5	0



Table 2. Planned and realised activities within Air Traffic Management in 2014

Planned Activity	Performance Level	Remarks/ Rationale
Continuation of the lower airspace re-organisation project	15%	Preliminary solution of the first phase of the lower airspace re-organisation was developed. The first phase of the implementation (change of TMC Beograd and Podgorica) is currently part of the internal consultation process within ATM sector. The beginning of the operational usage is planned for December 2015.
Improved Airspace Management Implementation	0%	This activity has not been started in 2014 due to bylaw regulations which are expected to be passed by the Government of the Republic of Serbia and the relevant ministries.
Radar data Processing received from Eurocontrol (EFD – ETFMS Flight Data Message)	0%	This activity has not been started in 2014 since there is no operational need for it, although there is a possibility for radar data processing received from Eurocontrol (i.e. EFD distribution causes additional costs for Eurocontrol, so they ask for EFD distribution justification but currently there is no operational need for this data usage in SMATSA LLC).
Project of partial opening of the airspace above KIM for civil air traffic	100%	The project has been realised on 3th April, 2014.
Project of transferring air traffic control services provision in the part of the airspace of Sarajevo FIR	100%	SMATSA LLC's transfer of air traffic control services provision and responsibility of the airspace under its jurisdiction to BH Provider – BHANSA above the part of the BH airspace to the flight level 325 (9,900m) was successfully accomplished on 12th -13th November, 2014.
Changes in Aviation publications so as to become same as those at European level	55%	Changes scope had been considered and activity plan had been agreed, and it includes getting approval of the Republic of Serbia and of the State of Montenegro Aviation Authorities. Activity realisation is planned for December, 2015.
Application of PBN criteria for air-space management in "en-route" flight phase	55%	Changes scope had been considered and activity plan had been agreed, and it includes getting approval of the Republic of Serbia and of the State of Montenegro Aviation Authorities. Activity realisation is planned for December, 2015.
Sectors changes	100%	The activity had been realised together with opening of the airspace above KIM.
"Cross border DCTs H24"	100%	H24 Cross border options were introduced on 3rd April, 2014. After the 2014 summer season all options were revised and a new list was made. The implementation of the new options is planned for AIRAC date 30 APR 2015.
"Free Route" within AoR	75%	Cross border application of Free Route concept was agreed upon during night (23:00-05:00 UTC) between AoR SMATSA LLC and CCL ltd from AIRAC date 30 APR 2015. BHANSA's agreement is required for this plan realisation, which is expected at the beginning of 2015.
Application of P-RNAV (PBN) procedure at Aerodrome Belgrade and Niš	60%	PBN navigational procedures at Aerodrome Belgrade are in the last phase of implementation. The beginning of the operational usage is planned for the AIRAC date 30 APR 2015. Aerodrome Niš – due to new, previously unknown obstacles, noticed by checking from the air, the application of procedures has been postponed and corrections of the approach gradient of certain number of navigational aids were domadene. The beginning of the operational usage is expected in the course of 2015.
"Contingency" plan development in case of catastrophic scenario (plan is not only for ATS, but for all services)	0%	The activity was initiated by a prevention measure which is extended for another year, so that the activity has not been started in the course of 2014.

3.1.1 Traffic Figures

In 2014 in SMATSA LLC airspace of jurisdiction, 547,264 flights had been realised, which represents an increase of 7% compared to the year 2013. After 2011, this is the biggest number of recorded flights in this airspace. This increase of the flights was caused by the closure of the portion of airspace over Ukraine, i.e. the transfer of the traffic flow west and south of this country. Starting from April 2014, air carriers connecting Turkey and Near East with Northern and Western Europe, are using the airspace of Bulgaria, Romania and Serbia/Montenegro for the air traffic instead of using the airspace of Ukraine.. Because of this, the growth of the air traffic was recorded especially in Bulgaria but also in a large portion of SMATSA LLC airspace jurisdiction.

The opening of the Kosovo airspace for the overflights (KFOR sector) from April, also contributed to this growth in the number of the flights in SMATSA LLC airspace jurisdiction, but in to a lesser degree. Terminal air traffic growth of about 16% in comparison to 2013, due to increased frequency of AIR SERBIA flying, additionally contributed to the overall number of the flights, services units, and route charges growth in 2014.

Figure 3. Number of flights in the period from 2006 to 2014

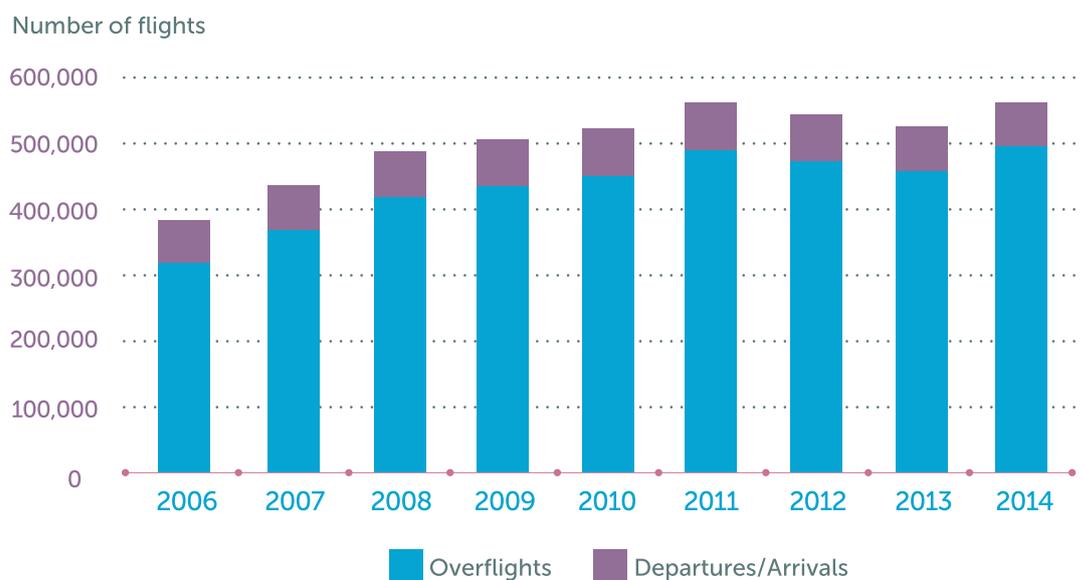


Figure 4. Distribution of flights in 2014

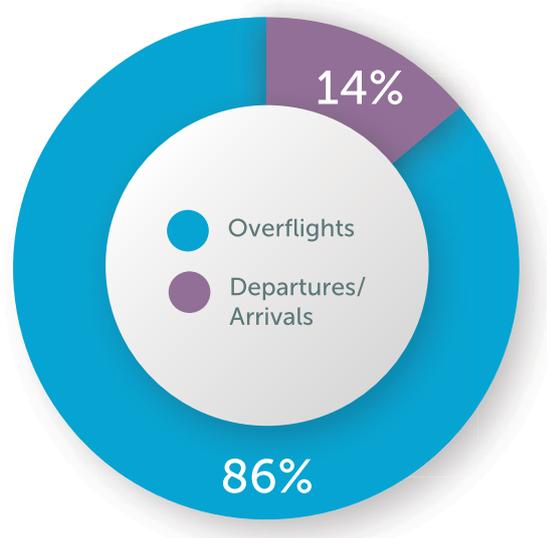


Figure 5. Peak day and peak hour in the period from 2006 to 2014

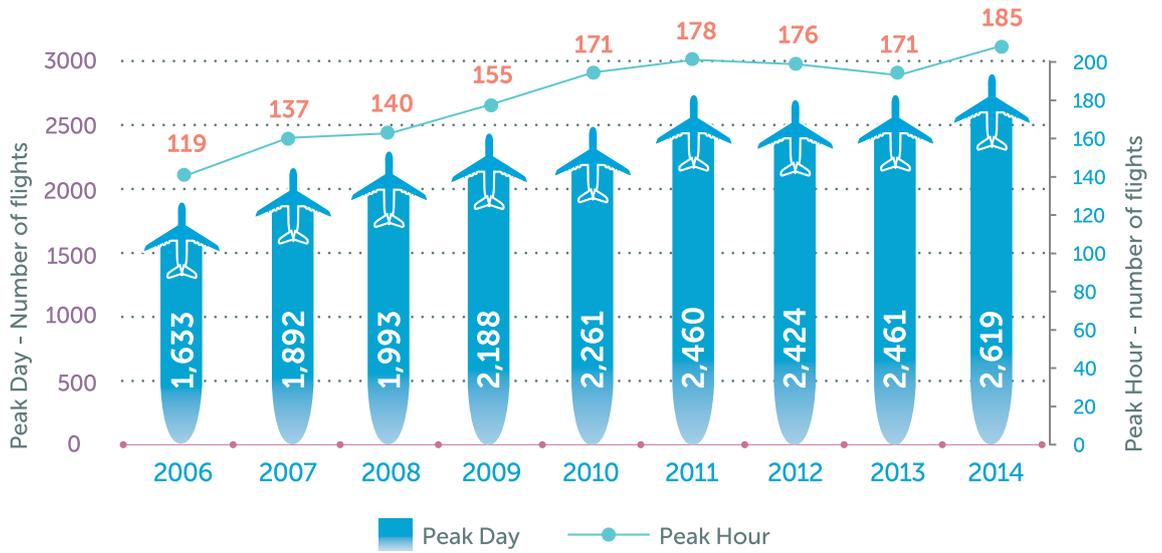


Figure 6. Participation of different aircraft types in 2014

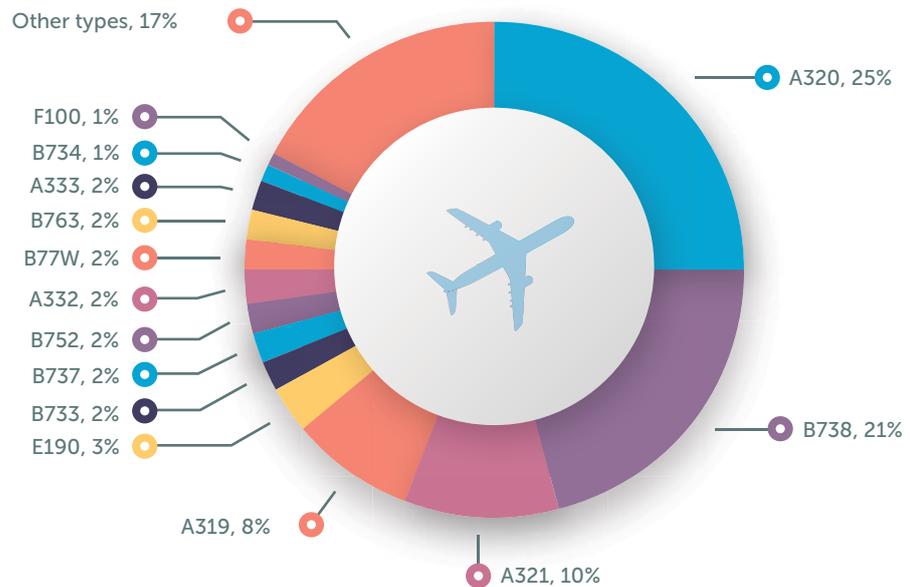


Figure 7. Number of take-offs and landings per airports from 2006 to 2014



Figure 8. Participation of traffic at some airports in 2014

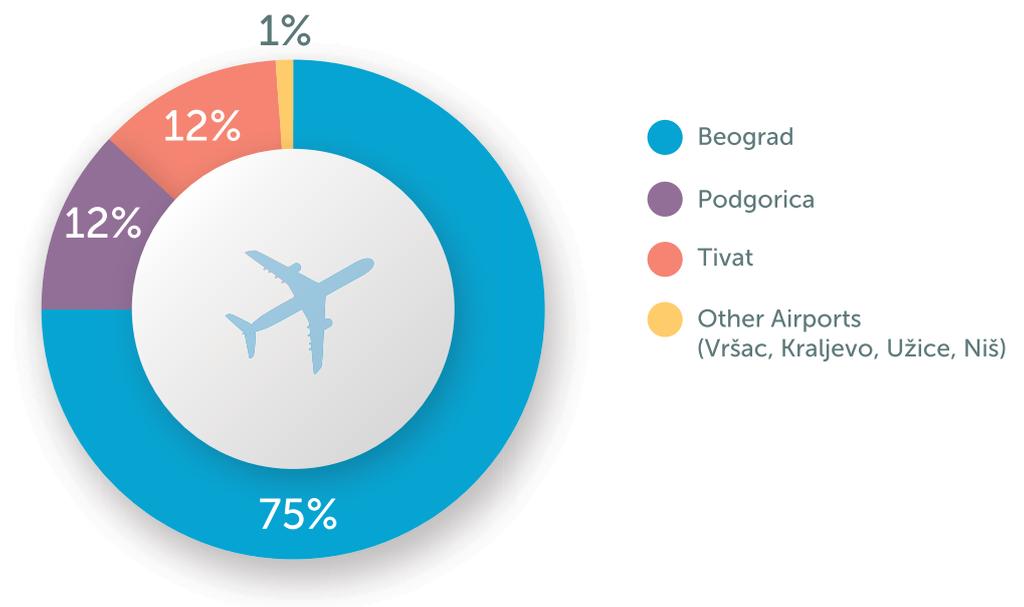


Figure 9. The number of chargeable service units from 2008 to 2014

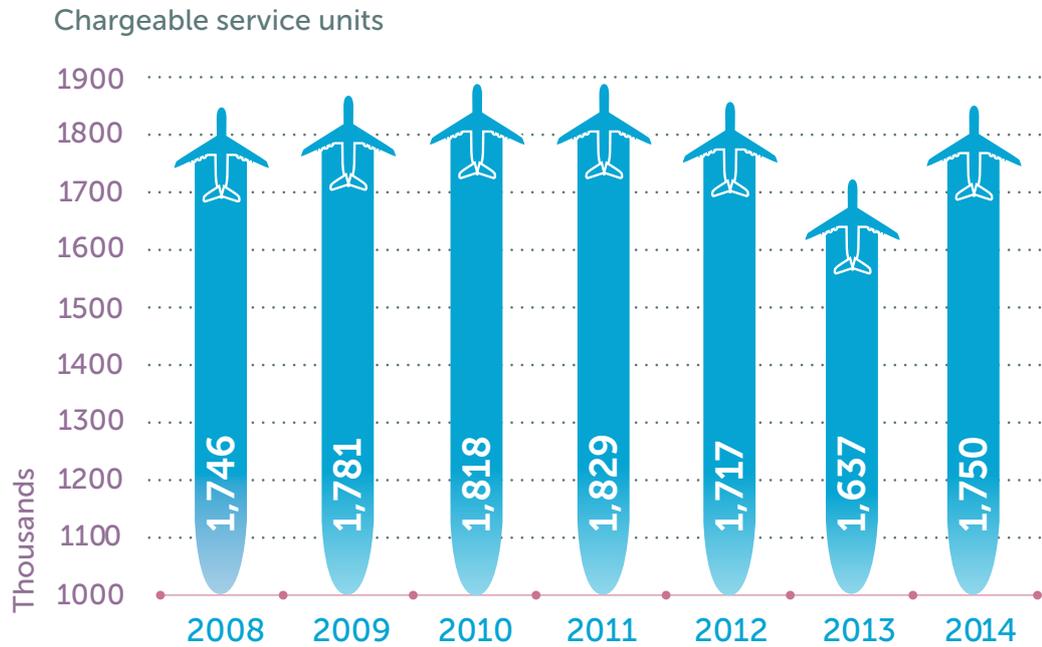


Figure 10. Average flight length within FIR Beograd and Average MTOW from 2008 to 2014

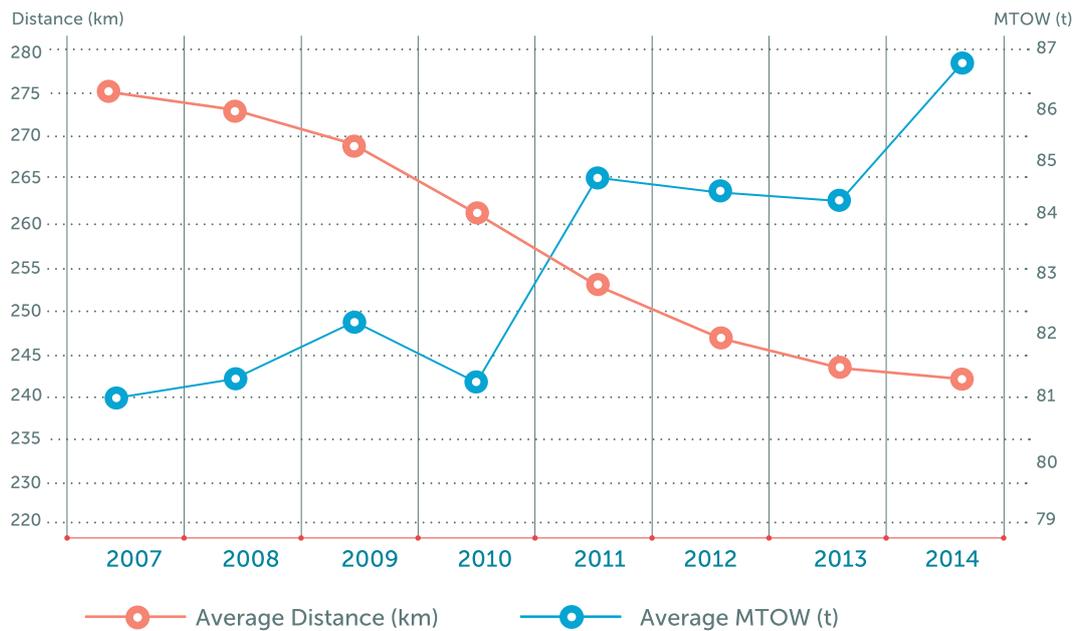
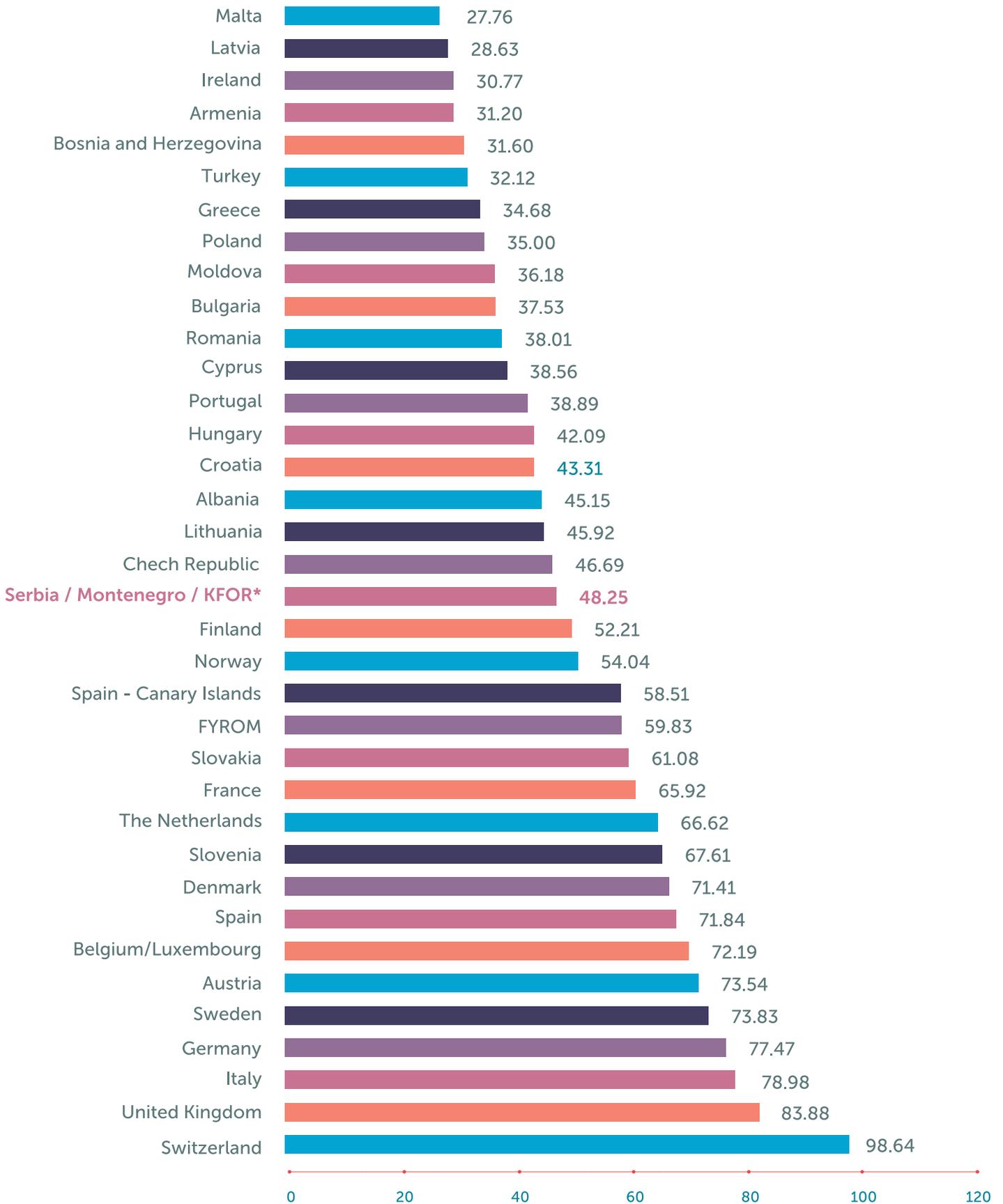


Figure 11. Unit rate value in 2014



The unit rate value given for Serbia/Montenegro/KFOR charging area is an annual average value.

3.2 Improvement of Equipment, Systems and Infrastructure

The implementation of new technologies in accordance with the requirements of the Single European Sky is a primary task of SMATSA LLC, which requires continuous investment in equipment, systems and infrastructure.

In this regard, projects and investments that marked 2014 with the aim to improve the provision of air navigation services, include the following:

Table 3. The specification of investments in 2014

		Commenced	Realised	Transferred to 2015	Rationale
INTANGIBLE ASSETS					
1.	Softwares and licences for the authorised use of operating software packages	yes	yes	no	All planned procurements were realised in 2014.
2.	Software for financial affairs for accounting and invoicing	yes	no	yes	The Public Procurement Contract entered into force in December 2014, and the deadline for implementation is 90 days (March 2015). The procurement was carried out with the aim of rational recording and accounting of terminal charges as well as monitoring of customer's analytical cards.
3.	Software for flight training realisation monitoring	no	no	yes	Transferred to 2015.
BUILDINGS AND BUILDING STRUCTURES					
1.	ADC Tivat reconstruction	no	no	yes	The initial public procurement procedure was suspended in 2014. It is expected that the procedure will be repeated in 2015.
2.	Reconstruction of former Area Control Centre building	no	no	yes	The preparation of the subject project-technical documentation is a prerequisite for the realisation of this project. The reconstruction works are aimed to adapt the building for installation of 2D/3D and radar simulators that are to be purchased for the requirements of the Training Centre, as well as to eliminate the shortcomings that have arisen during the past 40 years of its use.
3.	Construction of Transmission Centre Rudnik facility	yes	yes	yes	The facility has almost been completely finished, but a part of the financing is transferred to 2015.
4.	Construction of an antenna mast for Transmission Centre Belgrade	no	no	yes	Transmission Centre Belgrade, as an integral element of the ATM system, must ensure continuous ground-to-air voice communication and, as such, has a major impact on the keeping up of an acceptable level of air navigation safety. The new generation radio system project implementation also covers the location of Transmission Centre Belgrade. The construction of antenna mast at Transmission Centre Belgrade site is essential in order to provide the conditions for installation of the antenna system which forms an integral part of the radio system planned for this location. The physical condition of the existing antenna mast does not allow for the installation of a new antenna system.
5.	Adaptation of Reception Radio Centre Rudnik and construction of auxiliary facility	yes	no	yes	During 2014, the relevant Ministry issued a decision approving the execution of works on the construction of antenna mast at Transmission Centre Belgrade location. During 2014, the preparation of the project-technical documentation for adaptation of Reception Radio Centre Rudnik was completed. The procurement of works on the adaptation of the existing building and on the auxiliary building construction was not initiated since the forecast value of the projected works significantly exceeded the estimated value of the procurement from the Procurement Plan for 2014. The realisation of the project is expected in 2015.
EQUIPMENT AND SYSTEMS					
1.	Procurement of RDR simulator	yes	no	yes	During 2014, the tender documents for radar simulator were prepared and the tender was announced in December 2014. The selection of the most favourable bidder is expected in March 2015, and the contract signature in April 2015. The realisation of the procurement will be carried out during 2015 and 2016. The radar simulator will facilitate an effective training of student controllers in the context of preparatory training prior to On-the-Job-Training (Pre-on-the-Job-Training), preparatory training for acquiring unit endorsement (Transition Training) and special training for knowledge refreshing (Continuation Training).

Table 3. The specification of investments in 2014

	Commenced	Realised	Transferred to 2015	Rationale
2. Procurement of 2D/3D TWR simulator for TWR ATCO training	yes	no	yes	In accordance with the defined project schedule of execution, in June 2014, a contract was concluded and an advance payment, in the amount of 30% of the total contract value, was effected. FAT, training, delivery and SAT are expected in 2015 (project completion). The 2D/3D TWR simulator for TWR ATCOs training will facilitate an effective training of student controllers in the context of preparatory training prior to On-the-Job-Training (Pre-on-the-Job-Training), preparatory training for acquiring unit endorsement (Transition Training) and special training for knowledge refreshing (Continuation Training).
3. Procurement of CIMA CT system hardware	no	no	yes	The provision of the CIMA CT system hardware, as a part of the CIMA CT system implementation, is done in accordance with the SMATSA LLC Business Strategy. The procurement procedure was launched in late December 2013 in accordance with the Procurement Plan for 2013. The tender documentation was prepared at the beginning of 2014 and the tender was announced in January 2014. The public procurement procedure was not successful, as at the time of obtaining the approval of the Financial Plan and the Public Procurement Plan for 2014 by SMATSA LLC founders (the Government of Montenegro on 14th March, 2014 and the Government of the Republic of Serbia on 18th March, 2014), the outcome of this public procurement (76/D/13) was not yet known, there were no grounds for the Public Procurement Plan for 2014 to include the item for the procurement of the hardware for the requirement of CIMA CT system installation. For this reason, the announcement of a new procurement procedure and the delivery of the equipment are expected during 2015. CIMA CT system will ensure the fulfilment of the commitments related to integration and compatibility on the regional and European level from the standpoint of safety and protection, as well as to the concept of flexible use of airspace (FUA). Provision and installation of CIMA CT system will facilitate the integration of all available air traffic data, the transfer of information between civilian and military participants in the control and protection of the airspace, the automation leading to a significant reduction in the probability of error occurrence during the operational procedures of coordination between SMATSA LLC, the Army of Serbia and the Army of Montenegro, and thus raise the level of safety and capacity of the airspace.
4. Procurement of improvement of AFTN/AMHS systems with AMC functionality and automatic statistical data export function	no	no	yes	The investment is made in accordance with SMATSA LLC Business Strategy and includes the improvements of AMHS functionality. The provision of system improvements should be accomplished by the end of 2015. The functionalities that are essential for the operation of the AMHS environment are AMC tables import, statistics export in AMC format and EDS (European Directory Server) function. The provision of these functions will ease the transition from AFTN to AMHS service. The functions are also a part of the plan to meet the set LSSIP objectives.
5. Procurement of surveillance data continuous recording, real-time analysis, data conversion, replay and display system	yes	no	yes	The contract was concluded in October 2014. The works on the system will begin in June 2015 and the commencement of the operational use of the system is planned for August 2015. The provision of this system will enable meeting the recommendations of EUROCONTROL and ensuring continuous recording and monitoring of the quality of all radar surveillance data, with the possibility of replay and subsequent analysis of the recorded data.
6. Procurement of DVOR/DME equipment for airports in Belgrade and Vršac	yes	no	yes	In 2014, the public invitation for submission of bids in an open public procurement procedure was announced. Since the valid bid was not obtained in the open procedure, the procedure was suspended. At the end of 2014, a negotiated procedure with invitation to submit a bid was initiated and its completion is expected in the course of 2015. The investment relates to DVOR/DME devices at Belgrade and Vršac airports and it has been foreseen by SMATSA LLC Business Strategy.
7. Procurement and installation of goods in the field of electric power supply (replacement of UPS and DC power supply)	no	yes	no	SMATSA LLC Business Strategy envisages the improvement of power infrastructure at locations used by SMATSA LLC. This procurement continues a multi-year process of replacement of continuous power supply devices and DC power devices at all SMATSA LLC locations. The provision of the new equipment is conditioned by the increase of requirements incurred by the installation of new systems, as well as by lower reliability of existing devices and the increasingly difficult provision of spare parts due to the cessation of production of existing devices that are generationally and technically outdated. The procurement and implementation of continuous power supply devices for ATCC Belgrade, Head-Office building, electric power station, ADC Belgrade, VHF/UHF Radio Transmission Center Belgrade, as well as of DC power supply devices for the requirements of telecommunications and ground based radio navigation aids systems were realised.
8. Procurement and integration of ground to air and ground to ground voice communication systems (VCS) for ADC Tivat requirements	yes	no	yes	The procurement refers to the replacement of the existing VCS in ADC Tivat. The contract for the procurement was concluded in December 2014. The execution of the contract - delivery, installation and testing of the equipment on site are expected in 2015. The installation of VCS for ADC Tivat is in line with SMATSA LLC Business Strategy.
9. Procurement of localiser for ADC Tivat	yes	no	yes	In 2014, the project investment and tender documentation for the procurement of the same were prepared. A public invitation to submit the bids was announced in late December 2014. The contract signature is expected in March 2015 and the realisation of the same in the course of 2015 and 2016. The investment has been foreseen by SMATSA LLC Business Strategy. The project objective is the replacement of the existing obsolete equipment that is used for instrument approach and landing procedures at Tivat airport.
10. Realisation of the second phase of the VHF/UHF radio system improvement project for ATCC Belgrade	yes	no	yes	In the course of 2014, the first phase of the project was completed by radio system installation at Transmission Centre Rudnik. The project relates to realisation of the multi-year agreement from 2012, which is being executed in three phases and the completion of the second and third phase of realisation is planned in 2015. In 2014, a significant part of the second phase of the project was realised - the installation of the system was completed at Transmission Centre Belgrade and in ADC Belgrade. The project is in conjunction with SMATSA LLC Business Strategy.

Table 3. The specification of investments in 2014

	Commenced	Realised	Transferred to 2015	Rationale
11. Procurement of multiplex equipment for the realisation of redundant 2Mb/s connection with neighboring countries ANSPs for voice communication and data transmission	no	no	no	The initial technical solution for the realisation of connectivity with neighboring ANSPs at 2Mb/s level anticipated the provision of additional multiplex equipment. However, due to the change in the circumstances of interest for the execution of modification (finding adequate solutions in co-operation with neighboring ANSPs), the connections have been executed using the existing equipment, so there was no need to purchase the additional equipment. The connection with neighboring ANSPs at 2Mb/s level is important because of the safeguarding of traffic it allows for, that is, the increase in connections availability, as well as the reduction in the cost of telecommunication resources lease at an international level.
12. Procurement of laser ceilometers and visibility sensors	yes	no	yes	The contract was concluded in March 2014. The first phase of the contract and the advance payment for the second phase of the contract were realised, while the delivery and installation of equipment in the second and the third phase of the contract will be made over the period 2015-2016. The first phase involved the supply and installation of laser ceilometers and visibility sensors for airports in Podgorica and Vršac.
13. Upgrade of SRCAWS and SAWAS software packages for monitoring of automated weather stations and unified presentation of meteorological information	yes	no	yes	The contract for provision of MET software upgrade - SAWAS, SRCAWS was concluded in December 2014 and the first phase of the contract was realised in the amount of 20% of the contracted value. The first phase implied an upgrade of SAWAS with AUTO METAR function - the testing was conducted at the end of 2014 and the commencement of its operational use is expected in January 2015 at ADC Ponikve. The second phase - WSM application upgrade and the third phase - upgrading SRCAWS system will be realised in the course of 2015. The procurement is carried out in order to upgrade the software to accept data with newly acquired laser ceilometers, visibility sensors and PWD sensors, as well as automatic formatting of METAR reports for all locations in Serbia and Montenegro.
14. Provision of services for meteorological measuring instruments calibration	yes	no	yes	All meteorological measuring instruments used operatively in SMATSA LLC must be calibrated. The confirmation of the same is issued in the form of a certificate issued by an accredited laboratory (in this case RHMI). The activity was initiated in the second half of 2014, with a duration of one year.

In addition, a part of the investments which began in the previous year, was carried out during 2014, and applies to:

- Upgrade of radar system at RS Koviona,
- Upgrade of TOPSKY-ATC system software for AIW (Airspace Intrusion Warning) and QLM (Quick Look Up/Down) functionality,
- The second phase of the upgrade of TOPSKY-ATC systems software for CPDLC (Control Pilot Data Link Communication) functionality within FAMUS project. The upgrade of TOPSKY-ATC systems CPDLC functionality has been done in accordance with the "LINK 2000+".

In addition to the projects of investment character, the following activities were realised in the area of communication, navigation and surveillance services provision, as in accordance with the Plan for 2014:

Table 4. The summary of realised activities in the area of CNS services provision in 2014

Planned Activity	Performance Level (%)	Remarks/Rationale
Designing and laying of fiber-optic cables for connection of ADC/TMC facilities with local radio centers facilities	60%	The designs were prepared and the works executed on laying the connecting infrastructure of Reception and Transmission Centre Rudnik. The projects for the construction of telecommunication and electrical energy infrastructure in the area of ADC Niš runway were prepared but the works were not executed since obtaining of the decision approving the execution of works, from the relevant ministry, exceeded the statutory term.
Procurement of support services for VCS, DIVOS and TRS systems maintenance in the post warranty period	100%	The contract was concluded at the end of 2014.
Procurement of support services for the system maintenance within telecommunications network in the post warranty period	100%	The contract was concluded at the beginning of 2014.
Procurement of electronic communication services	80%	The framework agreement for the provision of services on the territory of Serbia was concluded, whereas the procurement procedure for the lines in the territory of Montenegro was cancelled for formal reasons (the bidders had failed to submit the necessary documentation).
Procurement of support services during the setting of FreSh system for simulation and transmission of FMTP/OLDI messages by ATM system experts from Croatia Control Ltd.	100%	
Procurement of services for CIMA CT system establishment for the purpose of air traffic control civil-military coordination	0%	The Financial plan for 2014 does not provide for the funds because the most favourable bidder was not selected in the 2013/2014 tender procedure.
Realisation of TopSky-ATC system maintenance services in the post warranty period	100%	
Procurement of support services for AMHS/AFTN and CSDPS systems (ARTAS, RMCDE, RRR and ADR/LSE) maintenance in the post warranty period	100%	
Procurement of expertise and technical support services for radar systems maintenance in the post warranty period	100%	In July 2014, a new three-year contract was signed with the manufacturer Thales for provision of expertise and technical support for radar systems maintenance.
Commencement of works on installation of SSR at RS Srpska Gora (Podgorica)	100%	The works on the installation of a new SSR commenced in November 2014 as in accordance with the established schedule of activities for this project realisation.
Execution of the second phase of ARTAS and MSTs trackers fine tuning as for the fifth external radar and upgraded radar system at RS Koviona	100%	
Drafting and signing the contract with HungaroControl on provision of radio services (ground-to-air) and provision of secondary radar data from radar stations Koviona and Murtenica; Provision of services in accordance with the signed contracts.	100%	The provision of services in accordance with the signed contracts commenced on 3rd April, 2014.

3.3 AIS Improvement

Aeronautical Information Services (AIS) comprise provision of aeronautical information/data necessary for safe, orderly and efficient air navigation.

Aeronautical information procedures are consistent with international standards and recommended practices contained in the Single European Sky common requirements.

SMATSA LLC aeronautical information system is based on the European AIS database (EAD European AIS Database), which represents the most advanced AIS system in the world.

In order to improve AIS, SMATSA LLC actively follows the activities of the working groups dealing with defining the transition from EAD to EAIMS, as well as with the status of development of AIM / SWIM and SESAR AIRM.

In relation to the defined level of the quality of aeronautical information services, the value of 0.775 was realised compared to 0.780 of the planned value.

Table 5. The summary of realised activities in the area of AIS provision in 2014

Planned Activity	Performance Level (%)	Remarks/Rationale
Implementation of data management safety system	0%	The realisation of this activity will be deferred depending on activity # 2 dynamics of realisation.
The activities in relation with the initiated project aiming at compliance with the requirements of European Regulation on the quality of aeronautical data (EC/73/2010)	10%	As a part of AIS work processes reviewing, a continuous harmonisation is performed in accordance with the requirements of EC/73/2010. There are difficulties in applying this regulation at the European level. Therefore, it was agreed to continue monitoring the activities and to take appropriate measures for compliance in the course of 2016.

3.4 Improvement of MET Services

In order to improve safety, regularity and efficiency of air navigation, SMATSA LLC provides aeronautical meteorological services in accordance with the national and international standards and regulations.

The activities pertaining to the improvement of MET services provision continued in 2014. In relation to the planned activities, the following was realised:

Table 6. The summary of realised activities in the area of MET services provision in 2014

Planned Activity	Performance Level (%)	Remarks/Rationale
Activities aimed at the centralisation of forecasting functions	100%	The installation of the display for local regular and special meteorological reports for airports Užice, Kraljevo and Niš, in the Department of Aeronautical Meteorology, initiated the establishment of the basic technical preconditions for the centralisation of forecasting functions.
Activities aimed at the automation of aeronautical meteorological observations including the introduction of AUTO METAR reports	100%	During 2014, the planned installation of the cloud base height observation and visibility observation devices was executed at ADC Podgorica and ADC Vršac locations. The installation of AUTO METAR function in SAWAS was executed for ADC Ponikve.

When it comes to the quality of services in the field of aeronautical meteorology, the accuracy of forecasts for an airport (TAF – Terminal Area Forecast) is used as an indicator, all in accordance with the requirements specified in the ICAO Annex 3 (Attachment B). The realised value of this indicator in 2014 was 96.3%.

04

Business Performance in Accordance with the SES Targets

The purpose of the SES Performance Scheme is setting mandatory targets for EU member states with the aim of reducing costs of air navigation service provision. Apart from that, the scheme is to ensure increase in capacity, reduction of adverse effects of harmful gas emissions, while maintaining or even increasing the safety level.

In the context of the implementation of the Performance Scheme concept, 2014 is the last year of the first reference period (RP1).

The targets set in the RP1 (2012-2013-2014) included the following:

Key Performance Area	Target
Capacity	Average delay per flight of 0.5 minute in 2014 (0.6 minute in 2013 and 0.7 minute in 2012)
Cost Efficiency	Average unit rate value until 2014 of EUR 53.92 (EUR 55.87 in 2013 and EUR 57.88 in 2012)
Environment	0.75% reduction of the average horizontal flight length until 2014 (compared with 2009)
Safety	No targets defined in RP1

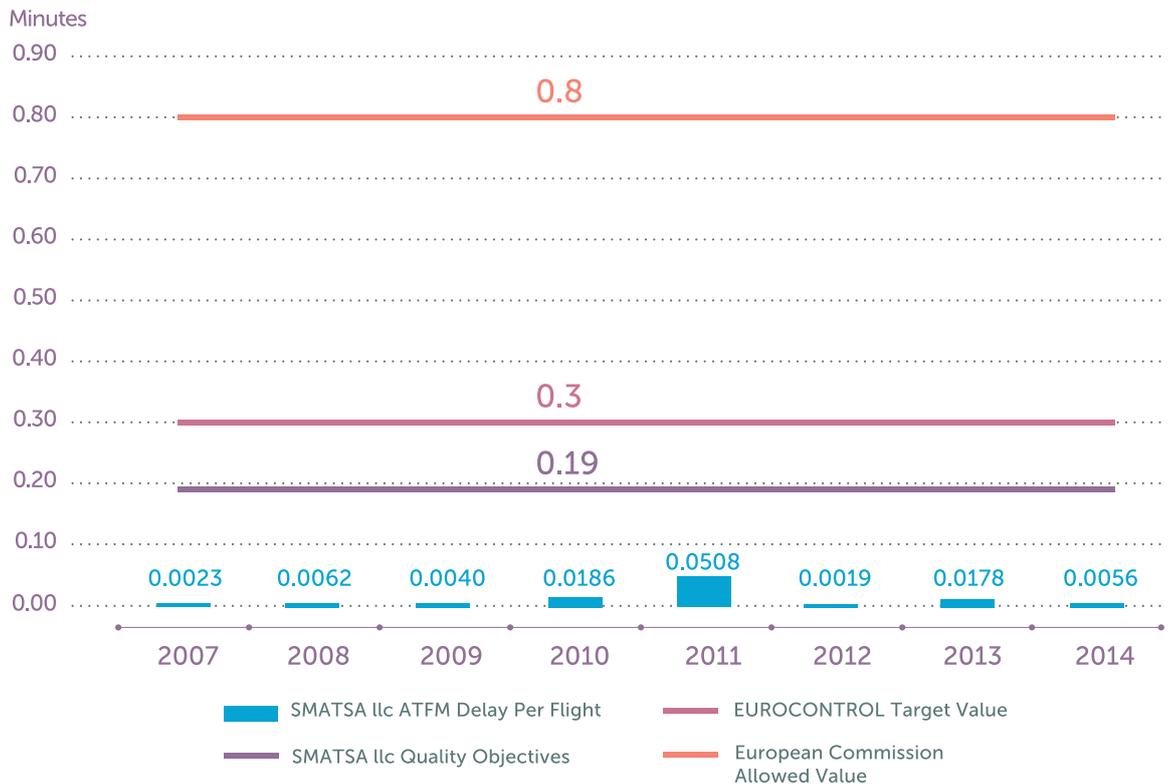
Considering the requirements and activities with respect to the implementation of the performance scheme, within the four key areas, the results that SMATSA LLC has achieved are presented below.



4.1 Capacity and Delays

SMATSA LLC has excellent airspace capacity available, which ensures the planned values of delays per flight to be below the target EU-wide values. In terms of real values, in the first reference period, it can be said that the delay is almost non-existent.

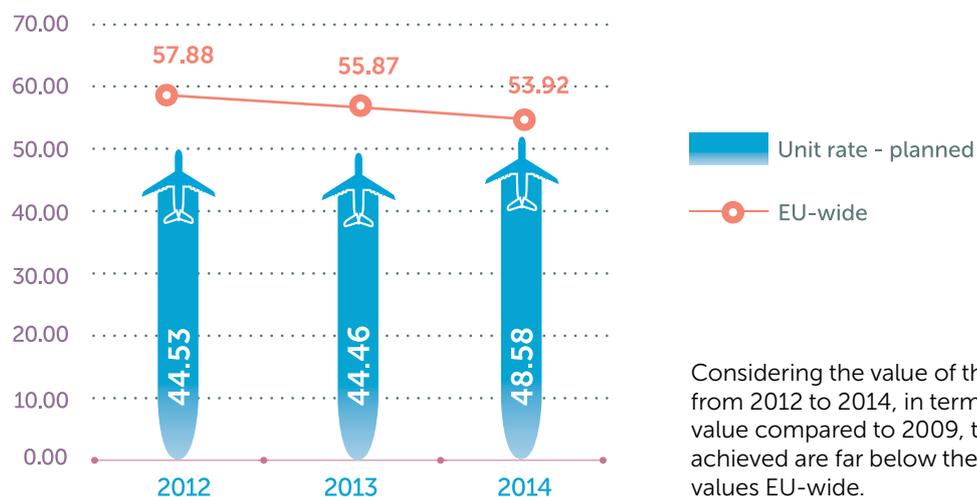
Figure 12. Average ATFM delay per flight in the area of SMATSA LLC's jurisdiction from 2007 to 2014



4.2 Cost Efficiency

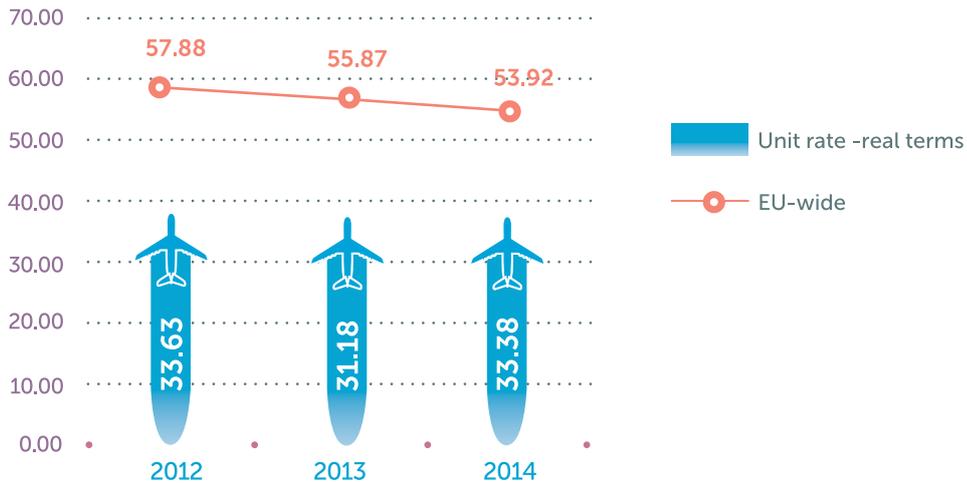
The planned unit rate value for FIR Beograd, within which SMATSA LLC provides air navigation services, met the defined SES target from 2012 to 2014.

Figure 13. Planned unit rate value



Considering the value of the unit rate from 2012 to 2014, in terms of the real value compared to 2009, the results achieved are far below the target values EU-wide.

Figure 14. Planned unit rate value – real terms, compared to 2009



4.3 Environmental Protection

The average horizontal flight efficiency with reference to the last filed flight plan is the indicator which is used to evaluate an environmental protection level in the first reference period.

The target value of 4.67% (measured as the deviation of the flight path in relation to the great circle path) represents a 0.75% reduction compared to 2009.

By improving the route network and airspace organisation, SMATSA LLC continuously contributes to the environmental protection. By improving the work process technology and endeavouring to make the routes in the area of its jurisdiction shorter, SMATSA LLC contributes to reductions achieved by the users in terms of shortening the flight duration, reduction of the fuel consumption, and consequently, a significant reduction in CO2 emission.

4.4 Safety

No safety targets were set in the first reference period, but the scheme had the aim to ensure the minimum as defined by EASA rules and requirements, and the PRB had the major role in the monitoring. Accordingly, three key performance indicators (KPIs) were defined:

- Safety Management System Effectiveness (Safety Maturity),
- The application of RAT methodology/tool,
- Safety Culture reporting (Just Culture).

During 2014, Safety Maturity (EUROCONTROL CANSO SoE Measurement 2014) measurement was performed in SMATSA LLC, consisting of filling out the provided questionnaire (SoE Questionnaire), completing a supplementary questionnaire and a telephone conversation. The Safety Maturity achieved in 2013 was measured through the following areas: Study Area 1 (Safety Culture), Study Area 3 (Timely Compliance with International Obligations), Study Area 4 (Safety Standards and Procedures) and Study Area 5 (Competency).

RAT tool/methodology for classification of occurrences has been applied successfully in SMATSA LLC since 2011.

In accordance with the results of the Safety Culture measurement, SMATSA LLC produced a draft document titled "Just Culture", and the Safety Management Manual was revised to provide a more detailed explanation of the term "Just Culture" and to define acceptable and unacceptable behaviour, and the notion of the error.

05

Organisational Technology- Based Management Systems

5.1 Air Traffic Safety

SMATSA LLC demonstrates its dedication and commitment to the safety of air traffic, as the main priority, through the approved Safety Policy.

The Safety Management Manual, accepted by the SMATSA LLC management and approved by the aviation authorities of the Republic of Serbia and the State of Montenegro, describes the implemented Safety Management System, the organisation, roles and responsibilities of the SMATSA LLC safety management personnel, as well as the methods and means for monitoring and improving the achieved safety level.

Monitoring and improving the achieved safety level in 2014 was realised through:

- collecting, analysing and exchanging data on occurrences, both within SMATSA LLC and with national and international aviation entities;
- estimates, monitoring and reduction of risks identified in the course of introducing an alteration into the functional system or in the course of conducting training in the operational units;
- performing safety surveys;
- monitoring the accepted safety indicators;
- motivating the employees to make suggestions for safety enhancement;
- EUROCONTROL representatives' performing measurement of the Safety Culture;
- training of the personnel for carrying out certain Safety Management System-related procedures;
- participating in national and international workshops on Safety Management System;
- cooperating, through formed working groups, with the aviation authorities for the purpose of defining particular activities and actions, with the aim of improving safety of air traffic;
- organising workshops for SMATSA LLC Safety Management personnel;
- initiating activities for the implementation of ASMT (Automatic Safety Monitoring Tool).

Apart from that, safety assessment was carried out in connection with the commencement of the provision of services by BHANSA in the airspace of BiH.

The data obtained by monitoring safety indicators, defined on the basis of the acceptable safety level set by the aviation authorities of the Republic of Serbia and the State of Montenegro, are given in the following table.

Table 8. Value of the safety indicators in 2014

Safety Indicator	Acceptable Safety Level	Accomplished Values
Number of accidents with ATM influence per year	< 0.007 accidents	0 with ATM participation, 4 accidents
Number of serious incidents per year	< 5 incidents	0
Number of significant incidents per year	< 50 incidents	2 (1 with ATM participation)
Number of runway incursions per year	< 3 incidents	0
DPS failures per year	< 10 incidents	0
Duration of SSR radar stations outage per year	< 600 minutes	5.47 minutes Koviona 0 minute Koševac 0.23 minute Murtenica
Duration of PSR radar stations outage per year	< 2,400 minutes	21.33 minutes Koviona 337.48 minutes Murtenica 1,502.32 minutes Srpska Gora (Podgorica)
Mean time between outages for LLZ ILS (CAT III) per year	> 4,000 hours	8,749 hours
Mean time between outages for LLZ ILS (CAT I) per year	> 1,000 hours	8,746 hours
Number of losses or degradations of one or more operational frequencies per year	< 60 incidents	22 incidents

5.2 Quality Management

Quality Management department personnel take part in coordinating ongoing audits made by the national supervisory authorities of the SMATSA LLC founder states, for the purposes of maintaining validity of all certificates for the provision of services that SMATSA LLC has obtained.

Apart from that, the department personnel coordinate all activities connected to opening, implementing and closing of corrective and preventive actions in accordance with the findings of audits and inspections carried out by CAD and CAA. Within SMATSA LLC, in 2014, there were 30 such open corrective actions in response to findings of the audits carried out by CAD, 9 corrective actions in response to findings of the audits carried out by CAA, 5 corrective actions in response to findings of the inspections and 3 preventive actions in response to findings of the audits carried out by CAD. Furthermore, monitoring of compliance with sub-legal acts which stipulate the requirements for the provision of all services that SMATSA LLC provides, was performed.

In May 2014, the annual external audit of the Quality Management System (QMS) in accordance with the ISO 9001 Standard was carried out by the SGS certification company. The audit was successfully performed, and, therefore, the validity of the issued certificate was extended.

As a part of the monitoring process of the implementation of the project of support provision to establishing the ANS provider in BiH, the fourth meeting of the quality management working group was held in Banja Luka on 10th April.

At the end of the year, SMATSA LLC representatives attended the third meeting of the CANSO Business Excellence Workgroup in Amsterdam. Apart from the exchange of experiences and good practices, the meeting also addressed monitoring of quality management development within ANSPs worldwide. Besides continual activities, which were also listed in the business plan for 2014, the following activities given below were realised within the quality management.

Table 9. Summary of the realised QMS activities during 2014

Planned Activity	Remarks/Rationale
Maintaining ISO 9001 Certificate – regular audit by SGS	Successfully performed audit for ISO 9001 Certificate
Exchange of experience with other ANSPs regarding maintaining and improving of QMS	Realised in the course of carrying out activities within the project of establishing of ANS in BiH; Exchange of experience with the representatives of CroatiaControl and BHANSA; Also realised by following the meetings of the CANSO Business Excellence Workgroup
Activities connected to the introduction and implementation of the environmental protection management system, specifically: <ul style="list-style-type: none"> • Training of the personnel for the environmental protection management system, and • Engaging consultants for the introduction of the environmental protection management system 	<ul style="list-style-type: none"> • ISO 14001:2004 internal auditor training of two employees was conducted in 2014; • Postponed for 2015 due to the planned engagement of EMS experts within QMS department



5.3 Information Technologies

The function of the Information Technologies in SMATSA LLC is such that it ensures maintenance and up-graduing of the information infrastructure and development of applications for current business processes while providing maximum reliability and quality of the entire system.

During the year, a lot of applications were developed within the application services department:

- web application for generation of the shift supervisor forms,
- application for generation of personnel contracts in accordance with the new systematisation,
- web application for monitoring telecommunication services which enables monitoring of telecommunication lines, ATC services, contracts, monthly bills control, etc.
- new Web Site for TUG conference organised by SMATSA LLC in Belgrade, in May 2015, which, apart from basic information on the conference, enables the registration of the persons wishing to attend the conference.

In January 2014, upgrade of all e-mail modules on the server was performed, which, among other things, allowed for the receipt of the e-mails through mobile network system, and at the end of the year, the first steps towards the implementation (introduction) of the digital signature were taken.

SMATSA LLC corporate portal was upgraded in 2014 by particular solutions which represent a functional improvement of the existing platform:

- Solution for work records keeping and reporting (announcements of works and notification of works),
- Solution for archiving documentation related to the conducted training of technical personnel,
- Solution for record keeping of the SIM card uses for business and operational purposes,
- Solution for record keeping of data on students in the Training Centre.

From September to December, a redesign of the Meteorological Service, which will be available through SMATSA LLC website, was made. The Service processes the files submitted by the MET department, and extracts information connected to various meteorological reports (METAR, TAF, AIRMET, GAMET, SIGMET) from them. The files are processed in defined time intervals, and the pages containing displayed data are updated in defined time intervals. Apart from data display on web pages, generation of PDF files with data for a particular type of the report or for a set of reports is also possible. Besides report displays, a display of SWL charts is also enabled, and the currently available charts follow their defined validity times. Users of SMATSA LLC meteorological services can rate their quality by completing a survey available through the "User Experience" option.

Figure 15. SMATSA LLC Meteo Service

MET информације на овим Web страницима су	
METAR	Редовни метеоролошки извештај за аеродром у облику METAR кључа прописаног од стране Светске метеоролошке организације.
TAF	Прогноза за аеродром у облику TAF кључа прописаног од стране Светске метеоролошке организације.
AIRMET	Информација која се односи на јављање или очекивано јављање одређених еп-поиле метеоролошких појава које могу утицати на безбедност операција ваздухоплова на малим висинама, у скраћеном отвореном тексту за који се користе одобрене ICAO скраћенице и нумеричке вредности.
SIGMET	Информација која се односи на јављање или очекивано јављање одређених еп-поиле метеоролошких појава које могу утицати на безбедност операција ваздухоплова, у скраћеном отвореном тексту за који се користе одобрене ICAO скраћенице и нумеричке вредности.
GAMET	Прогноза за област за летове на малим висинама за област информисања у лету, у скраћеном отвореном тексту за који се користе одобрене ICAO скраћенице и нумеричке вредности.
SWL Chart	Карта значајног времена (мале висине) која се припрема као комбинација прогноза SIGWX појава и прогноза висинског ветра и температуре.

Важна напомена: MET информације на овим web страницима имају информативни карактер, намењене су искључиво ваздухопловним корисницима, не смеју се користити за било које комерцијалне сврхе, и не замењују документацију за лет.

Regarding the schedule of the migration to IT computers virtualisation, the transition to virtual infrastructure was made in TMC Podgorica. Users` data were migrated to split resources on the network and the training of the virtual infrastructure administrator was conducted.

Table 10. Planned and realised activities within the Information Technologies in 2014

Planned Activity	Performance Level (%)	Remarks/Rationale
Data storage system capacity expansion in accordance with the needs of virtualisation of computer resources	0%	The activity was postponed until 2015.
Implementation of the IT platform as a service "PaaS" concept as well as software as a service "SaaS" concept based on "Vmware vSphere" and "Citrix XenDesktop" technologies	70%	Broader implementation of SaaS and PaaS was performed and the concept demonstration was presented. Optimisation of the solution and elimination of the detected defects will be done in 2015.
Continuation of the process of standard computer resources and computer networks concept convergence to virtualisation of IT computers, services and networks	90%	Planned schedule of transition to virtualisation was successfully realised. Considering applications requiring 3-D support, certain defects of the IT computers virtualisation were detected.
Providing IT protection of the computers of the personnel and server resources containing important IT services of SMATSA LLC	95%	IT personnel are fully committed to providing protection of the IT components and the systems in accordance with the knowledge and skills which they have and improve.
Introduction of advanced e-business solutions	70%	

The table below contains indicators used for measuring business performance in the area of Information Technologies in 2014.

Table 11. Planned and realised indicator values in the area of Information Technologies in 2014

Indicator	Planned	Accomplished
Average number of calls to IT Help Desk by the employees in a working day	Acceptable number is 3 requests for IT Help Desk assistance a day per person.	4 calls a day per person
Proactive protection of SMATSA Information System – percentage of IT system secured by the latest antivirus/malware signature database	90%	85%
Availability of key IT services (SharePoint, mail server, CMS services for the exchange of data with external entities)	98%	99.99%



5.4 Security

The first training in the security management domain was conducted at the beginning of this year, with the aim of raising awareness of the importance of the security in the air traffic control. The employees from ADC Beograd completed fire-fighting training and were tested by an authorised fire-fighting trainer from the Ministry of Interior of the Republic of Serbia. At the end of the year, the Flight Calibration Department operational personnel were also trained by the authorised aviation security training instructor, in accordance with the requirements of the National Aviation Security Programme.

Installation, assembly, programming and commissioning of the video surveillance system in ADC Vršac were carried out in January 2014, and a system for automatic fire detection and alarm was also put into operation there in the second half of the year. The same system was also installed in the ANS Personnel Training Centre and in the Transmission Centre Rudnik.

The following documents from the security domain were created and updated during the course of the year:

- Guidelines for actions upon receipt of threat notification and reporting of threats,
- Abstract from SMATSA LLC Aviation Security Programme,
- Fire Fighting Training Manual,
- Safety and Health at Work Training Manual,
- First Aid Training Manual.

Based on the request of Montenegro Civil Aviation Agency, Aviation Security Programme for the territory of Montenegro was created in February 2014.

Table 12. Planned and realised activities in the security domain in 2014

Planned Activity	Performance Level (%)	Remarks/Rationale
Implementation and improvement of security management system standards and best practices outlined in the Aviation Security Programme	90%	Introduction of new aviation security documents and guidelines, improvement of the existing procedures, initiation of the process of regular internal audits of the security measures implementation, provision of security training
Informing the employees about obligations, means and methods of establishing a security system within SMATSA LLC with the aim of implementation of the adequate protective measures for the facilities, personnel, information and data	80%	Security Management Training of ATCOs was carried out in the period from 13/01/2014 to 28/03/2014. Recurrent Security Training was organised for 12 members of the Flight Calibration Department operational personnel on 24/12/2014.
Integration of the technical security systems into a single platform that provides centralised event notification, timely response, as well as accurate notification and reporting of the sequence of the activities in the system	90%	



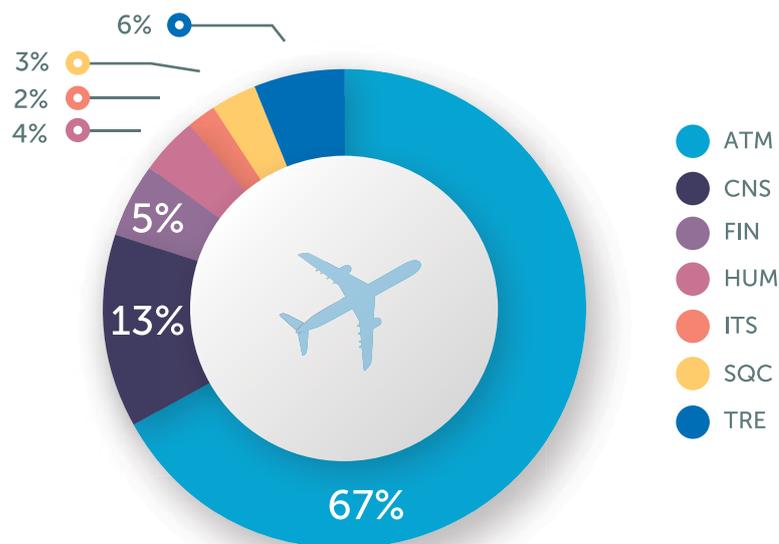
06

Human Resources

In order to continuously develop and improve its business operations, SMATSA LLC employs high quality personnel prepared to follow current business trends and support the future development through personal initiative, organisation and flexibility.

Last year was marked by the adoption of a new SMATSA LLC organisational structure, which includes seven sectors with the following employee distribution:

Figure 16. Percentage of the employees in different SMATSA LLC sectors



Human resources management functions are no longer a part of a single organisational unit. This especially applies to the training function that is now a part of the specialised sectors. This concept has caused slightly different business organisation with the aim of successful implementation of the planned activities.

The process of recruitment and selection of the candidates for the self-financing class was fully implemented during 2014 and the beginning of the training is planned for 2015. The work on designing an employee assessment methodology, as well as a methodology for improving and raising the level of human resources competence was continued in the previous year.

The results of human resources planning and work engagement are given below.

6.1 Employee Turnover and Their Average Number in 2014

The average number of employees in 2014 did not reach the planned value of 875, although the intensive outflow of employees at the end of 2013 initiated the need for greater engagement of human resources.

Taking into account the employee turnover during the year, we can say that the proportion between the influx and the outflow of the employees is approximately the same.

Table 13. Planned and the actual number of the employees in 2014

Month	Planned Number of Employees	Actual Number of Employees
January	867	866
February	860	858
March	850	852
April	857	859
May	864	860
June	873	860
July	877	859
August	884	859
September	887	858
October	892	864
November	895	871
December	895	876
Average in 2014	875	862

Table 14. Employees turnover in 2014

Turnover	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Influx (+)	1	5	4	9	2	2	2	1	2	9	8	5	50
Outflow (-)	16	9	1	1	1	4	2	2	3	1	0	5	45

The salaries, fringe benefits and other personal expenses in 2014 accounted for 99.97% of the planned budget.

6.2 Employee Development and Training

SMATSA LLC is dedicated to constant investment in education and training of the employees, through various forms of education for the purpose of systemic development of the business operations. In this regard, the participation in a large number of expert meetings, workshops and training courses, in the country and abroad, was organised for the employees.

In the past year, SMATSA LLC employees took part in a large number of educative meetings and attended various trainings with the aim of improving their knowledge and acquiring new skills.

6.3 Employee Structure

The employee structure, at the end of 2014, according to the gender, level of education and age is presented in the following figures.

Figure 17. Employee structure by gender

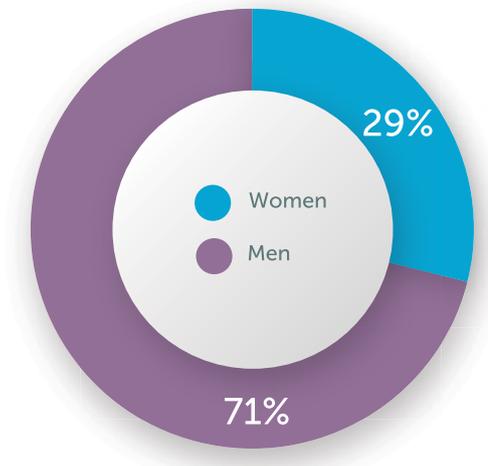


Figure 18. The employee structure by the level of education

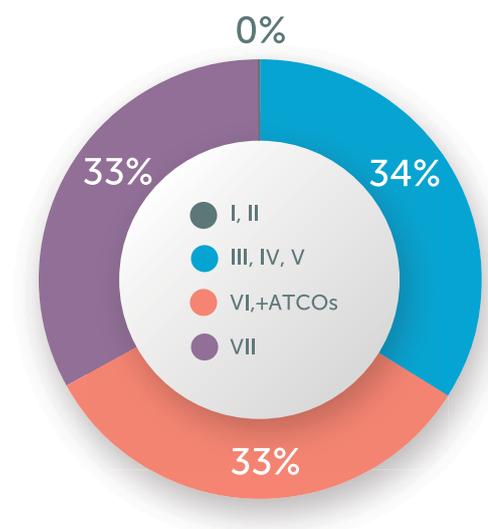
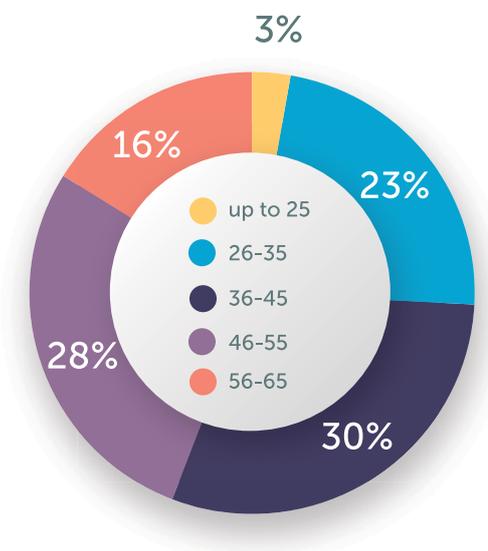


Figure 19. The employee structure by age



07

Additional Services

7.1 Calibration of the Ground-Based Radio Navigation Aids from the Air

SMATSA LLC possesses technical facilities, equipment and expert personnel required for the provision of calibration of the ground-based radio navigation aids from the air. Modern technical solutions and improved procedures for inspection of the ground-based radio navigation aids offer considerable benefits to the users of the services and provide high accuracy of the measured parameters, the possibility of repetition of the test procedure, the minimum required flight time, a minimum number of the engaged personnel, etc.

Figure 20. Airplane for Calibration of the Ground-Based Radio Navigation Aids



The implementation of the annual calibration plan for 2014 was above the expected. The services were performed both for SMATSA LLC internal needs, and for the needs of external users. The contracts in Hungary, Bosnia and Herzegovina and the Republic of Srpska were renewed and a new contract on calibration was signed with LFV from Sweden.

The results of the successful plan implementation are shown in the following table:

Table 15. Planned activities in 2014 performance level

Planned Activity	Performance Level (%)	Remarks/Rationale
<p>For SMATSA LLC internal needs:</p> <ul style="list-style-type: none"> • Airports in the Republic of Serbia (Beograd, Niš, Batajnica, Ponikve, Vršac and Kraljevo), • Airports in Montenegro (Podgorica and Tivat), • Calibration of all ground-based radio navigation aids, in the whole territory of Serbia and Montenegro, that are within SMATSA LLC jurisdiction. 	110%	In 2014, there were 9 non-scheduled calibrations in Serbia and 1 in Montenegro.
<p>For the needs of external users:</p> <ul style="list-style-type: none"> • Bosnia and Herzegovina (Sarajevo, Tuzla, Mostar and Banja Luka airports, as well as calibration of all ground-based radio navigation aids in the whole territory of Bosnia and Herzegovina), • Croatia (Zagreb, Osijek, Split, Dubrovnik, Zadar, Pula, Rijeka and Brač airports, as well as calibration of all ground-based radio navigation aids in the whole territory of Croatia), • Macedonia (Skopje and Ohrid airports), • Hungary (Budapest airport and calibration of all ground-based radio navigation aids, in the whole territory of Hungary, that are within HUNGAROCNTRONL jurisdiction), • Slovenia (Ljubljana, Maribor, Portorož and Cerklje airports, as well as calibration of all ground-based radio navigation aids in the whole territory of Slovenia). 	121%	In 2014, there were 7 non-scheduled calibrations in Croatia, 1 in Bosnia and Herzegovina, 6 in Hungary, 5 in Slovenia and 28 in Sweden.

7.2 ANS Personnel Training Centre

SMATSA LLC ANS Personnel Training Centre is a certified centre engaged in training and advancement of air traffic control officers, CNS personnel and aeronautical MET personnel. Training programmes and plans are harmonised with the requirements of ESARR, national and international regulations, as well as with ICAO standards.

The Centre conducts training for its own purposes, but also for external users, whether they are organisations or individuals. In this regard, the concept of training of self-funding ATCO classes has been introduced.

The Training Centre has high-quality personnel and modern equipment which enables achieving high standards in education of candidates.

Training Centre facilities meet national and international standards, and include the following training media:

- Radar simulator,
- Procedural simulator,
- Part Task Trainer - PTT,
- CBT/CWBT classrooms and
- Electronic whiteboard.

In addition, the procedures for procurement of two additional simulators (TWR and RDR), which will provide further rising of the training quality in the Training Centre, were initiated during 2014.

In relation to the defined objectives for the year 2014, the Training Centre has fully met the expectations when it comes to the actualisation of the planned number of theoretical training lessons, as well as the number of practical training events for each group of candidates whose training was commenced during the year.

The most important training courses that took place in the Training Centre in 2014 are shown in the following table:

Table 16. The most important training courses held in the Training Centre in 2014		
Training Course	Number of Participants	Training Period
Training for obtaining Approach Control Procedural (APP) rating	12	12.11.2013-04.04.2014.
Training for obtaining Approach Control Surveillance (APS) rating	12	08.09.2014-26.12.2014.
Aviation English language course	23	15-18.12.2014.
Training course for teachers of theoretical and instructors of practical training	20	25.02-27.02.2014.
TMC and ADC Supervisor training course	8	24.01-31.01.2014.
Examiner (EXM) training course	5	27.10-30.10.2014.
OJTIs and Simulator Training Instructors refresher course	46	01.12-23.12.2014.
Aviation English language refresher course AVE # 4 (1. phase of the course)	175	04.11.2013-30.05.2014.
ADC ATCOs refresher course	20	15.09-06.11.2014.
Emergency Situations training course	21	31.03-30.05.2014.

7.3 SMATSA Aviation Academy (SMATSA)

SMATSA Aviation Academy (SAA) in Vršac, which celebrated 60 years of existence in 2014, is one of the biggest and most experienced centres for pilot training in Europe. A big air show at the airport in Vršac was organised for that occasion, and about 50 aircraft took part in the flight and exhibition programme.

Figure 21. Air Show at the Airport in Vršac



SMATSA Aviation Academy (SAA) has its own airport with aerodrome control tower, 1,700 square kilometres of airspace designated for training purposes and modernised fleet of 20 aircraft (Cessna 172S, Cessna 172N and Cessna 310). Over 2,000 pilots, who worked or are still working for over 30 companies worldwide as successful pilots, received training at this centre.

Figure 22. SMATSA Aviation Academy logo

SAA licenses are approved by the European Aviation Safety Agency - EASA. Furthermore, the Operations Manual and the Training Manual, fully compliant with EASA standards, were approved during 2014.

SMATSA Aviation Academy (SAA) has developed its own test for determining English language proficiency of airplane and helicopter pilots - "SAA Aviation English Test". The test has been approved by the civil aviation authorities of the Republic of Serbia.

In relation to the set quality objectives for 2014, the following results were achieved.



Table 17. SMATSA Aviation Academy accomplished objectives in relation to the set objectives

Indicator	Planned	Accomplished
Percentage of accomplished flight hours as compared to the planned number of flight hours for the current year, for each group of candidates that commenced the training	6,822 flight hours	6.178 flight hours Flight hours were not fully accomplished due to the adverse weather conditions, as well as the irregular attendance of the flight training by the candidates.
Percentage of held theoretical training lessons as compared to the planned number of lessons for the current year, for each group of candidates that commenced the training	3,977 theoretical training lessons	Held: 5,148 lessons
Line and base maintenance of aircraft used by SMATSA LLC	100%	97.78%
Line and base maintenance of aircraft used by SMATSA LLC	100%	100%
Usability of the runways regardless of the adverse weather conditions, occasional floods, etc.	3 runways 100%	3 runways 100%

SMATSA Aviation Academy successfully conducted the following training courses in 2014:

Table 18. Training courses at SMATSA Aviation Academy

Training Course	Number of Current Candidates	Enrolled Candidates during the Period
ATP(A) integrated	45	44
FI(A)	0	8
CPL modular	0	3
IR modular	0	2
MCC	0	5
PPL	0	2
Additional ATP(A)	0	3
MEP	0	2
NQ	0	2
Total	45	71

08

Consultations with Users of Services

Through participation in various international forums and meetings organised by EUROCONTROL, CANSO, IATA and other organisations, SMATSA LLC performs regular consultations regarding the quality of the provided services in the aviation domain.

In order to ensure transparency in relation to the calculation of the route charges, SMATSA LLC regularly, on annual basis, organises consultations with the representatives of the International Air Transport Association – IATA, in cooperation with the Central Route Charges Office - CRCO.

SMATSA LLC has signed agreements and contracts, with domestic and foreign partners, on business and technical cooperation, as well as agreements on co-ordination - LOA (Letter of Agreement), which are regularly reviewed in order to obtain feedback from the partners.

Monitoring of the user satisfaction for the performed services of calibration of ground-based radio navigation aids from the air is based on information from the survey that is completed by the service users on annual basis. 9 foreign contracting authorities were involved in the survey for 2014. Based on the data from the questionnaire, the mean quality score for the performed calibration services in 2014 is 4.93 out of a maximum of 5.

Table 19. The results of the user satisfaction survey pertaining to the calibration of ground based radio navigation aids from the air in 2014

Question	M-NAV SKOPJE	M-NAV OHRID	Slovenia Control Ltd. (KZPS) SLOVENIJA	Croatia Control (HKZP) ZAGREB OTC	Croatia Control (HKZP) ZAGREB ZTS	Croatia Control (HKZP) SPLIT	Croatia Control (HKZP) RIJEKA	Croatia Control (HKZP) OSIJEK	Budapest Airport Hungary	Mean Score
The level of activity coordination before, during and after the calibration of ground-based radio navigation aids	5	5	5	5	4	5	5	5	5	4.89
The quality of communication between the crew and the technical staff on the ground during the calibration of ground-based radio navigation aids	5	5	5	5	5	5	5	5	5	5.00
Quality, completeness and timeliness of reports on completed ground-based radio navigation aids calibration	5	5	5	5	4	5	5	5	5	4.89
Compatibility of planned and implemented activities	5	5	5	5	4	5	5	5	5	4.89
Responding to the additional requests	5	5	5	5	5	5	5	5	5	5.00
Mean Score	5.00	5.00	5.00	5.00	4.40	5.00	5.00	5.00	5.00	4.93

Financial Statements

9.1 Income Statement

Table 20. Income Statement, 2014, in 000 RSD			
ITEM	AOP	Amount Current Year	Amount Previous Year
REVENUE FROM REGULAR OPERATIONS			
A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001	10,103,295	9,326,613
I. SALES OF MERCHANDISE (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	0	0
1. Sales of merchandise to parent companies and subsidiaries - domestic	1003		
2. Sales of merchandise to parent companies and subsidiaries - foreign	1004		
3. Sales of merchandise to other associated legal entities - domestic	1005		
4. Sales of merchandise to other associated legal entities - foreign	1006		
5. Sales of merchandise - domestic	1007		
6. Sales of merchandise - foreign	1008		
II. SALES OF GOODS AND SERVICES RENDERED (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	9,792,091	8,948,619
1. Sales of finished goods and services rendered to parent companies and subsidiaries - domestic	1010		
2. Sales of finished goods and services rendered to parent companies and subsidiaries - foreign	1011		
3. Sales of finished goods and services rendered to other associated legal entities - domestic	1012		
4. Sales of finished goods and services rendered to other associated legal entities - foreign	1013		
5. Sales of finished goods and services rendered - domestic	1014	356,762	205,180
6. Sales of finished goods and services rendered - foreign	1015	9,435,329	8,743,439
III. REVENUES FROM PREMIUMS, SUBVENTIONS, GRANTS ETC.	1016	1,352	1,530
IV. OTHER OPERATING INCOME	1017	309,852	376,464
EXPENSES FROM REGULAR OPERATIONS			
B. OPERATING EXPENSES (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018	8,325,929	7,499,659
I. PURCHASE COST OF GOODS SOLD	1019		
II. INCOME FROM ACTIVATING OWN PRODUCTS AND GOODS	1020		

Table 20. Income Statement, 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND UNFINISHED SERVICES	1021		
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND UNFINISHED SERVICES	1022		
V. MATERIAL COSTS	1023	61,673	78,559
VI. COST OF FUEL AND ENERGY	1024	138,348	114,460
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	5,183,503	4,556,837
VIII. COST OF PRODUCTIVE SERVICES	1026	1,036,732	903,571
IX. DEPRECIATION COSTS	1027	1,117,340	1,110,469
X. LONG TERM PROVISIONS COSTS	1028	120,012	66,675
XI. NON PRODUCTION COSTS	1029	668,321	669,088
C. OPERATING PROFIT (1001 – 1018) ≥ 0	1030	1,777,366	1,826,954
D. OPERATING LOSSES (1018 – 1001) ≥ 0	1031		
E. FINANCIAL INCOME (1033 + 1038 + 1039)	1032	355,050	170,829
I. FINANCIAL REVENUES FROM ASSOCIATED LEGAL ENTITIES AND OTHER FINANCIAL REVENUES (1034 + 1035 + 1036 + 1037)	1033	0	0
1. Financial revenues from parent companies and subsidiaries	1034		
2. Financial revenues from other associated legal entities	1035		
3. Revenues from contribution in profit of associated entities and joint ventures	1036		
4. Other financial revenues	1037		
II. INTEREST RECEIVABLES (FROM THIRD PARTIES)	1038	23,694	35,452
III. POSITIVE CURRENCY EXCHANGE DIFFERENCES AND POSITIVE CURRENCY CLAUSE EFFECTS (TO THIRD PARTIES)	1039	331,356	135,377
F. FINANCIAL EXPENSES (1041 + 1046 + 1047)	1040	538,926	339,135
I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED LEGAL ENTITIES AND OTHER FINANCIAL EXPENSES (1042 + 1043 + 1044 + 1045)	1041	0	0
1. Financial expenses incurred with parent companies and subsidiaries	1042		
2. Financial expenses incurred with other associated legal entities	1043		
3. Expenses for contribution in profit of associated entities and joint ventures	1044		
4. Other financial expenses	1045		
II. INTEREST EXPENSES (TO THIRD PARTIES)	1046	142,018	175,841
III. NEGATIVE CURRENCY EXCHANGE DIFFERENCES AND NEGATIVE CURRENCY CLAUSE EFFECTS EXPENSES (TO THIRD PARTIES)	1047	396,908	163,294
G. PROFIT FROM FINANCING ACTIVITIES (1032 – 1040)	1048		
H. LOSS FROM FINANCING ACTIVITIES (1040 – 1032)	1049	183,876	168,306
I. INCOME ON OTHER PROPERTY VALUE RECONCILIATION SHOWN AT FAIR VALUE IN THE INCOME STATEMENT	1050	723,462	22,939
J. EXPENSES ON OTHER PROPERTY VALUE RECONCILIATION SHOWN AT FAIR VALUE IN THE INCOME STATEMENT	1051	301,955	385,503

Table 20. Income Statement, 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
K. OTHER INCOMES	1052	36,718	3,094
L. OTHER EXPENSES	1053	243,370	110,321
M. PROFIT FROM REGULAR OPERATION BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054	1,808,345	1,188,857
N. LOSSES FROM REGULAR OPERATION BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055		
O. NETO PROFIT FROM BREAK OPERATIONS, EFFECTS ON CHANGES OF ACCOUNTING POLICIES AND RECTIFICATION OF ERRORS FROM PREVIOUS YEARS	1056		
P. NET LOSS FROM BREAK OPERATIONS, EXPENSES CHANGES OF ACCOUNTING POLICIES AND RECTIFICATION OF ERRORS FROM PREVIOUS YEARS	1057		
Q. PROFIT BEFORE TAXATION (1054 – 1055 + 1056 – 1057)	1058	1,808,345	1,188,857
R. LOSS BEFORE TAXATION (1055 – 1054 + 1057 – 1056)	1059		
S. INCOME TAX			
I. TAX EXPENSES OF THE PERIOD	1060	347,180	201,935
II. DEFERRED TAX EXPENSES OF THE PERIOD	1061	37,151	909
III. DEFERRED TAX REVENUES OF THE PERIOD	1062		
T. PERSONNAL EARNINGS PAID TO THE EMPLOYER	1063		
U. NET PROFIT (1058 – 1059 – 1060 – 1061 + 1062)	1064	1,424,014	986,013
V. NET LOSS (1059 – 1058 + 1060 + 1061 – 1062)	1065		
I. NET PROFIT ATTRIBUTABLE TO MINOR SHAREHOLDERS	1066		
II. NET PROFIT ATTRIBUTABLE TO MAJORITY OWNER	1067		
III. EARNINGS PER SHARE			
1. Basic earnings per share	1068		
2. Diminished (diluted) earnings per share	1069		

9.2 Balance Sheet

Table 21. Assets in 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
A. SUBSCRIBED CAPITAL UNPAID	0001		
B. FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002	13,822,829	13,656,008
I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	25,275	10,050
1. Development investments	0004		
2. Concessions, patents, licences, trademarks and service trades, software and other rights	0005	24,199	10,050
3. Goodwill	0006		
4. Other intangible assets	0007		
5. Intangible assets in preparation	0008	1,076	
6. Prepayments for intangible assets	0009		
II. PROPERTY, PLANT and EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	13,795,705	13,644,109
1. Land	0011	548,314	489,928
2. Buildings	0012	5,405,273	5,344,207
3. Plant and equipment	0013	7,262,490	7,073,151
4. Investment property	0014		
5. Other property, plant and equipment	0015	4,509	4,273
6. Property, plant and equipment in preparation	0016	445,438	525,364
7. Investments in other entity`s property, plant and equipment	0017	3,308	4,593
8. Prepayment for property, plant and equipment	0018	126,373	202,593
III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019	1,849	1,849
1. Forests and perennial plants	0020	1,849	1,849
2. Livestock	0021		
3. Biological assets in preparation	0022		
4. Prepayments for biological assets	0023		
IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	0	0
1. Investments in capital of subsidiaries	0025		
2. Investments in capital of associated legal entities and entities with intercompany interest	0026		
3. Investments in capital of other legal entities and available-to-sale securities	0027		
4. Long- term financial investments - parent companies and subsidiaries	0028		
5. Long- term financial investments - other associated legal entities	0029		
6. Long- term financial investments in the country	0030		
7. Long- term financial investments abroad	0031		
8. Hold-to-mature securities	0032		
9. Other long-term financial investments	0033		
V. LONG-TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034	0	0
1. Receivables from parent companies and subsidiaries	0035		
2. Receivables from other associated entities	0036		

Table 21. Assets in 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
3. Receivables from sale on loans	0037		
4. Receivables from lease agreements	0038		
5. Receivables from surety	0039		
6. Disputable and suspicious receivables	0040		
7. Other long-term receivables	0041		
C. DEFERRED TAX ASSETS	0042		
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	0043	4,681,223	3,465,759
I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	162,004	159,656
1. Materials, spare parts, tools and inventories	0045	161,172	144,889
2. Discontinued production and services	0046		
3. Ready-made products	0047		
4. Goods	0048		
5. Fixed assets available for sale	0049		
6. Prepayments for inventories and services	0050	832	14,767
II. RECEIVABLES FROM SALE (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	1,559,225	1,302,846
1. Domestic trade receivables – parent companies and subsidiaries	52		
2. Foreign trade receivables – parent companies and subsidiaries	53		
3. Domestic trade receivables – other associated legal entities	54		
4. Foreign trade receivables – other associated legal entities	55		
5. Domestic trade receivables	56	383,187	78,836
6. Foreign trade receivables	57	1,176,038	1,224,010
7. Other receivables from sale	58		
III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	59		
IV. OTHER RECEIVABLES	60	41,235	40,982
V. FINANCIAL ASSETS MEASURED AT FAIR VALUE IN THE INCOME STATEMENT	61		
VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	62	0	0
1. Short-term loans and investments – parent companies and subsidiaries	63		
2. Short-term loans and investments – other associated legal entities	64		
3. Short-term domestic loans and borrowings	65		
4. Short-term foreign loans and borrowings	66		
5. Other short-term financial investments	67		
VII. CASH EQUIVALENTS AND CASH	68	2,857,298	1,927,235
VIII. VALUE ADDED TAX	69	32,699	22,263
IX. PRE-PAID EXPENSES	70	28,762	12,777
E. TOTAL ASSETS = TOTAL PROPERTY (0001 + 0002 + 0042 + 0043)	71	18,504,052	17,121,767
F. OFF-BALANCE SHEET ASSETS	72	136,253	39,620

Table 22. Liabilities, 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	401	11,993,592	10,095,870
I. INITIAL CAPITAL			
(0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	402	1,873,820	1,873,820
1. Share capital	403		
2. Stakes in limited liability companies	404	355	355
3. Stakes	405		
4. Capital owned by state	406	1,862,848	1,862,848
5. Socially owned capital	407		
6. Cooperatives stakes	408		
7. Issuing premiums	409		
8. Other initial capital	410	10,617	10,617
II. SUBSCRIBED CAPITAL UNPAID	411		
III. REPURCHASED OWN SHARES	412		
IV. RESERVES	413	507,044	507,044
V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLE ASSETS, PROPERTIES, PLANT AND EQUIPMENT	414	3,384,470	2,888,579
VI. UNREALISED GAINS ON SECURITIES AND OTHER COMPONENTS OF THE REMAINING COMPREHENSIVE RESULT (credit balance of the accounts within group 33 except 330)	415	17,965	
VII. UNREALISED LOSSES ON SECURITIES AND OTHER COMPONENTS OF THE REMAINING COMPREHENSIVE RESULT (debit balance of the accounts within group 33 except 330)	416		
VIII. RETAINED EARNINGS (0418 + 0419)	417	6,210,293	4,826,427
1. Previous years retained earnings	418	4,778,395	3,678,482
2. Current year retained earnings	419	1,431,898	1,147,945
IX. NON-CONTROLLING INTEREST	420		
X. LOSS (0422 + 0423)	421	0	0
1. Previous years loss	422		
2. Current year loss	423		
B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	424	4,033,860	4,910,058
I. LONG-TERM PROVISIONS			
(0426 + 0427 + 0428 + 0429 + 0430 + 0431)	425	625,134	622,451
1. Provisions for costs incurring during the warranty period	426		
2. Provisions for evaluations of mineral resources costs	427		
3. Provisions for cost of restructuring	428		
4. Provisions for employee salaries and other benefits	429	602,893	622,451
5. Provisions for costs of law suits	430	22,241	
6. Other long-term provisions	431		
II. LONG-TERM LIABILITIES			
(0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	432	3,408,726	4,287,607

Table 22. Liabilities, 2014, in 000 RSD

ITEM	AOP	Amount Current Year	Amount Previous Year
1. Liabilities that can be converted into capital	433		
2. Liabilities to parent companies and subsidiaries	434		
3. Liabilities to other associated legal entities	435		
4. Liabilities for issued securities due in a period longer than one year	436		
5. Long-term domestic loans and borrowings	437		
6. Long-term foreign loans and borrowings	438	3,408,726	4,287,607
7. Liabilities for financial leasing	439		
8. Other long-term liabilities	440		
C. DEFERRED TAX LIABILITIES	441	610,908	508,002
D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442	1,865,692	1,607,837
I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443	1,140,354	1,017,798
1. Short-term loans from parent companies and subsidiaries	444		
2. Short-term loans from other associated legal entities	445		
3. Short-term loans and borrowings in the country	446		
4. Short-term loans and borrowings abroad	447		
5. Liabilities in respect of fixed assets and assets of discontinued operations held for sale	448		
6. Other short-term financial liabilities	449	1,140,354	1,017,798
II. RECEIVED ADVANCE PAYMENTS, DEPOSITS AND INDEMNITY BONDS	450	140,865	97,826
III. LIABILITIES FROM BUSINESS ACTIVITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451	296,155	294,093
1. Suppliers – parent companies and subsidiaries in the country	452		
2. Suppliers – parent companies and subsidiaries abroad	453		
3. Suppliers – other associated legal entities in the country	454		
4. Suppliers – other associated legal entities abroad	455		
5. Suppliers in the country	456	183,909	170,133
6. Suppliers abroad	457	112,131	123,847
7. Other liabilities from business activities	458	115	113
IV. OTHER SHORT-TERM LIABILITIES	459	119,374	27,872
V. LIABILITIES FOR VALUE ADDED TAX	460		
VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	461	166,321	170,173
VII. ACCRUED COSTS	462	2,623	75
E. LOSS ABOVE THE CAPITAL VALUE (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0	463		
F. TOTAL LIABILITIES(0424 + 0442 + 0441 + 0401 – 0463) ≥ 0	464	18,504,052	17,121,767
G. OFF-BALANCE SHEET LIABILITIES	465	136,253	39,620

9.3 Cash Flow Statement

Table 23. Cash flow statement, 2014			
ITEM	AOP	Amount Current Year	Amount Previous Year
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	3001	10,664,579	9,351,618
1. Sales and advances received	3002	10,001,136	8,637,975
2. Interest received from operating activities	3003	23,694	5,308
3. Other inflows from ordinary operations	3004	639,749	708,335
II. Cash outflows from operating activities (1 to 5)	3005	8,098,993	7,443,595
1. Payments to suppliers and advance payments	3006	2,322,547	1,919,582
2. Salaries, fringe benefits and other personal expenses	3007	5,284,427	5,335,549
3. Interests paid	3008	142,018	149,874
4. Income tax	3009	350,001	38,590
5. Payments of other public revenues	3010		
III. Net cash inflow from operating activities (I-II)	3011	2,565,586	1,908,023
IV. Net cash outflow from operating activities (II-I)	3012		
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	3013	-	-
1. Sales of shares and stakes (net inflows)	3014		
2. Sales of intangible assets, properties, plant, equipment and biological assets	3015		
3. Other financial investments (net inflows)	3016		
4. Interests received from investing activities	3017		
5. Dividends received	3018		
II. Cash outflows from investing activities (1 to 3)	3019	783,426	1,093,651
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, properties, plant, equipment and biological assets	3021	783,426	1,093,651
3. Other financial investments (net outflow)	3022		
III. Net cash inflow from investing activities (I-II)	3023		
IV. Net cash outflow from investing activities (II-I)	3024	783,426	1,093,651
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 5)	3025	-	-
1. Initial capital increase	3026		
2. Long-term loans (net inflows)	3027		
3. Short-term loans (net inflows)	3028		
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities(1 to 6)	3031	992,551	802,806
1. Repurchased own shares and stakes	3032		
2. Long-term loans (net outflows)	3033	992,551	802,806
3. Short-term loans (net outflows)	3034		

Table 23. Cash flow statement, 2014

ITEM	AOP	Amount Current Year	Amount Previous Year
4. Other liabilities (net outflows)	3035		
5. Financial leasing	3036		
6. Dividends paid	3037		
III. Net cash inflow from financing activities(I-II)	3038		
IV. Net cash outflow from financing activities (II-I)	3039	992,551	802,806
D.TOTAL CASH INFLOWS(3001 + 3013 + 3025)	3040	10,664,579	9,351,618
E.TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	9,874,970	9,340,052
F. NET CASH INFLOWS (3040 – 3041)	3042	789,609	11,566
G. NET CASH OUTFLOWS (3041 – 3040)	3043		
H. ACCOUNTING PERIOD OPENING CASH BALANCE	3044	1,927,235	1,924,221
I. CASH CONVERSION POSITIVE RATE OF EXCHANGE DIFFERENTIALS	3045	202,310	66,080
J. CASH CONVERSION NEGATIVE RATE OF EXCHANGE DIFFERENTIALS	3046	61,856	74,632
K. ACCOUNTING PERIOD CLOSING CASH BALANCE (3042 – 3043 + 3044 + 3045 – 3046)	3047	2,857,298	1,927,235

9.4 Notes to Financial Statements

9.4.1 Basis for Preparation of Financial Statements

Financial Statements for 2014 were prepared in the manner which is in accordance with the legal regulations.

Legal entities and entrepreneurs in the Republic of Serbia have the obligation to keep business records, recognise and evaluate assets and liabilities, revenues and expenses, and to prepare, present, submit and disclose financial statements, in accordance with the Accounting and Auditing Law ("Official Gazette of RS", No. 62/2013), as well as in accordance with other applicable sublegal acts. SMATSA LLC, being a large legal entity, is required to apply International Financial Reporting Standards ("IFRS"), which, in terms of the mentioned law, comprise: Framework for Preparation and Presentation of Financial Statements ("Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and the related Interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC"), additional amendments to those standards and the related Interpretations, approved by the International Accounting Standards Board ("Board"), which were translated and published by the ministry responsible for financial affairs.

By virtue of the Decision of the Ministry, dated 13th March, 2014, published in the Official

Gazette of RS No. 35, dated 27th March, 2014, (hereinafter "The Decision on Adoption of the Translations") the translations of the main texts of the IAS and the IFRS, the Conceptual Framework for Financial Reporting ("Conceptual Framework"), adopted by the Board, and of the related IFRIC Interpretations, were determined and published. The translations mentioned above, published in the Decision on Adoption of the Translations, do not include basis for closing, illustrative examples, guidelines, comments, opposing opinions, elaborated examples, or any other supplementary explanatory material which may be adopted in connection with the standards, or the interpretations, except if not explicitly being stated that such material is a constituent part of the standard, or the interpretation. By virtue of the Decision on the Adoption of the Translations, the Conceptual Framework, IAS, IFRS, IFRIC and the related Interpretations, which were translated, have been applied since the preparation of the financial statements as of 31st December, 2014. IFRS and interpretations of the standards, amended or issued after this date, were not translated and published, and were therefore, not applied in the preparation of the presented financial statements.

However, until the date of the preparation of the presented financial statements, not all

amendments of the IAS/IFRS and of the IFRIC Interpretations which were in force since 1st January, 2014, had been translated. Apart from that, certain legal and sublegal acts prescribe accounting procedures, evaluations and disclosing methods which in some cases do not comply with the requirements of the IAS/IFRS and of the IFRIC Interpretations.

Apart from this, attached financial statements deviate from IAS and IFRS in the following:

- The "Off-balance sheet equity and liabilities" are shown in the balance sheet form. According to IFRS definition, the hereto items represent neither equity nor liabilities.
- SMATSA LLC prepared these financial statements in the form prescribed by the Ministry of Finance, which is not in compliance with the IAS – 1 requirements "Financial Statements Presentation".

Financial Statements have been prepared under historical cost principle, modified by revaluation of property, plant and equipment and financial assets and liabilities where effects of changes in fair value are disclosed in the income statement.

SMATSA LLC has prepared these Financial Statements by applying accepted accounting policies.

SMATSA LLC's financial statements are shown in thousands of Dinars (RSD) pursuant to the Accounting and Auditing Law. Dinar represents the functional and official reporting currency in the Republic of Serbia.

The preparation of SMATSA LLC's Financial Statements for 2014, for the accounting period ending on 31st December 2014, was carried out, in all materially significant respects, in accordance with Accounting and Auditing Law ("The Official Gazette of the Republic of Serbia", No. 62/2013) which implies using International Accounting Standards (IAS), as well as International Financial Reporting Standards (IFRS), and in accordance with the regulations issued by the Ministry of Finance of the Republic of Serbia.

The Decision made by the Ministry of Finance of the Republic of Serbia (number 401-00-380/2010 from 25th October, 2010) determined the translation of the IAS and the Framework, and they were in effect on 31st December 2014, on which the Accounting and Auditing Law is based on. SMATSA LLC's

management estimates the impact of changes in IAS, newly issued IFRS, and the interpretation of standards on consolidated financial statements. Amendments and supplements to existing IAS, newly issued IFRS and the Interpretations, the replacement of current IAS with new ones, which went into effect on 1st January 2014, as well as adoption of new interpretations which went in effect during 2014, have not significantly changed the SMATSA LLC's accounting policies, nor had any significant material influence on the financial statements in the process of their initial adoption. Since the majority of these changes are not applicable to the SMATSA LLC's operations, SMATSA LLC's management does not express any explicit or unreserved statement on the harmonisation of the Financial Statements with IFRS applied in the period disclosed in submitted Financial Statements.

Audit of SMATSA LLC Financial Statements for 2013 was carried out by the Company for auditing, accounting and consulting "Moore Stephens Auditing and Accounting" Ltd. Studentski trg 4/V, Belgrade. According to the Independent Auditor's Report, the Financial Statements give, in all material respects, true and fair view of the financial position of SMATSA LLC as at 31/12/2013, as well as the result of its business operations and its cash flows for the year then ended, all in accordance with the accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the Notes to the Financial Statements.

In accordance with the provisions of Article 31 of the Accounting and Auditing Law, the Financial Statements for 2013, together with the Independent Auditor's Report "Moore Stephens Auditing and Accounting" Ltd, SMATSA LLC Assembly Decision on the Adoption of the Financial Statements for 2013, SMATSA LLC Assembly Decision on the Distribution of the Profit from the Retained Earnings and the Annual Report for 2013, were submitted to the Serbian Business Registers Agency for publication on the website of the Register of Financial Statements.

The preparation of the financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires the Management to exercise its judgment in applying SMATSA LLC accounting policies.

Errors from the previous years are not reflected in the Financial Statements for 2014. However, they have been recorded in the group 57 and 67 in the Financial Statements for 2014.

9.4.2 Summary of Significant Accounting Policies

9.4.2.1 Intangible Assets

Intangible asset is an identifiable non-monetary asset without physical substance:

- held for use in the production or supply of goods or services, for rental to others or for administrative purposes;
- that is controlled by SMATSA LLC as a result of past events; and
- from which future economic benefits are expected to flow to the entity.

Intangible assets include: development investments, concessions, patents, licences and similar rights; other intangible assets; intangible assets in preparation and prepayments for intangible assets.

The acquisition of intangible assets during the year is recorded at cost value. The cost value comprises invoice value plus all dependent purchase costs and all costs of bringing the asset to its working condition for its intended use. The cost price of an internally generated intangible asset comprises direct costs and the associated indirect costs, pertaining to the particular asset.

Borrowing costs incurred until the time of the intangible asset being put into use, are capitalised, that is, are included in the cost value.

After the initial recognition, an intangible asset is carried at its cost value or at its cost price less the accumulated amortisation and the accumulated impairment losses.

An intangible asset is recognised and is subject to amortisation if it meets the recognition criteria prescribed by the revised IAS 38, Intangible Assets, and has a useful life that exceeds the period of one year.

Any additional cost associated to an already recognised intangible asset, is credited to the presented amount of the asset, if the flow of the future economic benefits is likely to be larger than the initially estimated rate of return of the asset.

SMATSA LLC recognises that carrying value of an item of intangible asset will include the cost of replacing the part of such an item when that cost is incurred if the recognition criteria prescribed by the IAS 38 – “Intangible Assets”, (paragraph 21), are met. Any other additional cost is recognised as the expense for the period when it was incurred. If there are indicators that suggest that there has been a reduction of value, carrying value of intangible assets is calculated and, if it is determined that there has been a reduction, the value of the asset is reduced to its recoverable amount.

Gains or losses arising from writing off or disposal are calculated as the difference between the estimated net sales revenues and the presented amount of the asset, and are recognised as Revenues or Expenses in the Income Statement.

Impairment of intangible assets is recognised by reducing the value of investments while recognising expenses in the Income Statement in accordance with IAS 36 – Impairment of Assets. If there is any indication that the impairment of the value exists, the carrying value of intangible assets is estimated and if the impairment is detected, the value of the asset is reduced to its recoverable amount. Residual value of an intangible asset is assumed to be zero, unless:

- there is a commitment of a third party to purchase the asset at the end of its remaining useful life, or
- there is an active market for the asset, and the residual value can be determined by reference to that market, and it is probable that such a market will exist at the end of the useful life of the asset.

Intangible assets subject to amortisation are amortised using the straight-line method over the course of five years, except for assets whose life is determined by a contract, in which case they are written off within the terms specified in the contract. The amortisation of an intangible asset is calculated as of the beginning of the month following the month that the intangible asset was put into use. The basis of the amortisation calculation is the cost value less the accumulated amortisation and total loss due to impairment. Base amortisation rates for certain intangible assets are as follows:

Table 24. Base amortisation rates for certain intangible assets

Item	Amortisation Rate
Licences	20-100
Licensed software	10-100
Project documentation	20

Amortisation rates pertaining to intangible assets can be altered and amended only upon an order in the written form issued by a competent department, and with the approval given by SMATSA LLC CEO, as well as upon the accepted independent assessor's report. Intangible assets and/or the right of use under a licensing agreement are accounted for in accordance with the IAS 38. Licensing agree-

ment regulates the right of use which is being granted by the licensor and the licensee's obligations. The royalty that the licensee pays is regarded by the licensee as an intangible asset (provided that the right which is the subject matter of the contract is used longer than one year).

Costs which can be directly attributed to software are capitalised as a part of a software

product. Other development costs which cannot meet the criteria are recognised as expenses when they arise.

An intangible asset is no longer presented in the balance sheet after its disposal or after the asset has permanently been taken out of service, and when no future economic benefits are expected from its disposal.

9.4.2.2 Property, Plant and Equipment

Tangible assets are recognised as property, plant and equipment and are subject to depreciation if they meet the recognition criteria prescribed by the IAS 16, Property, Plant and Equipment, and have useful lives that exceed a period of one year. An item of property, plant and equipment that meets the fixed asset recognition criteria is initially measured at cost value or at cost price. Any additional cost associated to an already recognised property, plant and equipment is credited to the presented amount of the asset if the flow of the future economic benefits is likely to be larger than the initially estimated rate of return of the asset. Any other additional cost is recognised as expense for the period when it was incurred.

Additional costs of possibly significant value, which comprise mainly labour costs, costs of operating supplies and costs of minor spare parts, are presented as costs of current maintenance. Replacing of major spare parts, whose shelf lives are shorter than one year, is presented as maintenance cost, because such spare part does not meet the asset recognition criteria.

Considering the fact that the constituent building construction parts may need to be replaced prior to the expiry of the lifetime of a building as a whole, paragraph 13 of the revised IAS 16 allows the entity to recognise the asset which is replaced as a separate item of asset if it meets two basic conditions prescribed by the

paragraph 7 of this standard (a) – it is probable that the future economic benefits associated with the asset will flow to the entity, and (b) – the cost value, or the cost price of the asset can be measured reliably. The recognition is done at the time when the replacement costs are incurred, while the carrying value of the parts which are replaced is derecognised, no matter whether the replaced part has been depreciated or not. If it is not appropriate to determine the carrying value of a replaced part, the paragraph 70 of the revised IAS 16 stipulates that the replacement costs can be used as the information on the amount of the costs of the replaced part at the time of its purchase or construction.

If the part which is replaced is not recorded as a separate item of asset, and has a life which is different from the life of an asset, and if the carrying value is determined by using the replacement method, the written-off value (accrued depreciation) is determined by applying the rate used for depreciation of the asset comprising that part, and not by applying the rate arising from the life of the part which is replaced.

Property, plant and equipment are depreciated using the straight-line method, as of the date of the asset being made available for use. The base depreciation rates pertaining to particular groups of property, plant and equipment are given in the following table:

Table 25. Base depreciation rates for property, plant and equipment

Item	2014 Depreciation Rate	2013 Depreciation Rate
Buildings	0.24 – 50%	0.24 – 33.33%
Equipment	5.56 – 50%	5 – 100%
Vehicles	16.67 – 50%	12.50 – 50%
Computer equipment	14.28 – 50%	8.95 – 50%
Furniture	10 – 50%	10 – 50%
Other equipment	5.56 – 50%	3.15 – 100%
Aircraft	2.86 – 12.50%	2.86 – 12.50%
Investments in other entity's equipment	6.66 – 20%	6.66 – 20%

Calculation of depreciation for tax purposes is done in accordance with the Corporate Income Tax Law of the Republic of Serbia, and the Regulations on the Classification of Fixed Assets and the Method of Determining Depreciation for Tax Purposes, which results in deferred taxes.

Investments in other entity's capital assets for the purpose of performing business operations are recognised and presented in a different account as capital assets provided their useful lives are longer than one year. Investments in other entity's assets are amortised based on their estimated utilisation lives.

Property, plant and equipment are not accounted into the balance sheet after their disposal or when the asset is permanently withdrawn from use and when no further economic benefit is expected from its disposal.

Gains or losses arising from writing off or disposal of property, plant and equipment, are calculated as the difference between the estimated net sales revenues and the presented amount of the asset, and are recognised as Revenues or Expenses in the Income Statement.

When revalued assets are sold, the revaluation amount included in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment withdrawn from active use and held for disposal, are presented in the amounts as presented on the date of the asset being withdrawn from active use.

On the date of issue of each balance sheet SMATSA LLC assesses whether there is any indication that the asset may have been impaired. If any such indication exists, SMATSA LLC assesses

the amount of the asset that can be recovered. If the recoverable amount of the asset is lower than its carrying value, the carrying value is reduced to recoverable amount and previously established revaluation reserves pertaining to that asset are consequently reduced. If no revaluation reserves pertaining to the asset whose value is reduced have been established, or if such reserves have been used for other purposes, impairment loss is recognized as the expense of the period.

If, on the balance sheet date, there are any indications that the previously recognised impairment loss does not exist or that it has been reduced, the assessment of the recoverable amount of that asset is made. The impairment loss recognised in the previous years is recognised as revenue, in case when the basic method of measuring property, plant and equipment is applied, that is as increase of revaluation reserve if the alternative method of evaluation of property, plant and equipment is applied, and the carrying value is increased to the recoverable amount.

The assessments of the fair value and of the remaining value of the asset (as well as residual value) are performed by an authorised assessor, in accordance with the IAS 16 – Property, Plant and Equipment, with the assessment results being recorded under revenues or expenses.

Any additional cost associated to an already recognised item of property, plant and equipment, is credited to the presented amount of the asset, if it is likely that the flow of the future economic benefits will be larger than the initially estimated rate of return of the asset and that the cost value/cost price of the additional cost can be measured reliably.

9.4.2.3 Tools and Accessories

It is mandatory that tools and accessories with utilisation lives shorter than one year, are presented as current assets (as inventories), regardless of their cost value. These assets are not depreciated, but their total value is transferred to expenses when they are put into use.

Tools and accessories which are written off by calculation are recognised as fixed assets and are subject to depreciation if their useful lives are longer than one year.

Items of tools and accessories which do not meet these conditions are presented as current assets (inventories).

The individual value of tools and accessories of the same type which are combinedly used is calculated as the sum of the individual values of all tools and accessories of the same type.

9.4.2.4 Spare Parts

Installed spare parts are recognized as fixed assets if their useful lives are longer than one year.

Such spare parts, upon being installed, increase the carrying amount of the assets that they have been installed in.

Spare parts which do not satisfy the conditions from the paragraph 1 of this article, at the time of the installation, shall be presented as an operating cost.

9.4.2.5 Inventories

Inventories are accounted for in accordance with the IAS 2, Inventories.

Inventories are assets in the form of materials or supplies to be consumed in the production process, or in the course of rendering services.

Inventories include raw materials and consumables, which shall be used in the production process, or in the course of rendering services.

Supplies of materials purchased from suppliers are measured at the lower of the cost value and the net sale value.

The cost value or cost price of inventories comprises all costs of a purchase, and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of materials include purchase price, import duties and other taxes (except the taxes that can subsequently be re-

funded to the entity by the tax authorities, such as VAT, which can be deducted as prior tax), transport charges, handling charges and other costs which can be directly attributed to the purchase of material. Reductions, discounts and other similar items are deducted when calculating purchase costs.

The assessment of the net sale value of the supplies of materials is made by a special committee established by SMATSA LLC CEO.

The calculation of the output of supplies of materials (material used) is made by employing the weighted average cost method.

The weighted average cost is calculated upon every new input of material.

In case of operating in hyperinflationary environment, the value of the inventories is adjusted by applying a price index, in accordance with the IAS 29.

9.4.2.6 Short-term Receivables and Investments

Short-term receivables comprise domestic and foreign trade receivables for the sale of goods and services rendered.

Short-term investments comprise loans, securities and other short-term investments whose date of maturity and/or sale is one year from the balance sheet date.

Short-term accounts receivable are measured at their original invoice value.

If the invoice value is denominated in a foreign currency, the value is calculated into the statement currency at the average exchange rate applicable on the date of the transaction.

Changes in the exchange rate from the transaction date to the receivables collection date are presented as exchange rate gains and losses and credited to revenues, or charged against expenses.

Receivables denominated in a foreign currency on the balance date are translated by applying the applicable middle exchange rate, and exchange rate differences are recognised as revenues or expenses of the period.

Indirect write-off and/or correction of value of the accounts receivable at the expense of the operating expenditures of the period, at the account of correction of value, is done for accounts receivable, in accordance with the statutory deadline applicable as of the invoice due date, with the estimate of collectibility of each individual account receivable. The decision on indirect write-off and/or correction of value of the accounts receivable, at the account of correction of value, upon the proposal made by the committee for record-keeping of receivables and short-term investments, is made by SMATSA LLC Supervisory Board. Direct write-off of receivables at the expense of the operating expenditure of the period is done if uncollectibility is certain and documented

– the entity failed to collect the receivables by legal means, and the account receivable was previously included in the entity's revenues. The decision on direct write-off of the trade receivables is made by SMATSA LLC Supervisory Board, upon the proposal made by the committee for record-keeping of receivables and short-term investments and/or as per the annual report produced by EUROCONTROL. The calculation and collection of air traffic service provision charges in the FIR Beograd are done in accordance with the current regulations and the set amount of air traffic service charge in the terminal control areas.

9.4.2.7 Cash and Cash Equivalents

Cash equivalents and cash constitute a part of the current (operating) assets of a legal entity, which are measured at nominal, i.e. fair value, in accordance with the IAS 39 - Financial Instruments: Recognition and Measurement, and other relevant standards (the IAS 32 - Financial Instruments: Presentation and the IAS 7 - Statement of Cash Flows).

Cash and cash equivalents comprise: cash in hand, demand deposits, other short-term highly liquid investments with an original maturity period of up to three months, or shorter (cheques and bills received for collection, current investments in securities) and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowing liabilities, within current liabilities.

9.4.2.8 Off-Balance Sheet Assets and Liabilities

Off-Balance sheet assets/liabilities comprise records of the following: received guarantees, issued guarantees, counter guarantees and respective liabilities.

9.4.2.9 Owner's Equity

Owner's equity originates from the incorporation based on the founder's stake in SMATSA LLC. The founders of SMATSA LLC are the Republic of Serbia (92%) and the State of Montenegro (8%). Owner's equity is initially stated in the amount of the estimated stake in SMATSA LLC (it comprises both the capital paid in and the accounted unpaid capital). Changes in the owner's equity are carried out exclusively according to the rules prescribed by the Law on the Business Organisations. All changes in the owner's equity are registered with the appropriate Register. Owner's equity stated in dinars is not changed according to changes of EUR exchange rates, although it is stated in Euros in the Register.

9.4.2.10 Reserves

SMATSA LLC has the reserve formed from the retained earnings until the reserve reaches at least 20% of the owner's equity as governed by the Contract on Confirmation of the Continuity of Air Navigation Services Provision within the Airspace of Serbia and Montenegro.

9.4.2.11 Revaluation Reserves

Revaluation reserves comprise the positive effects of changes in the fair value of property, plant, equipment, intangible assets and other financial instruments. In accordance with IAS 16 and IAS 38, when an asset's carrying amount is increased as a result of revaluation, the positive effect of revaluation is credited directly to equity, as the revaluation reserve. Decrease in revaluation reserves arises from negative revaluation of an asset, for which the revaluation reserve was previously created. Negative effects of revaluation in case of realisation (disposal and decommissioning of assets) arise if the revaluation reserve was carried regarding that specific asset.

9.4.2.12 Retained Earnings

Retained earnings are carried as retained earnings from prior years and retained earnings of the current year. The cumulated retained earnings from prior years and the effects from change in the accounting policy and correction of material fundamental error, in accordance with IAS 8 and adopted accounting policies, are carried in account Retained earnings from prior years. Retained earnings of the current year arise from transfer of a result from current year to the account of retained earnings. Realised revaluation reserves are transferred to Retained earnings of the current year in the Balance Sheet.

9.4.2.13 Provisions

Long-term provisions comprise provisions in warranty period, provisions for retained caution money and deposits, provisions for restructuring of companies, provisions for employee benefits (IAS 19 – Employee Benefits) and other long-term provisions for coverage of liabilities (legal or actual), arisen as a result of past events, which are likely to cause the outflow of resources of economic benefits for the purpose of their settlement and which may be reliably measured (e.g. litigations in progress), and provisions for guarantees issued and other forms of bond.

Long-term provisions for costs and risks are monitored at their types, and their respective re-

duction or termination are credited to the income. Provisions are not recognised for future operating losses.

Provisions differ from other liabilities, such as accounts payable and calculated liabilities, since they are uncertain in respect to their origination date or the sum of future expenditures required for their settlement.

Provisions are measured in the amount recognised as the provision, which represents the best estimation of expenditures required for settlement of the present liability as on the balance sheet date.

Provisions are tested as on each balance sheet date and corrected so as to present the best present estimate. If it is not likely that the outflow of resources of economic benefit is required for settlement of liabilities, the respective provision is abolished.

Provision represents the liability (legal or constructive), existing as on the balance sheet date, but is of uncertain maturity date and amount.

Within the account Long-term provisions for employee benefits, SMATSA LLC records long-term provisions for employee benefits (retirement indemnities and jubilee awards) paid in line with the rights acquired during employment and post-employment, in accordance with the IAS 19 – Employee Benefits. According to IAS 19, payments for retirement indemnities and jubilee awards are not to be charged to period when payment was effected to employees, but the acquired right for such payments is to be calculated during the employment, that is from the employment date throughout the respective payment under the acquired right. SMATSA LLC records provisions thereunder in accordance with the estimation done by the accredited actuary.

9.4.2.14 Liabilities

Liabilities are considered as:

- Long-term liabilities (liabilities to associated legal entities and legal entities with intercompany interest, long-term loans, liabilities arising from the long-term securities and other long-term liabilities). Long-term liabilities become due and payable in the period longer than a year from the date when incurred, i.e. from the balance sheet date, respectively, and are recognised and measured in accordance with IAS 39 - Financial Instruments: Recognition and Measurement and other relevant IASs. SMATSA LLC has created the long-term liability for the long-term cross border loans.

When recognising the long-term liabilities for loans, SMATSA LLC was guided by the guidelines of IAS 23 - Borrowing Costs. Interest

expenses and other borrowing costs that are directly attributable to the acquisition, construction or development of qualifying asset must be capitalised (attributed) to the purchase value (cost) of that asset.

The capitalisation period is the period from the beginning of the investment in the qualifying asset (beginning of the capitalisation) to the moment when all activities necessary to prepare the asset for the planned use or sale (cessation of the capitalisation) are essentially completed. Borrowing costs incurred before and after the capitalisation period, regardless of whether they are incurred by the loans with or without the special purpose for the acquisition of the specific asset, are recognised as the expense of the period.

According to the paragraph 23 of IAS 23, the capitalisation of the borrowing costs is suspended during the extended periods in which active development of the qualifying asset is interrupted. The borrowing costs incurred during an extended period in which the activities necessary to prepare the asset for its planned use or sale are suspended, cannot be capitalised, but are shown as an expense of that period (e.g. temporary suspension of the initiated facility construction).

Given that the loan is recorded in the foreign currency, such liability is calculated on the balance sheet date according to the middle exchange rate of that currency, and the respective exchange rate gains and losses arising thereunder are recorded;

- Short-term financial liabilities (liabilities towards associated legal entities and legal entities with intercompany interests, short-term loans and other short-term financial liabilities); SMATSA LLC recorded the liability towards the Civil Aviation Directorate of the Republic of Serbia under the signed Protocol TOP04, number 184/9, dated 20/08/2007;

- Short-term liabilities from business operations (suppliers and other liabilities from business operations); SMATSA LLC recorded all liabilities towards domestic and foreign suppliers;

- Other short-term liabilities (liabilities for salaries, commission earnings, fringe benefits for SMATSA LLC Supervisory Board and Assembly members, liabilities to physical persons related to contractual fees) and

- Liabilities for Value Added Tax (VAT).

Short-term liabilities are liabilities which are due within one year from the date of financial statements preparation.

A liability represents any contractual liability for:

- The transfer of cash or any other financial

asset to another company, or

- Exchange of financial instruments with another company under potentially adverse conditions.

Upon initial recognition, SMATSA LLC measures its financial liability as per its purchase value, which represents the fair value of the compensation received for it. Transaction costs are included in the initial measurement of all financial liabilities.

Liabilities denominated in foreign currencies, as well as the liabilities with the index clause, are measured as on the financial statements preparation date according to the foreign currency middle exchange rate. The differences calculated then are accounted for as expense or revenue of the period.

Reduction of the liabilities under the law, extrajudicial settlement and alike is performed through a direct write-off.

9.4.2.15 Current and Deferred Income Tax

Tax expenses for a period comprise the current and the deferred tax. The tax is recognised in the income statement, except to the extent to which it relates to the items recognised directly in the equity. In this case, the tax is also recognised in the equity.

Current income tax is calculated on the balance sheet date, based on the valid statutory tax-related regulations of the Republic of Serbia, where SMATSA LLC operates and generates taxable income. The management periodically reviews the items in the tax return, with respect to the situations in which the applicable tax regulation is subject to the interpretation, and makes reservation of funds, if appropriate, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated in the full amount, using the liability method, for the temporary differences arising between the tax basis of assets and liabilities and their book values in the financial statements. However, if the deferred income tax, provided it has not been entered into the accounting records, arises from the initial recognition of an asset or liability in a transaction other than a business combination, that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss, then the deferred tax is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and which are expected to be implemented in the period in which the deferred tax assets are to be realised or the deferred income tax liabilities settled. Deferred tax asset is recognised to the amount

expected to be covered by the future taxable profit, and the temporary differences are expected to be settled out of that profit.

9.4.2.16 Revenues and Expenses

Revenues comprise revenues from the ordinary course of SMATSA LLC's activities and gains. Revenues from the ordinary course of activities are revenues gained from providing services in air traffic, revenues from providing flight calibration services, from training of pilots and air traffic control officers, from subsidies, grants, compensations and recovery of duties based on the sale of services, and other revenues calculated in the accounting document, irrespective of their payment time.

Gains represent other items qualified as revenues, and may arise, though not necessarily, from the ordinary course of SMATSA LLC's activities. Gains represent an increase in economic benefit, and as such are not different in nature from revenues. Gains include gains on disposal of long-term assets, unrealised gains; e.g. the ones resulting from an increase in book value of long-term assets. Gains are recognised on a net basis, after being reduced for the respective expenses.

Various types of assets may be received or increased through revenues, for example cash, receivables and goods and services received as compensation for delivered products and services. In addition, revenues may arise from settlement of liability from repayment of residual debt.

SMATSA LLC recognises revenues when the revenue may be reliably measured, when it is likely that SMATSA LLC's will have the economy benefits therefrom in the future and when separate criteria are met for each respective activity. The revenue is not deemed as reliably measured until all prospective liabilities, which may arise from sale, are settled. SMATSA LLC bases its estimates on results from prior operations, given the type of customer, type of transaction and specific nature of every transaction.

Revenues from contracts with fixed pricing (for services relative to pilots and controllers training and flight calibration services) are recognised at the completion rate method. In accordance with that method, the revenue is generally recognised based on the services rendered by that respective date.

Interest income is recognised on a time-proportion basis.

Revenues from foreign currency clause include the positive effect of contracted revaluation and foreign currency clause. SMATSA LLC records Revenues based on

the correction of immaterial errors from prior years in the account 692. On the balance sheet date (31/12), business events recorded in the account 692 are reclassified to account 679 (if they do not represent material errors) or to the account of retained earnings, if they represent a material error.

Expenses comprise costs arising from costs of material, wages, salaries and other personnel expenses, depreciation and provisions, producing and intangible costs, irrespective of the payment date.

Expenditures for advertising and entertainment must be reliable, that is documented, in respect of their occurrence and payment. The reliably documented costs are recognised as entertainment expenditures, arisen under the following grounds: restaurant services for business partners in respect to conclusion and realisation of the agreement or any other form of business collaboration, giving product to business partners, catering services for jubilee celebrations and the like.

SMATSA LLC records Expenses based on the correction of immaterial errors from prior years in the account 592. On the balance sheet date (31/12), business events recorded in the account 592 are reclassified to account 579 (if they do not represent material errors) or to the account of retained earnings, if they represent a material error.

Losses represent other items qualifying as expenses, and may arise, though not necessarily, from the ordinary course of SMATSA LLC's activities. Losses represent reduction in economic benefits, and as such are not different in nature from other expenses.

Losses comprise, for example, the loss resulting from catastrophes, such as fire and flood, and the ones resulting from the sale of long-term assets. Furthermore, by definition the expense comprises unrealised loss, for example the loss originating from effects of increase in foreign currency exchange rate in respect to creating debt in that respective currency. When loss is recognised in the income statement, it is carried separately, since the acknowledgement thereof is useful when passing the economy-related decisions. The loss is usually carried at the net basis, after its reduction by the respective revenue.

9.4.2.17 Interest and Other Borrowing Costs

Interest and other borrowing costs of SMATSA LLC are accounted for as per the basic procedure in accordance with the IAS 23 (Borrowing Costs).

Interest expense and other borrowing costs directly attributable to the acquisition, construction or development of an eligible asset must

be capitalised (attributed) to the purchase value (cost) of that asset.

Borrowing costs incurred during extended period in which the activities necessary to prepare the asset for the planned use or sale are suspended, cannot be capitalised, but are shown as expenses of the period (e.g. temporary suspension of the building construction).

9.4.2.18 Subsequently Detected Errors

Subsequently found material errors are corrected through the account of retained earnings from previous years, that is, through the retained losses from previous years, in the manner established by the IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

A material error is an error which individually, or cumulatively with other errors, exceeds 3% of total revenues.

Subsequently found errors that are not material are restated for correction against expenses, or, in favour of revenues in the period when identified.

9.4.3 Financial Risk Management

9.4.3.1 Financial Risk Factors

SMATSA LLC's activities are exposed to various financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest risk, price risk), credit risk, liquidity risk and cash flow risk. The main focus of the risk management within SMATSA LLC is on the strive to minimise the potential adverse effects on the company's financial performance in the conditions of unpredictability of financial markets. SMATSA LLC uses derivative financial instruments to hedge certain risk exposures.

The risk management is carried out by the management of SMATSA LLC in line with the recommendations of the Supervisory Board. The management of SMATSA LLC identifies and evaluates financial risks, and defines risk protection methods in cooperation with the company's operating units.

The management of SMATSA LLC passes its business decisions duly and accurately thereby protecting itself from credit and market risks.

9.4.3.2 Financial Risk Management Objectives

Financial risks comprise:

- market risk (currency risk and interest risk),
- credit risk, and

- **liquidity risk.**

Financial risks are reviewed on a time basis and are primarily hedged by reduction of SMATSA LLC exposure to such risks. SMATSA LLC does not use any financial instruments whatsoever in order to hedge the impact of financial risks on its operations, due to the fact that such instruments are not widely used, and that no organised market of such instruments exists in the Republic of Serbia.

9.4.3.2.1 Market Risk (Currency Risk and Interest Risk)

In its business activities, SMATSA LLC is exposed to financial risks pertaining to foreign currency exchange risks arising from various currency fluctuations (SMATSA LLC operates internationally) and variations of interest rates. The risk arises from future commercial transactions, recognised assets or liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not SMATSA LLC's functional currency.

The market risk exposure is reviewed by the sensitivity analysis. There were no significant changes in SMATSA LLC's exposure to the market risk or in the manner of SMATSA LLC's management or measurement of such a risk.

SMATSA LLC is obliged to hedge its total exposure to exchange rate risk by passing duly and timely decisions.

Basic financial instruments of SMATSA LLC are cash and cash equivalents, receivables, financial investments originating directly from SMATSA LLC's activities and the long-term and short-term borrowings, accounts payable and other liabilities whose primary purpose is financing of SMATSA LLC's current operations. Accounts receivable have been partially settled in January and February 2015.

The policy of SMATSA LLC's management in respect to risk management is to hedge between 90% and 100% of expected cash flow (mainly revenues from services rendered and costs of acquisition of equipment and spare parts) in every major currency within the following 12 months. The percentage of collection of route charges for services provided to foreign customers comprised approximately 99%. The percentage of collection of terminal services charges from foreign customers comprised approximately 85%, and from domestic customers, approximately 98%.

9.4.3.2.1.1 Foreign Exchange Rate Risk

SMATSA LLC is exposed to foreign exchange rate risk primarily through cash and cash equivalents, trade receivables, long-term loans and payables which are denominated in foreign currency. SMATSA LLC does not use some special financial instruments against risk since this kind of instruments is not common in the Republic of Serbia.

Economic environment stability, in which SMATSA LLC is performing its activities, depends a great deal on Government measures in economy, including as well establishment of relevant legal framework.

SMATSA LLC is influenced by Euro (EUR) and American dollar (USD) change rate. The structure of the financial assets is mainly composed of trade receivables (mostly foreign companies' debts) and cash and cash equivalents (foreign currency account). Liabilities are composed of long-term loans and payables. Long-term loans are recorded in foreign currency while payables for equipment and spare parts are also recorded in foreign currency and payables for fixed monthly liabilities (electricity, telephone, fuel etc.) are recorded in domestic currency. Stated assets and liabilities are expressed in foreign currency on 31/12 of the current year and according to that exchange difference is registered. Business result depends partly on financial revenues and expenses. Financial revenues participation percentage (positive currency exchange differences) in total revenues in 2014 was 2.95% (in 2013 it was 1.42%). Financial expenses participation percentage (negative currency exchange differences) in total expenses in 2014 was 4.21% (in 2013 it was 1.96%).

9.4.3.2.1.2 Interest Risk

SMATSA LLC is exposed to interest rate change of the liabilities with variable interest rate. This risk depends on the financial market so SMATSA LLC does not have available instruments to mitigate its influence.

9.4.3.3 Credit Risk

Credits which are given with changeable interest rate expose SMATSA LLC to cash flow interest risk. Credits which are given with fixed interest rate expose SMATSA LLC to fair market value interest rate risk. In the course of 2013 and 2014 SMATSA LLC credits with fixed and changeable interest rate were expressed in foreign currency.

Sensitivity analyses showed that the interest rate changes related to the loan from the EBRD do not expose SMATSA LLC to the interest rate risk. The management estimates that the possible changes in the interest rates could comprise either the increase or

decrease of 1%. The conclusion is that such change would not have a significant impact on SMATSA LLC financial result.

9.4.3.4 Liquidity Risk

The liquidity risk includes the funding liquidity risk and the assets liquidity risk. Liquidity is defined as the ability of a company to meet the financial commitments for the entire amount and on time, while at the same time preserving the required scope and structure of current assets to conduct current operations, and creditworthiness. Maintaining financial solvency (liquidity) is the requirement primarily imposed on SMATSA LLC by the lender (creditor), i.e. the legal system. The liquidity represents the coverage of the short-term liabilities with the current assets.

SMATSA LLC Management maintained the liquidity of the operations by the adequate financing of the real part of the current assets (inventories) with the long-term capital and ensuring that the nominal assets (receivables + cash) are always financed with the short-term liabilities, provided that the turnover speed is always the same, which means, provided that the velocity of maturities of short-term liabilities matched the speed of collection. SMATSA LLC exposure to the risk of possible default by the debtors is minimal. Namely, EUROCONTORL has provided invoices and effected collection for and on behalf of SMATSA LLC since July 2007. The collection percentage was 89% in 2007, 94% in 2008, 98.34% in 2009, 97.50% in 2010, 98.37% in 2011, 98.14% in 2012, 98.60% in 2013 and about 99% in 2014.

9.4.3.5 Gearing Ratio

Since SMATSA LLC has obtained the loans in the amount higher than the amount of cash and cash equivalents (RSD 4,523,833 and 2,857,298 thousand), this means that SMATSA LLC has a gearing ratio that can be represented in two ways:

- $\text{Borrowed funds/Total funds} \times 100 = 4,960,853/18,504,052 \times 100 = 26.81\%$
- $\text{Long-term loans/Capital} + \text{Long-term liabilities} \times 100 = 4,523,833/17,128,333 \times 100 = 26.41\%$

The first ratio is used to show the borrowed funds share in the total capital and the contribution of the borrowed capital to the financing of the assets. The debt ratio (gearing ratio) shows that every RSD of SMATSA LLC available funds contains RSD 0.2681 of foreign funds (absolutely), i.e. the indebtedness of the company amounts to 26.81% of the total financing funds (relatively). This means that the creditors have the right to use available company assets up to the amount of the indebtedness.

The second ratio is used to show the borrowed long-term capital share in the total long-term capital (owned and borrowed), which is closely related to the degree of profitability and the capital release speed through the capital write-off (depreciation). The long-term loans share in the total long-term funds amounts to 26.41%. The high share of the liabilities in the total capital and of the long-term liabilities in the equity is acceptable and will not jeopardize the safety and liquidity since the level of available cash equivalents is high. SMATSA LLC has not pledged any assets in order to secure the loan.

The stability of the economic environment, including the establishment of appropriate legal and regulatory framework, or the changes in the legal norms, also affect SMATSA LLC business operations. Bearing in mind SMATSA LLC specific legal and economic status, SMATSA LLC Assembly submitted the initiative to the Government of the Republic of Serbia and the Government of Montenegro to introduce adequate legal acts in order to define SMATSA LLC legal status and obligations with regard to the implementation of the relevant regulations of the Republic of Serbia and regulations of Montenegro connected to SMATSA LLC business operations. In this regard, SMATSA LLC sent a letter with SMATSA LLC Assembly Decision OU/SD - 606/1, dated 08/11/2013, in connection with SMATSA LLC legal status and obligations regarding the implementation of the Republic of Serbia budgetary system regulations on SMATSA LLC business operations, to the Ministry of Construction, Transport and Infrastructure for further action.

SMATSA LLC expert departments regularly monitor the factors that may affect market demand trends (traffic and route analyses), setting the appropriate limits for charges and expenses, in order to minimise SMATSA LLC business and strategic risks. The work on further improvement of the internal and external controls, with the aim of risk prevention, will be carried out in the coming period.

Independent Auditor's Report

MOORE STEPHENS REVIZIJA I RAČUNOVODSTVO

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT

To the stakeholders of Serbia and Montenegro Air Traffic Services SMATSA LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Serbia and Montenegro Air Traffic Services SMATSA LLC, which comprise the balance sheet as at 31 December 2014, the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the current accounting regulations in effect in the Republic of Serbia 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.

INDEPENDENT AUDITOR'S REPORT

To the stakeholders of Serbia and Montenegro Air Traffic Services SMATSA LLC

Report on the Financial Statements - Continued

Opinion

In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of Serbia and Montenegro Air Traffic Services SMATSA LLC as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the financial statements.

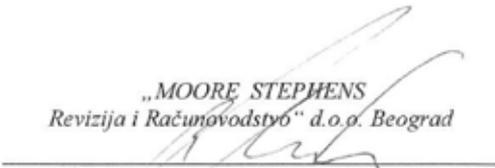
Report on Other Legal and Regulatory Requirements

Pursuant to Article 30 of the Law on Auditing ("Official Gazette" no. 61/2013), we have investigated the compliance of the Annual Report and the Financial Statements. Management is responsible for the preparation the annual report in accordance with the Article 29 of the Law on Auditing ("Official Gazette" no. 62/2013) and current regulations in effect. Our responsibility is to express our finding in relation to compliance of the annual report and the financial statements, conducting audit procedures in accordance with the International Standard on Auditing 720 - The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

Based on our audit procedures used, no material inconsistency has been identified which would indicate that the annual report for 2014 is not in compliance with the financial statements for the same financial year.

Belgrade, 10 June 2015

„MOORE STEPHENS
Revizija i Računovodstvo“ d.o.o. Beograd


Bogoljub Aleksić
Managing Partner



11

Acronyms and Abbreviations

ADR	All-Purpose Data Stream Replicator
AFIS	Aerodrome Flight Information Service
AFTN	Aeronautical Fixed Telecommunication Network
AIP	Aeronautical Information Publication
AIS	Aeronautical Information Services
ALR	Alerting Services
AMHS	ATS Message Handling System
ARTAS	ATM surveillance Tracker And Server
ASM	Airspace Management
ATC	Air Traffic Control
ATFCM	Air Traffic Flow and Capacity Management
ATFM	Air Traffic Flow Management
ATIS	Automatic Terminal Information Service
ATM	Air Traffic Management
ATP	Airline Transport Pilot
ATS	Air Traffic Services
BHANSNA	Bosnia and Herzegovina Air Navigation Services Agency
CANSO	Civil Air Navigation Services Organisation
CAT	Category
CDA	Continuous Descent Approach
CIMACT	Civil-Military ATM Co-ordination Tool
CPL	Commercial Pilot Licence
CPR	Correlated Position Report
DME	Distance Measuring Equipment
DPS	Data Processing System
DVOR	Doppler VOR
EASA	European Aviation Safety Agency
ECAC	European Civil Aviation Conference
ESARR	Eurocontrol Safety Regulatory Requirement
ETFMS	Enhanced Tactical Flow Management System
EUROCONTROL	European Organisation for the Safety of Air Navigation
FAB	Functional Airspace Block
FAMUS	Future ATM Modernisation and Upgrade System
FIR	Flight Information Region

FIS	Flight Information Services
FMTPT	Flight Message Transfer Protocol
FUA	Flexible Use of Airspace
GRIB	Gridded Binary
ICAO	International Civil Aviation Organization
ILS	Instrument Landing System
LLZ	Localizer
LOA	Letter of Agreement
LVP	Low Visibility Procedures
MET	Meteorology or Meteorological
MTOW	Maximum Take off Weight
NATO	North Atlantic Treaty Organization
OAT	Operational Air Traffic
OLDI	On-Line Data Interchange
PANS OPS	Procedures for Air Navigation Services - Aircraft Operations
PBN	Performance Based Navigation
PBN SID	Performance Based Navigation Standard Instrument Departure
PBN STAR	Performance Based Navigation Standard Arrival
PPL	Private Pilot Licence
PSR	Primary Surveillance Radar
RMCDE	Radar Message Conversion and Distribution Equipment
ROMATSA	Romanian Air Traffic Services Administration
RRR	Radar Data Recording & Replay System
SAA	SMATSA Aviation Academy
SES	Single European Sky
SMATSA	Serbia and Montenegro Air Traffic Services SMATSA LLC
SMS	Safety Management System
SSR	Secondary Surveillance Radar
TRS	Time Reference Signal
TSA	Temporary Segregated Area
VCS	Voice Communication System
ADC	Aerodrome Control Centre
Montenegro CAA	Civil Aviation Agency of Montenegro
AMC	Aeronautical Meteorological Centre
CAD	Civil Aviation Directorate of the Republic of Serbia
Ground RNA	Ground Based Radio Navigation Aids
AAD	Anti-Air Defence
RWY	Runway
TMC	Terminal Control Centre
ATCC	Air Traffic Control Centre

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List of Tables and Figures

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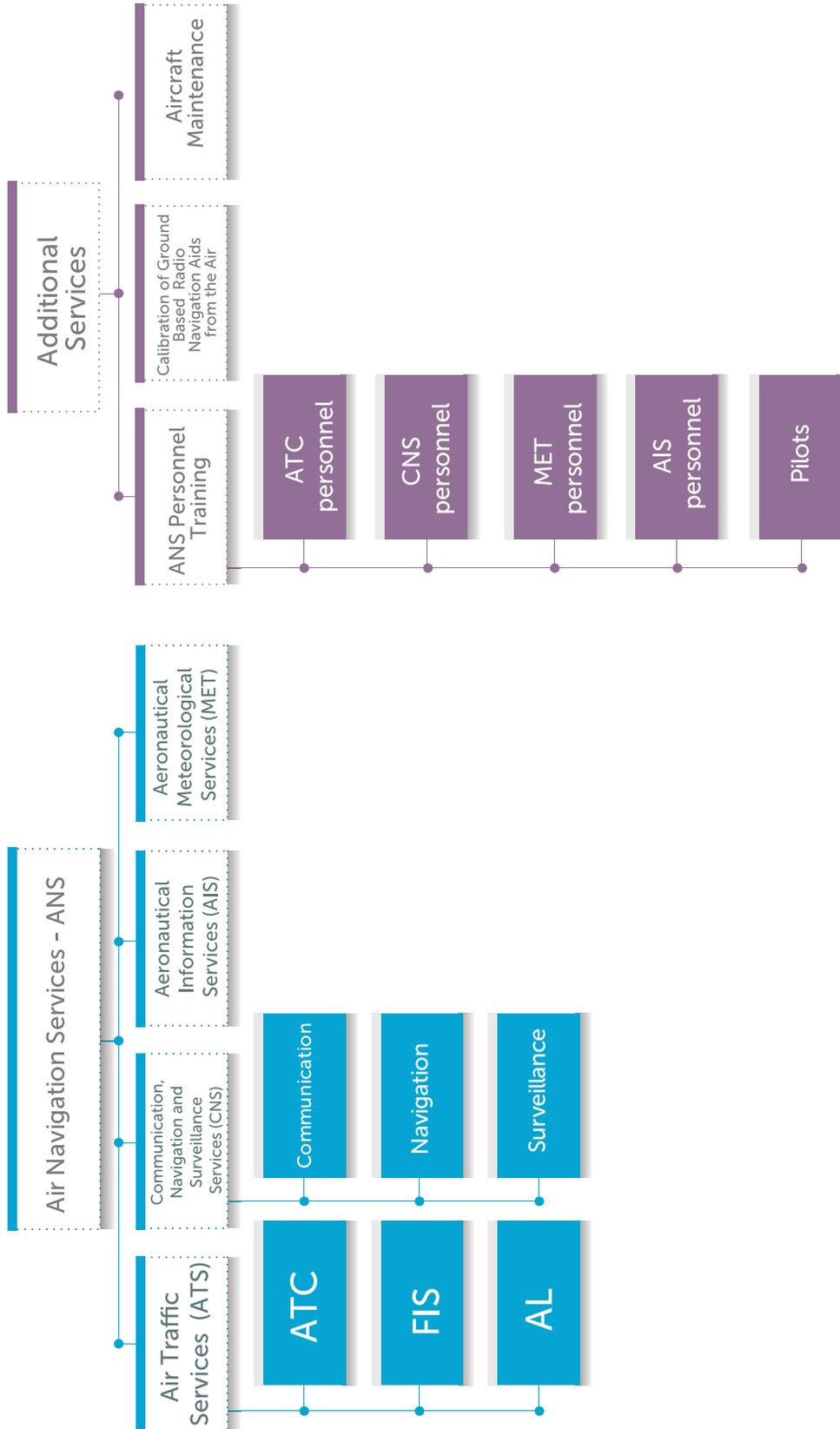
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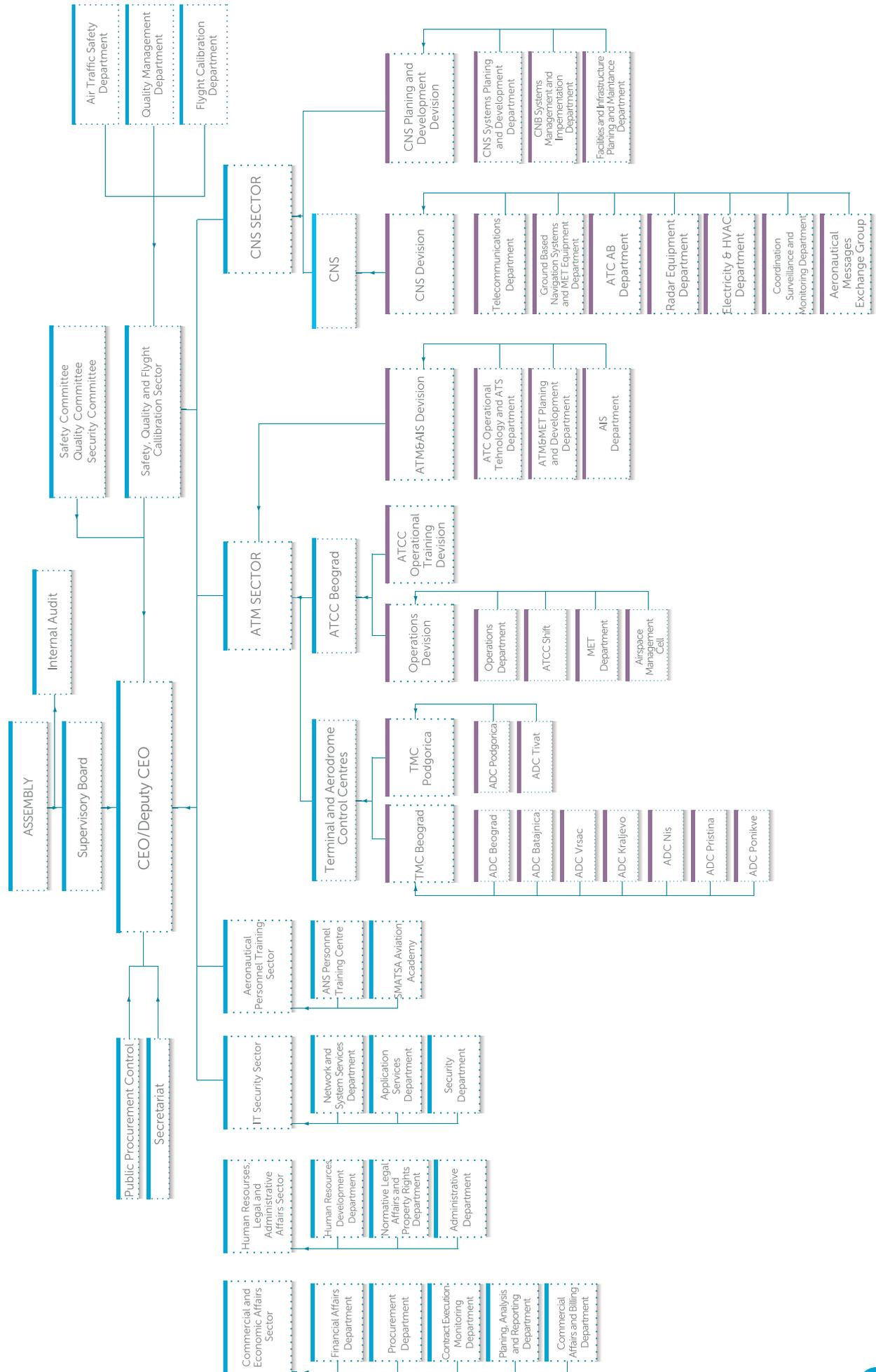
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Annexes

13.1 Annex 1: SMATSA LLC Business Activities



13.2 Annex 2: SMATSA LLC Organisational Structure





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