

Statistical number: 18077407 9199 529 01

„Robert Schuman Intézet” Egyesület
1123 Budapest, Alkotás u. 5. I/1.

31.12.2015
Simplified Annual Financial Statement

Budapest, 26 February 2016

Statistical number:
 Name of the enterprise:
 Registered office of the enterprise:

18077407 9199 529 01
 „Robert Schuman Intézet” Egyesület
 1123 Budapest, Alkotás u. 5.

	THUF Previous Year 31.12.2014	THUF Current Year 31.12.2015
Balance Sheet		
A. Fixed assets	89 003	13 815
I. Intangible assets	0	0
II. Tangible assets	14 774	13 815
III. Financial investments	74 229	0
B. Tangible assets	97 020	179 420
I. Inventories	0	0
II. Receivables	1 324	11 186
III. Securities	0	119 990
IV. Liquid assets	95 696	48 244
C. Prepayments and accrued income	2 395	208
TOTAL ASSETS	188 418	193 443
D. Equity	185 436	189 828
I. Start-up capital / Registered capital	0	0
II. Change in capital / result	185 287	185 436
III. Non-distributable reserve	0	0
IV. Valuation reserve	0	0
V. Current year result from core activity	6 477	7 602
Current year result from economic		
VI. activity	-6 328	-3 210
E. Provisions	0	0
F. Liabilities	956	2 467
I. Subordinated liabilities	0	0
II. Long-term liabilities	0	0
III. Current liabilities	956	2 467
G. Accruals and deferred income	2 026	1 148
TOTAL LIABILITIES	188 418	193 443

Budapest, 26 February, 2016

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Calculation of net result of the year

	2014			2015		
	Core activity	Economic activity	Total	Core activity	Economic activity	Total
I. Income	102 470	23 630	126 100	88 846	27 866	116 712
II. Expenses	95 993	29 958	125 951	81 244	31 076	112 320
Difference between income						
III. and expenses	6 477	-6 328	149	7 602	-3 210	4 392
IV. Taxes	0	0	0	0	0	0
V. Current year result	6 477	-6 328	149	7 602	-3 210	4 392

Budapest, 26 February, 2016



Gabor Berczeli
 Acting Director

„ROBERT SCHUMAN INTÉZET”
 EGYESÜLET
 1123 Budapest, Alkotás u. 5.
 Adószám: 18077407-2-43

Supplementary Information
to the independent auditors' report

1) Nature of the engagement:

The Acting Director of the Robert Schuman Institute for Developing Democracy in Central and Eastern Europe appointed BDO Hungary Audit Kft in a contract dated 14 January 2016 to audit the Institute's 2015 simplified annual financial statements based on the government decree 224/2000 of the business year from 1 January, 2015 to 31 December, 2015.

The Statutory auditor: Ferenc Baumgartner (registration number: 002955)

Our audit included the legal compliance with current Hungarian regulations and reviewing the closing procedures.

An audit performed by an external auditor is a requirement set forth in the Statutes of the Institute.

We performed the fieldwork in April 2016.

The necessary information was provided by Gábor Berczeli, Acting Director of the Institute and by Ferenc Virág, bookkeeper of the Institute.

The Institute made all required documents available without any delay.

2) The Institute and its activity:

Robert Schuman Institute for Developing Democracy in Central and Eastern Europe (hereinafter referred to as "the Institute") is an association registered in Hungary. The activity of the Institute is supervised by the International Board. The Institute was established as an association in 1995 by the EUCD and other organisations in accordance with Hungarian legislation.

Acting Director of the Institute: Gábor Berczeli

Registered office of the Institute: 1123 Budapest, Alkotás u. 5.

The aim of the Institute identified in the statutes is to support the democratic development of the Central and Eastern European states based on the European values represented by Robert Schuman, to facilitate the flow of information and relationship between East and West and the Central and Eastern European countries, and to popularise the image of a united Europe. To achieve these goals the Institute organises trainings and educational projects and operates as a documentation office.

3) Changes regarding the activity:

The core activity of the Institute as described in the Statute of the Institute did not change in 2015.

From August 2011, the Institute – in accordance with its core activity – renders political training organization services to the European People's Party Group in the European Parliament (hereinafter: EPP Group). This activity is based on the framework agreement with the EPP Group, according to which the Institute organizes on behalf of EPP Group 3-7-days trainings in Hungary, in certain other countries of the EU (e.g. Lithuania, Belgium) and outside the EU (e.g. in Ukraine and Bosnia-Herzegovina) for foreigners up until 31 December 2015.

The Institute recharges (invoices) the EPP Group the costs directly incurred in the framework of the training organization activity (e.g. cost of accommodation, entertainment, travelling, lecturers' fees, room rental costs, etc.) with a mark-up of 25%, covering the overhead costs incurred in relation to training organization. In 2011 the Institute was registered for VAT purposes by the National Tax Authority and its former special tax registration number (18077407-1-43) changed to 18077407-2-43.

The Institute presents revenues from training organization activity invoiced to EPP Group as revenues from business activity and the related costs and expenses as costs and expenses from business activity in its income statement.

4) Basic accounting principles:

The Institute keeps its records according to the Hungarian accounting principles in a double-entry bookkeeping system.

Tangible assets

Tangible assets are recorded at their acquisition or production cost. Depreciation is accounted using the straight-line method on the basis of estimated useful lives of the various tangible asset groups. The annual depreciation rates are as follows:

Buildings	2.0%
Machinery and equipment	14.5%
Vehicles	20.0%
Computers, IT equipment	33.0%

In certain cases the tangible assets no longer used or taken out of the portfolio are derecognised along with the relevant depreciation. The resulting profit or loss is recognised under other income or other expenses, respectively.

Renovations and maintenance on assets resulting in a longer useful life or a significant improvement in condition are capitalised, while the costs of maintenance and installation work resulting in no change in the assets' conditions are recognised under expenses for the period when incurred.

Intangible assets

Intangible assets are recognised at acquisition cost less depreciation. Intangible assets are depreciated using the straight-line method.

Intangibles primarily contain software products which are written off over 3 years. The net book value of the Institute's intangible assets was 0 as at 31 December 2015.

Conversion of foreign currencies

Business events in foreign currencies are recognised in Hungarian forints. The conversions are based on the MKB Bank Zrt. (hereinafter "MKB") middle rate prevailing on the date of the transaction. Assets denominated in foreign currencies are disclosed in the balance sheet at the end of the year in forints converted at the appropriate rate as of the yearend. The Institute accounts the aggregated exchange gain resulting from the year-end revaluation as income on financial transactions.

Taxes

According to Hungarian tax regulations, the Institute is exempt from local business tax and training contribution, excluding the VAT as the Institute was registered under VAT in 2011 based on its training organization activities and is obliged to issue invoices to the EPP Group from 16 August 2011. The Institute has filed its 2015 corporate income tax return after its 2015 business activity. The corporate income tax payable amounted to zero as the Institute's 2014 result from business activity was negative.

5) **Tangible and intangible assets:**

	<u>HUF ('000)</u> <u>31.12.2014</u>	<u>HUF ('000)</u> <u>31.12.2015</u>
Intangible assets		
Acquisition cost	1 047	1 047
Depreciation	<u>1 047</u>	<u>1 047</u>
Net book value	0	0
Tangible assets		
Acquisition cost	33 746	34 066
Depreciation	<u>-18 973</u>	<u>-20 251</u>
Net book value	14 774	13 815

Intangible assets include software products and telephone lines. Tangible assets comprise the net book value of the property purchased in 1998 (purchase cost: HUF 20 million) and office machinery and equipment. In 2015 the Institute purchased tangible assets for HUF 157 thousand.

The Institute had no decrease in its Intangible or Tangible Assets except for depreciation in 2015.

The Institute recorded ordinary depreciation of HUF 1 277 thousand in the period under review.

6) **Financial investments:**

The Institute owns no financial investments as at 2015 year-end.

7) **Securities:**

The Institute acquired MKB interest-bearing securities and liquidity investment fund participations in 2015 that will mature in 2016.

8) **Receivables:**

The Institute had no receivables as at 31 December, 2015. As the VAT settlement account had a debit balance of HUF 10 376 thousand at the yearend.

9) Liquid assets:

The Institute had HUF 47 463 thousand on its bank account held at MKB as at 31 December, 2015. The amount was supported by bank confirmations.

Composition of bank deposits:

• Foreign currency:	EUR	130 639
• Hungarian forint:	THUF	6 148

The Institute had HUF 780 thousand cash as at 31 December 2015, which included HUF 158 thousand and EUR 1 968.

10) Prepayments:

The amount of prepayments decreased from HUF 2 395 thousand to HUF 208 thousand as at 31 December, 2015 compared to 31 December, 2014. The total balance relates to interest accrual.

11) Changes in equity:

	<u>HUF ('000)</u>
Opening	<u>185 436</u>
Difference between income and expenses in 2015	4 392
Closing	<u>189 828</u>

12) Provisions:

The Institute did not make any provisions as at 31 December, 2015.

13) Liabilities:

The Institute's short term liabilities were HUF 2 467 thousand as at 31 December, 2015.

14) Accruals:

The amount of accrued expenses and deferred income was HUF 1 148 thousand as at 31 December, 2015; which shows a decrease of HUF 878 thousand compared to 31 December 2014. This included HUF 56 thousand accrued bank charges, HUF 27 thousand accrued office costs, HUF 791 thousand accrued audit fee, HUF 81 thousand accrued postage fee, HUF 27 thousand transaction fee and HUF 165 thousand legal fee costs related to 2015.

15) Income and expenses:

	<u>HUF ('000)</u> <u>2014</u>	<u>HUF ('000)</u> <u>2015</u>
<i>Income:</i>		
Sales revenue	22 455	27 136
Donations	96 217	84 677
Membership fees	1 158	911
Other income	0	88
Interest	2 100	1 204
Exchange gains	4 170	2 696
<u>Extraordinary income</u>	<u>0</u>	<u>0</u>
Total:	<u>126 100</u>	<u>116 712</u>
<i>Expenses:</i>		
Service costs	66 860	56 625
Salaries	45 257	40 091
Other staff benefits, wage contributions	12 343	13 832
Depreciation	1 037	1 277
Exchange losses	0	174
Provision	0	0
Other expenses	454	321
<u>Extraordinary expenses</u>	<u>0</u>	<u>0</u>
Total:	<u>125 951</u>	<u>112 320</u>

Income

Income of donations was accounted for the period appointed by the donor. In the current year the Institute accounted for all revenues based on the accrual concept.

The Institute received the majority of its donations from the EPP (European People's Party EUR 100,000), the Robert Schuman Stiftung, Luxembourg (EUR 100,000) and some other course sponsors.

The Institute presents the amount invoiced to EPP Group as revenues from business activity.

Costs

Service costs represented primarily seminar costs.

Result from business activity:

The Institute's 2015 result from business activity is as follows:

	<u>HUF ('000)</u> <u>2014</u>	<u>HUF ('000)</u> <u>2015</u>
Sales revenues	22 455	27 136
Profit from financial transactions	1 175	730
Material costs	23 272	24 527
Staff costs	6 407	6 123
Depreciation	194	307
Other expenses	85	77
Loss from financial transactions	0	42
<u>Result from business activities:</u>	<u>-6 328</u>	<u>-3 210</u>

Costs of business activity include course costs directly related to the business activity, as well as costs allocated to the business activity on a reasonable basis (predominantly general administrative costs and personnel costs).

16) CASH FLOW:

	<u>HUF ('000)</u> <u>2014</u>	<u>HUF ('000)</u> <u>2015</u>
I. Cash flows from operating activities:	34 304	-47 095
Difference between income and expenses	149	5 669
Sales of fixed assets	0	0
Depreciation	1 037	1 277
Changes to receivables	-342	-11 100
Changes to accrued expenses and deferred income	30 440	-45 761
Changes to liabilities	956	1 511
Changes to Accruals	242	-878
Changes to Provisions	0	0
Changes to prepaid expenses and accrued income	1 821	2 187
II. Cash flows from investing activities:	-45 076	-357
Fixed asset additions	-45 076	-357
Sales of fixed assets	0	0
III Cash flows from financing activities:	0	0
Repayment of loans	0	0
IV. Changes in liquid assets	<u>- 10 772</u>	<u>-47 452</u>